

BOARD OF DIRECTORS

Mr. Firdose A. Vandrevala (*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. Charles Antony (*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 Accountants

12, 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)

Fax : 91 22 5656 8496

e-mail : csg-unit@tatashare.com

website : www.tatashare.com

REGISTERED OFFICE

Ispat House, B. G. Kher Marg,

Worli, Mumbai – 400 018.

Tel : 91 22 5661 5445

Fax : 91 22 5660 5516 / 5517

Website : www.tataindicom.com

e-mail : ir@tatatel.co.in

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NOTICE

Notice is hereby given that the 10th Annual General Meeting of **Tata Teleservices (Maharashtra) Limited** will be held on **Friday, August 5, 2005** 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, 2005 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, 2005, 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 Mr. F. A. Vandrevalla, who retires from the office of Director 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 as an ORDINARY RESOLUTION:

"RESOLVED that the vacancy caused on the Board of Directors of the Company due to the retirement of Mr. Ishaat Hussain, a Director of the Company who was liable to retire by rotation at this Annual General Meeting and who does not seek re-election, be not filled."

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

"RESOLVED that the vacancy caused on the Board of Directors of the Company due to the retirement of Dr. J. J. Irani, a Director of the Company who was liable to retire by rotation at this Annual General Meeting and who does not seek re-election, be not filled."

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

"RESOLVED THAT Mr. Charles Antony, an Additional Director, who holds office up to the date of 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 consent of the Company be and is hereby accorded pursuant to the provisions of Sections 198, 269, 309, 310, 314, 316, 317 and other applicable provisions, if any, of the Companies Act, 1956, to the appointment of Mr. Charles Antony as the Managing Director of the Company for a period of 5 years w.e.f. October 1, 2004.

RESOLVED FURTHER THAT pursuant to Sections 198, 269, 309, 310, 314, 316, 317 and other application provisions, if any, of the Companies Act, 1956 and any other applicable laws and regulations, Mr. Charles Antony who has been appointed as the Managing Director of the Company, with effect from October 1, 2004 for a period of 5 years, be paid remuneration as follows for a period of 3 years from the date of his appointment as Managing Director:

1. *Basic Salary:* Rs. 1,85,000/- per month in the grade of Rs.125,000/- p.m. to Rs.300,000/- p.m. The Board of Directors (which expression shall be deemed to include Remuneration Committee or any other committee constituted by the Board for this purpose) in its discretion may allow appropriate annual increment.
2. *Special Allowance:* 33% of Basic Salary.

3. *Performance Bonus:* Such remuneration by way of performance bonus up to 36 months of basic salary, subject to a minimum of 12 months' performance bonus per annum for two years from October 1, 2004 (pro-rata for part of financial year) in addition to basic salary, perquisites and allowances payable calculated with reference to the performance of the Company for each financial year and the appointee's performance during the year as evaluated by the Board at the end of each such financial year. This amount would be subject to the overall ceilings stipulated in Sections 198, 309 and other applicable provisions of the Companies Act, 1956.
4. *Perquisites and Allowances:*
- a. *Residential Accommodation:* The Company shall provide Company owned/leased accommodation to the appointee, and undertake its maintenance. The Company shall also pay for society charges and provide and pay for utilities such as gas, electricity, water etc. The perquisite value of the residential accommodation will be calculated as per the Income Tax Rules.
OR,
House Rent Allowance at 60% of basic salary; House Maintenance Allowance at 25% of basic salary.
 - b. In addition to residential accommodation, the appointee shall be entitled to other perquisites and allowances of the value of 18% of the appointee's annual basic salary to cover the following: furnishing; leave travel concession for self, wife and dependent children; normal medical reimbursement for self, wife and dependent children; and utilities.
 - c. Membership of Fort Medical Society [this is a Trust to take care of any exceptional medical expenses not covered in 4 (b)] for self and for family when residing in India.
 - d. The Company will pay fees of one club. This will not include admission and life membership fees.
 - e. Payment of premium for appropriate medical insurance for hospitalization for self, wife and dependent children, provision of a Company car for official duties, provision of telephone at residence and cell phone (including payment of local calls and long distance official calls) and US Health Insurance for family with premium upto Rs. 6,00,000/- p.a. for one year extendable thereafter as may be agreed to by the Board and the appointee, shall not be included in the computation of perquisites for the purpose of calculating the ceiling mentioned in para 4(b) above.
 - f. The Company's contribution to Provident Fund and Superannuation or Annuity Fund, if any, to the extent these either singly or together are not taxable under the Income Tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of the limit referred to in para 4 (b) above. In case the aggregate contribution of Provident Fund and Superannuation Fund is less than 27% of basic salary, the Special Allowance referred to in para 2 above shall be increased to that extent.
 - g. *Minimum Remuneration:* Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the appointee's tenure, the Company has no profits or the profits are inadequate, the Company shall pay basic salary, perquisites, performance bonus and allowances as specified above as minimum remuneration.

Subject to the provisions of the Companies Act, 1956 and other applicable laws and subject to receipt of requisite consents and approvals, Mr. Antony would also be eligible to avail of any other benefits in addition to the above, as per Company policies prevailing from time to time.

5. *Other Terms and Conditions:*

The remuneration and other terms and conditions of this appointment may be varied/enhanced from time to time by the Board of Directors as it may in its discretion deem fit within the maximum amounts payable to the Managing Director as per Schedule XIII to the Companies Act, 1956 so as to conform with the provisions of the Companies Act, 1956.

RESOLVED FURTHER 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."

8. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company be altered as follows :

For Article 91, the following may be substituted –

'COMMON SEAL AND EXECUTION OF DOCUMENTS

91. The Board of Directors shall provide a Seal for the purpose of the Company and shall have power, from time to time, to destroy the same and substitute a new Seal, in lieu thereof. The Board shall provide for the safe custody of the Seal and the Seal shall, except as otherwise empowered under the Act or rules thereunder, never be used except by the authority of the Board of Directors or a Committee of the Board of Directors, and (a) two Directors, or (b) one Director and the Secretary or (c) one Director and such other person, as the Board may appoint for the purpose or (d) the Company Secretary and such other person, as the Board may appoint for the purpose, shall sign every instrument to which the Seal is affixed provided nevertheless, that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Directors to issue the same."

9. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :

- "(a) RESOLVED THAT pursuant to Section 81 and all other applicable provisions of the Companies Act, 1956 (including any modification or re-enactment thereof, for the time being in force), subject to all applicable laws and in accordance with all relevant provisions of the Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the stock exchanges where the Company's shares are listed and subject to such approvals, consents, permissions and/or sanctions of the Central Government, Reserve Bank of India and/or any other appropriate authorities, including banks, financial institutions or other lenders/creditors or holders of foreign currency convertible bonds issued by the Company earlier, as may be necessary, and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, or sanction, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall be deemed to include any Committee or authorized representative/s thereof), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot, in the course of international offering(s) to eligible foreign investors (whether or not such investors are members of the Company) by way of circulation of an offering circular or prospectus or by way of private placement, foreign currency convertible bonds upto the aggregate principal amount of United States Dollars 200 million (hereinafter referred to as "Securities"), secured or unsecured, to be subscribed in foreign currency, which, at the option of the holders of the Securities may be converted into equity shares of the Company, such offer, issue and allotment to be made in one or more tranches, on such terms and conditions as may be decided and deemed appropriate by the Board at the time of offer, issue or allotment.
- (b) RESOLVED FURTHER THAT without prejudice to the generality of the above and subject to all applicable laws and regulations, the aforesaid issue of Securities may have all or any terms or combination of terms in accordance with international practices including but not limited to conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever, and all such terms as are provided in issue of securities of this nature internationally including terms for issue of equity shares upon conversion of the Securities or variation of the conversion price of the Securities during the term of the Securities and the Company is also entitled to enter into and execute all such arrangements/agreements as the case may be with any lead managers, managers, underwriters, advisors, guarantors, depositories, custodians and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or the like, and also to seek the listing of such Securities or securities representing the same on one or more stock exchanges outside India.
- (c) RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and/or in the international market and/or at the place of issue of the Securities in the international market and may be governed by applicable foreign laws.
- (d) RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities referred to in paragraph (a) above or as may be necessary in accordance with the terms of the offerings, all such equity shares being *pari passu* with the then existing equity shares of the Company in all respects.
- (e) RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities or securities representing the same or equity shares, as described herein above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation to determine the terms and timing(s) of the issue(s), the class of investors to whom the Securities (or securities representing the same or equity shares, as described herein above) are to be issued, number of Securities (or securities representing the same or equity shares, as described herein above) to be issued in each tranche, issue price, face value, premium amount on issue / conversion of Securities, rate of interest, redemption period, etc. the utilization of issue proceeds,

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entering into of underwriting, marketing and depository arrangements, and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

- (f) RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Managing Director or any Director or any other Officer or Officers of the Company to give effect to the aforesaid 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 : May 13, 2005

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. to 1.00 p.m. up to the date of Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 21, 2005 to Friday, August 5, 2005 (both days inclusive).
5. Members 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 on the following page viz. http://www.tataindicom.com/misc/ttml/nomination_form.asp. 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.
8. **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. 3

Mr. F. A. Vandrevala, who is the Chairman of the Board of Directors of the Company, retires by rotation at this Annual General Meeting ("AGM") and is eligible to be re-elected as a Director whose office shall be liable to retirement by rotation.

Mr. Vandrevala, aged about 54 years, is Managing Director of The Tata Power Company Limited. Before joining The Tata Power Company Limited in 2001, he held several important positions at Tata Steel including that of a Deputy Managing Director (New and Allied Business).

Mr. Vandrevala is the Chairman of the Boards of Directors of the Company, Tata Teleservices Limited, Tata Power Broadband Co. Ltd., and Tata Power Trading Co. Ltd. Mr. Vandrevala is also a Director of Af-Taab Investment Co. Ltd., Chemical Terminal Trombay Ltd., NELCO Ltd., North Delhi Power Ltd., Power Trading Corporation of India Ltd., Tata Ceramics Ltd., Tata Ryerson Ltd., Videsh Sanchar Nigam Ltd., Tata Services Ltd. and Powerlinks Transmission Ltd.

In addition to being on the Remuneration Committee of the Board of Directors of the Company, Mr. Vandrevala is also a member of the Audit Committee of the Board of Tata Ryerson Ltd. and a member of the Shareholders' / Investors' Grievance Committee of the Board of The Tata Power Co. Ltd.

Mr. Vandrevala graduated with a Bachelor of Technology degree from Indian Institute of Technology, Kharagpur and subsequently completed Post Graduate Diploma in Business Management from Xavier Labour Relations Institute, Jamshedpur.

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

Mr. Vandrevala does not hold any shares or instruments convertible into shares in the Company.

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

Item No. 4

Mr. Ishaat Hussain retires by rotation at this AGM and is eligible for re-election. However, Mr. Hussain has informed the Board of Directors that he would not seek re-election as a Director of the Company in view of his other commitments.

It is proposed that the vacancy arising due to retirement of Mr. Hussain from the office of Director should not be filled. Accordingly, an ordinary resolution to this effect is proposed for the members' approval.

None of the Directors is interested or concerned in the Resolution at Item No. 4.

Item No. 5

Dr. J. J. Irani retires by rotation at this AGM and is eligible for re-election. However, Dr. Irani has informed the Board of Directors that he would not seek re-election as a Director of the Company in view of his other commitments.

It is proposed that the vacancy arising due to retirement of Dr. Irani from the office of Director should not be filled. Accordingly, an ordinary resolution to this effect is proposed for the members' approval.

None of the Directors is interested or concerned in the Resolution at Item No 5.

Item No. 6

Mr. Charles Antony was appointed as an Additional Director of the Company w.e.f. October 1, 2004. He holds office as Additional Director upto the date of this AGM. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. Antony as a candidate for the office of Director. Mr. Antony is therefore eligible for appointment to the office of Director, whose office shall be liable to retirement by rotation.

Prior to joining the Company, Mr. Charles Antony, aged 52 years, was with Tata Infotech Limited as Executive Director (designated as President & Chief Operating Officer).

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Mr. Antony has extensive global management exposure in high volume business development, in fast paced time sensitive environments. Mr. Antony joined Motorola, USA in 1979 as Electrical Engineer and rose to the position of Senior Director Operations in 1998. In a career spanning over 25 years in the US with Motorola, Mr. Antony excelled in being result driven. His excellent problem solving skills coupled with his immense experience in analyzing and streamlining product delivery systems helped him increase productivity across all levels of responsibilities held by him.

Mr. Antony brings with him strong operation skills. His expertise principally lies in the areas of starting new organizations and developing long-term technology road maps. During his tenure with Motorola, he was consistently ranked in the high potential employee list.

With clear vision and customer driven approach Mr. Antony led a team which introduced network and support systems in Japan, which was instrumental in signing a \$1 billion contract; he started the first GSM Systems Engineering Organization in US; implemented multiple nationwide contracts in the Middle East and Africa worth \$250 million; developed the GSM expertise in Asia leading to signing of contracts valuing \$200 million; engineered and implemented the first TACS network in China worth \$500 million.

Mr. Antony is the Chairperson of the worldwide Systems Engineering Council. He holds a B.Sc. degree in Mathematics and B.S. in Electrical Engineering from the US.

The Board considers that the Company would benefit immensely from Mr. Antony's rich experience in the fields of telecom and management and therefore recommends his appointment.

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

Item No. 7

Consequent to Mr. S. Ramakrishan's resignation from the Board of Directors, the Board of Directors appointed Mr. Charles Antony as the Managing Director of the Company to hold such office for a period of 5 years w.e.f. October 1, 2004. Subject to the approval of the shareholders and the Central Government, Mr. Antony would be paid remuneration approved by the Remuneration Committee of the Board of Directors of the Company and as set forth in the Special Resolution appearing at serial no. 7 in the notice. The Company had applied to Government of India, Ministry of Company Affairs which has approved the remuneration as reproduced in the aforesaid Resolution, till the ensuing AGM. As mentioned in the Government letter, 'approval for remaining tenure will be granted after the Company furnishes Members' Special Resolution'. The consent of the Company's shareholders is now being sought for the same.

In accordance with the provisions of Schedule XIII of the Companies Act, 1956, the particulars as prescribed therein are enclosed and the approval of the shareholders is sought for payment of such remuneration for a period of 3 years from the date of Mr. Antony's appointment to the office of Managing Director i.e. upto September 30, 2007.

The Board recommends the passing of this resolution in the interests of the Company.

Mr. Antony is interested or concerned to the extent of the remuneration proposed in the aforesaid Resolution. No other Director is deemed to be interested or concerned in the passing of this resolution.

Item No. 8

The Articles of Association of the Company provides for the affixation of the Common Seal by two Directors or by one Director along with the Company Secretary/ person authorized by the Board of Directors. This necessarily requires the presence of a Director.

The Company has been executing various Term Loan and other Facility documents with banks/institutions at frequent intervals and in all such occasions one Director is required to be present for execution of documents and affixation of Common Seal.

It is proposed to amend the Articles of Association to have the flexibility of affixing the Common Seal in the presence of the Company Secretary and one other person authorized by the Board of Directors. The insertions to be made in the existing Clause 91 are underlined below for ease of reference of the Shareholders.

"91. COMMON SEAL AND EXECUTION OF DOCUMENTS

The Board of Directors shall provide a Seal for the purpose of the Company and shall have power, from time to time, to destroy the same and substitute a new Seal, in lieu thereof. The Board shall provide for the safe custody of the Seal and the Seal shall, except as otherwise empowered under the Act or rules thereunder, never be used except by the authority of the Board of Directors or a Committee of the Board of Directors, and (a) two Directors, or (b) one Director and the Secretary or (c) one Director and such other person, as the

Board may appoint for the purpose or (d) the Company Secretary and such other person, as the Board may appoint for the purpose, shall sign every instrument to which the Seal is affixed provided nevertheless, that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Directors to issue the same. The signatures of any two Directors so designated by a resolution of the Board on behalf of the Company on any document shall be prima facie evidence that the Company has validly executed such document.”

A copy of the Memorandum & Articles of Association of the Company together with the proposed alteration will be available for inspection by the Members at the Registered Office of the Company during Office hours on any working day.

None of the Directors of the Company are concerned or interested in the aforesaid resolutions.

The Board recommends the passing of this Special Resolution in the interests of the Company.

Item No. 9

After takeover of the Company by Tata Group, it was decided to expand the Company's operations using CDMA wireless technology. Grant of Unified Access Services licences allowed the Company to offer full mobility services. ICICI Bank Limited, the lead arranger for the Company's project debt requirements, has appraised the Company's revised business plan to cover 150 towns and achieve about 29 lakhs subscribers upto March 31, 2007, and pegged the project cost at Rs.5,400 crores, as against the earlier estimated project cost of Rs.3,381 crores. The Company has already spent Rs. 3,500 crores till March 31, 2005. The revised project cost envisages additional equity investment of Rs.694 crores in the Company. However, Foreign Currency Convertible Bonds (FCCBs) have emerged as an alternative, which allows the Company to raise equity at a substantial premium to current market prices at a very low cost. Therefore the Company proposes to issue FCCBs in the current year to meet its additional equity requirements as per its business plan. These FCCBs may be listed on one or more foreign stock exchanges and will be convertible into equity shares of the Company at the option of the FCCB holders at a conversion price to be decided at the time of issue of FCCBs.

The Company earlier completed an issuance of FCCBs worth US\$ 125 million (approx. Rs. 575 crores) in June 2004. As on March 31, 2005, FCCBs of US\$ 46.96 million have been converted into equity shares at a price of Rs. 24.96 per share.

Any issue of FCCBs with an option of conversion into equity shares, to persons who may not be members of the Company, requires the consent of the Company's shareholders. Considering that the window for availing of FCCBs on best terms is typically very short in view of continuous market fluctuations, the Board seeks the consent of shareholders by passing a resolution for issue of FCCBs not exceeding US\$ 200 million and consequent issue of equity shares arising on conversion of FCCBs to the extent opted by FCCB holders. While the terms of the offer would be finalised at the time of issue of FCCBs, the issue will be structured in a manner such that the Company's promoters would, at all times, continue to hold a majority of the Company's paid up Equity Capital. Shareholders' approval will enable the Board to complete the issue of FCCBs during any window of opportunity when favourable terms can be obtained from foreign investors.

Approval of the members of the Company is being sought pursuant to Section 81 (1A) and other applicable provisions of the Companies Act, 1956 for such issue.

The Directors recommend the passing of this SPECIAL RESOLUTION in the interests of the Company. The Directors of the Company may be deemed to be concerned or interested in the Resolution to the extent of Securities that may subscribed to by the companies/institutions of which they are Directors or members.

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, 2005

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Disclosures Pursuant to sub-clause (iv) under the proviso to sub-paragraph (C) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956

Nature of industry	<p>The Company operates in the Telecommunication Services Industry. This industry is very competitive in India. Major growth is coming in mobile segment in which there are four to six operators in each telecom circle. There are two types of technologies i.e. GSM and CDMA being used for mobile telephony. GSM technology based operators are offering mobile service in India for last 7/8 years while CDMA operators were allowed to offer full mobility since November 2003. The Company has created wireline base in initial years in cities like Mumbai and Pune. Incumbent operators i.e. BSNL and MTNL have dominant market share in wireline segment. The Company provides fixed wireless service by using CDMA technology. It is market leader in this segment. The industry is a technology driven industry and experiences constant technological and regulatory changes.</p> <p>Due to very high degree of competition, the tariffs are falling continuously and are the lowest in the world.</p>																
Date or expected date of commencement of commercial production	December 18, 1998																
Financial performance based on given indicators during the financial year ended March 31, 2005	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; font-weight: normal;"><i>Rs. Crores</i></th> </tr> </thead> <tbody> <tr> <td>Total Income</td> <td style="text-align: right;">836.48</td> </tr> <tr> <td>Expenses</td> <td style="text-align: right;">1364.34</td> </tr> <tr> <td>Loss</td> <td style="text-align: right;">527.86</td> </tr> <tr> <td>EPS</td> <td style="text-align: right;">(3.73)</td> </tr> <tr> <td>P/E Ratio</td> <td style="text-align: right;">Not applicable</td> </tr> <tr> <td>Total Assets</td> <td style="text-align: right;">2858.98</td> </tr> <tr> <td>Accumulated Losses</td> <td style="text-align: right;">1692.35</td> </tr> </tbody> </table>		<i>Rs. Crores</i>	Total Income	836.48	Expenses	1364.34	Loss	527.86	EPS	(3.73)	P/E Ratio	Not applicable	Total Assets	2858.98	Accumulated Losses	1692.35
	<i>Rs. Crores</i>																
Total Income	836.48																
Expenses	1364.34																
Loss	527.86																
EPS	(3.73)																
P/E Ratio	Not applicable																
Total Assets	2858.98																
Accumulated Losses	1692.35																
Export performance and net foreign exchange collaborations	The Company is licensed to offer services in the states of Maharashtra and Goa. The incoming foreign calls are received through international long distance operators who receive the foreign exchange. The Company thus has made no direct exports till date. The Company has incurred foreign exchange outgo of Rs. 364.8 crores during the financial year 2004-05.																
Foreign investments or collaborators, if any	There is no foreign collaboration. The Tata Group owns 66.80% of the Company's paid-up share capital. Foreign equity holdings constitute 3.61% of the Company's paid up capital.																

Information about Mr. Charles Antony, Managing Director

Background details	<p>Mr.S.Ramakrishnan resigned from the offices of Director and Managing Director of the Company w.e.f. September 30, 2004.</p> <p>The Board appointed Mr. Charles Antony as Director and Managing Director of the Company for a period of 5 years w.e.f. October 1, 2004.</p> <p>Further details are as set out in the Explanatory Statement to Item no. 6 and 7 of the accompanying notice convening the 10th Annual General Meeting.</p>
Annual remuneration with last employer (Tata Infotech Limited)	Rs. 1,14,95,996/-
Recognition or awards	Mr. Antony has been consistently ranked amongst the high potential employees throughout his career. He has held senior management positions in Motorola and Tata Infotech Limited.

Information about Mr. Charles Antony, Managing Director

Job profile and his suitability	<p>The Managing Director (MD) is responsible for the overall operations and profitability of the Company. He is expected to help achieve the organization's short-term and long-term targets.</p> <p>The MD is instrumental in setting and reviewing performance of all units/departments of the Company. He ensures performance compliance in accordance with the Company's stated business plans and policies. In this regard, the MD is expected to give proper direction to the thought process and activities carried out by the various units/departments of the Company.</p> <p>The MD heads a senior management team and is responsible for taking business decisions in a highly competitive and fast-paced environment keeping in mind that the telecom industry is characterized by continuous technological and regulatory changes.</p> <p>The MD is also expected to ensure that stakeholder interests are met with leading to a balanced and sustainable growth for the Company.</p> <p>Mr. Antony has all the requisite qualifications, experience and attributes to meet the above requirements.</p>
Remuneration proposed	As detailed in the Special Resolution under Item no. 7 of the accompanying notice convening the 10 th Annual General Meeting.
Comparative remuneration profile with respect to industry, size of the company, profile of the company, profile of the position and person (in case of expatriates, the relevant details would be w.r.t. the country of origin)	<p>Comparative remuneration profile with respect to industry & size of the company</p> <p>Information about remuneration of Managing Directors of telecom companies of comparable size and business profile is not available in public domain. The appointee has worked abroad throughout his career and his remuneration is commensurate with his qualifications, experience and challenges confronting the telecom sector in general and the Company in particular.</p> <p>Profile of the Position: As set out above</p> <p>Profile of the Person: Mr. Antony is a citizen of United States having worked there for more than 25 years. His detailed profile appears in the explanatory statement to Item no. 6 of the accompanying notice convening the 10th Annual General Meeting.</p>
Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any	Apart from holding the offices of Director and Managing Director of the Company, Mr. Antony has no pecuniary relationship with the Company. The Company has not appointed any managerial personnel except Mr. Antony.

Other Information

Reasons of loss or inadequate profits	Please refer to the Management's Discussion & Analysis of Financial Condition and Results of Operations appearing elsewhere in this Annual Report.
Steps taken or proposed to be taken for improvement	Please refer to the Management's Discussion & Analysis of Financial Condition and Results of Operations appearing elsewhere in this Annual Report.
Expected increase in productivity and profits in measurable terms	As the Company is continuously rolling out its telecom network, the increase in productivity and profits for the future years in measurable terms cannot be estimated with a sufficient degree of assurance.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Tenth Annual Report together with the Audited Statements of Accounts of the Company for the year ended March 31, 2005.

OPERATIONS

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

During the year, the Company rolled out CDMA wireless services in 116 new towns in Maharashtra and Goa. It currently offers these services in 125 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.

Tata Teleservices Limited (TTSL), which is a major shareholder in the Company, acquired licences for and commenced services in 12 more telecom circles in addition to its existing 6 circles and thus the Company's subscribers now enjoy almost pan-India mobility. The Company and TTSL together provide service in 1200 towns which is proposed to be doubled during the current year.

Subscriber base of the Company more than doubled to 10,05,655 lines comprising of 2,22,390 wired lines, 2,56,177 mobile connections and 5,27,088 fixed wireless connections.

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 for Jalna, Kalyan, Nagpur, Pen and Ratnagiri telecom districts. The Company has the obligation to roll out services (100 lines per telecom districts), by September 2005.

The Company is focused on expanding its network to more towns and tehsils, increasing Market share, revenues and customer experience. The Company has completed training and certification programme across all customer-facing units to ensure consistent and superior customer experience. The Company would also open a large number of True Value Shoppe to display its range of services and offer superior user experience to all its customers.

Mobile Services

'True Paid' Tariff Plans

In September 2004, the Company marked its entry into the Prepaid segment by launching Tata Indicom **True Paid** which offered 100% talktime (with no rental). Competitive pressures have forced the Company to bundle subscriber handsets and free recharge coupons for True Paid. This has adversely affected the Company's revenues in the short term, though it is expected that the Customer "stickiness" and life-time revenues that will be generated will adequately protect the Company's interests.

The Company has acquired mobile customers at a steady pace.

Fixed Wireless Services

During the year, the Company also repositioned its fixed wireless services with enhanced features like high speed internet without modem, SMS, CLI facility and voice mail under the sub-brand name "Walky". The "Walky" sub-brand has instantly become the most popular brand in its product segment and has helped the Company to garner about 70% share of the growth in the fixed wireless segment. Going forward, the fixed wireless segment is expected to contribute a major share of the Company's revenue. Prepaid tariff plans 'Walky Prepaid' was also introduced during the year.

Value Added Services and Premium Rate Services

The Company's subscribers have access to a number of value added services offered by TTSL on mobile handsets through its WAP portal Tata Zone. Games, Cricket, News, Kalmanac (Religious Calender), Women's Zone, Daily Prayers, MTV Zone, Bargain Bazar, Polyphonic Ringtones, Wallpapers, Stocks-BSE, Jokes are increasingly becoming popular. Similar services are also provided through Voice Portal and SMS. The Company and TTSL through tie-ups with various companies provide their services on a wide range of low and high-end handsets to prospective and existing subscribers.

Internet Offerings

The Company is a Category A (National) ISP Licensee and offers a broad range of Internet-related product offerings including DSL, post

paid dial-up Internet access and content services. Since April 2005, the Company discontinued Wi-Fi Service (which was commenced in July 2003) and has agreed to transfer the assets to Videsh Sanchar Nigam Limited at a price of Rs. 2.99 crores, which is equivalent to the book value of the assets.

Tata Indicom Conference Call Service

The number of POPs (Points of Presence) of 'TATA Indicom Conference Call Service' were increased from 6 to 10. This has benefited users by reducing the calling expenses to access Conference Call Service.

FINANCIAL RESULTS

The Financial results of the operations are given below :

Particulars	(Rs. Crores)		
	Year ended March 31, 2005	Previous Year ended on March 31, 2004	% Change + / (-)
Telecom Revenue	807.47	597.50	35
Other Income	29.01	51.16	(43)
Total Income	836.48	648.66	29
Total expenditure	902.60	597.92	51
Finance & Treasury Charges (net)	144.73	117.89	23
Depreciation	317.01	202.53	57
(Loss) before and after tax	(527.86)	(269.68)	(96)

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

Operating expenditure was higher on account of roll out in 116 more towns, higher interconnect usage charges, aggressive sales & marketing initiatives on launch of prepaid services to match competitive offering, higher customer service costs & provisions for bad & doubtful debts.

Loss for the year was higher due to higher depreciation and finance costs on account of substantial expansion of the infrastructure and consequential additional borrowing.

FINANCING

The proceeds of the Company's Foreign Currency Convertible Bonds (FCCBs) issue aggregating to US\$ 125 million were utilized towards part financing the expansion of the Company's network. As of March 31, 2005, FCCBs aggregating to US\$ 46.96 million have been converted into equity at a premium of Rs.14.96 per share.

ICICI Bank Limited appraised the Company's revised business plan at a project cost of Rs. 5,400 crores (Original project cost was Rs.3,381 crores). The additional funding requirement of approximately Rs. 2,000 crores is proposed to be met from equity, drawdown of long-term loans already contracted by the Company and vendor financing. The Company has already spent approximately Rs.3,500 crores on the project till March 31, 2005.

The Company renegotiated the interest rate with a majority of its lenders on its long-term loans from 10.50% to 7.50%. The rest of the banks are also expected to revise the interest rate to 7.50% p.a..

TELEDENSITY TARGETS & REGULATORY ENVIRONMENT

The year 2004-2005 was an eventful year for telecommunications sector as well as for the Company. The national tele-density (currently around 9.2%) targets were over-fulfilled. The country reached 100 million telephone connections mark. The number of mobile subscribers exceeded the fixed-line subscribers. This growth has prompted the Government to set an ambitious target of 25 crores lines by December, 2007 i.e. addition of 15 crore lines in next 32 months.

The Company has requested the Government that in order to enhance participation of private sector in meeting these objectives, the Government needs to provide expeditiously the required enablers like provision of additional spectrum, rationalization of various

TATA TELESERVICES (MAHARASHTRA) LIMITED

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levies including licence fees, taxes and duties and access deficit charge (ADC), establishment of effective interconnection enforcement mechanism, and adoption of flexible regulatory and licensing policies.

As announced last year, the licence fee was reduced from 12% to 10% effective April 1, 2004 which benefited the Company.

Effective February 1, 2005, the Telecom Regulatory Authority of India (TRAI) announced a new interconnect usage charges (IUC) regime whereby the Access Deficit Charges (ADC) (which is a sort of support/subsidy given to fixed service operators to meet their high costs of roll-out) payable on incoming calls to fixed service phones was withdrawn. The Association of Unified Telecom Service Providers of India (AUSPI) of which the Company is a member while challenging ADC in Telecom Disputes Settlement & Appellate Tribunal (TDSAT) has pointed out that Bharat Sanchar Nigam Limited (BSNL), wholly owned Government of India undertaking receives ADC from private telecom operators on the ground that it rolls out services in rural areas, however the private operators contribute 5% of their revenues to Universal Service Obligation (USO) Levy Fund which was set up by the Government of India amongst other things for supporting rural telephony. The private operators thus bear a double burden while BSNL gets ADC even though it makes substantial profits. Indeed, BSNL's use of ADC funds to offer very low tariffs even in urban areas which are not subject to regulated tariffs cannot be ruled out. This creates a non-level playing field in favour of BSNL. The ADC regime and its quantum is currently being reviewed by the TRAI through a formal consultation process.

DIVIDEND

Your Directors regret their inability to recommend any dividend for the year under consideration.

APPROPRIATIONS

No appropriations are proposed to be made for the year under consideration.

SHARE CAPITAL

The Company issued 4,40,869 equity shares of Rs. 10/- each at par, pursuant to the Company's Employee Stock Option Plan in September 2004. Further the Company also issued an aggregate of 8,35,53,417 equity shares of Rs. 10/- each at a premium of Rs. 14.96 per share, pursuant to conversion of Foreign Currency Convertible Bonds during the last quarter of F.Y. 2004-05. Due to this, the paid-up share capital of the Company now stands increased from Rs.1,406.98 crores to Rs.1,490.97 crores.

DIRECTORS

Mr. N. S. Ramachandran, Mr. Pradman Kaul and Dr. Naushad Forbes are Independent Directors as regards the Company.

Effective September 30, 2004, Mr. S. Ramakrishnan who was a Managing Director of the Company resigned from the Board of Directors to take up another assignment in the Tata Group. The Board records its sincere appreciation of the valuable services rendered by him.

Mr. Charles Antony was appointed as the Additional Director and Managing Director of the Company w.e.f. October 1, 2004. A resolution has been proposed in the enclosed notice of the 10th Annual General Meeting ('the AGM') for his appointment as a Director and also a separate resolution seeking Members' approval for his appointment as the Managing Director on a remuneration described in the notice of the AGM.

Government of India, Ministry of Company Affairs has approved the remuneration (as reproduced in Resolution no. 7 of the enclosed notice of the AGM) till the ensuing AGM. As mentioned in the Government letter, 'approval for remaining tenure will be granted after the Company furnishes Members' Special Resolution'.

Mr. F. A. Vandrevalla, retires by rotation and offers himself for re-election which your Directors consider to be in the best interests of the Company and therefore commend it for your approval.

Mr. Ishaat Hussain and Dr. J. J. Irani will also retire by rotation at the ensuing Annual General Meeting but have informed the Company that they are not available for re-election as Directors due to their other commitments. The Board records its sincere appreciation of the valuable services rendered and guidance provided by them to the Board and the management of the Company.

HUMAN RESOURCES

The Company is working towards institutionalizing a 'Performance-oriented' culture. The entire HR systems e.g. Recruitment, Performance Management System, Reward & recognition have been aligned with the business objectives. The Company attaches considerable importance to training and employee development with focus on Customer sensitivity, Process and ISO training. Regular communication channel is maintained with the employees through Town halls, Departmental meets and such other forums. The fortnightly Leadership

meet is conducted to keep the employees informed about the performance and strategic objectives of the organization. An independent Employee Engagement Survey is conducted annually involving the entire organization. The survey results are shared with the employees and action plan is worked out through consensus. The Company has aligned its employee policies with those of TTSL in order to ensure uniformity.

Your Board sincerely thanks all the employees who have put in hard work and helped the Company to double its subscriber base during the year.

ISO 9001:2000 CERTIFICATION

The Company which is well-known in the market for its quality and service excellence was the first basic telecom service Company in India to receive ISO 9001:2000 certification in August 2002. The Company has benchmarked its processes with inputs from world class consultants including IBM, KPMG and TSMG and would go for 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 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.

SOCIAL RESPONSIBILITY

Social responsibility is a way of life in every Tata Group Company. Being a 'Responsible Corporate Entity' has been identified as one of the strategic objectives of the Company. Towards this end, various community initiatives were undertaken by the Company during the year.

As of March 31, 2005, the Company has provided about 5200 public telephone lines in remote villages which did not have telephone facilities.

The Company imparted electrical wireman training to 64 tribal youths from backward regions of Maharashtra. Most of these youths are now employed with the Company's contractors.

The Company's employees donated a day's salary towards Tsunami Relief work undertaken by Tata Relief Committee. Many employees also donated money and devoted their time for other social responsibility initiatives.

AUDITORS

• Internal Audit

Your Board has re-appointed M/s. Axis Risk Consulting Services Private Limited as the Internal Auditors, effective April 1, 2005.

• Statutory Auditors

M/s Deloitte Haskins & Sells, Chartered Accountants, the present statutory auditors retire at this meeting and are eligible for re-appointment. The Audit Committee and your Board recommend their re-appointment.

STATUTORY DISCLOSURES

• Directors' Responsibility Statement

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representations received from the operating management, confirm that –

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. They have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the period;
3. They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the annual accounts on a going concern basis.

- **Auditors' Observations**

- Attention is invited to paragraph 5 in the Annexure to Auditors' Report wherein the auditors have observed as follows:

'In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regards to purchase of fixed assets. *In relation to sale of services, on migration to a new billing system, the Company observed certain important areas that needed to be strengthened and we are informed that, the Company has taken steps to remedy those areas.* During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls. The nature of the Company's activities is such that there is no purchase of inventory or sale of goods.'

- Attention is also invited to paragraph 15 in the Annexure to Auditors' Report wherein the auditors have observed as follows:

'As stated in item 5 above, on migration to a new billing system, the Company observed certain important areas that needed to be strengthened. The Company noticed unauthorized usage of its network, on account of which management has estimated that its revenues are exposed to the tune of approximately Rs.20.3 crores. Except for the above, to the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.'

Directors' comments

With regard to the auditors' observations in paragraph 5 and 15 as reproduced above, the Directors would like to inform the shareholders that the Company had noticed certain cases of unauthorized usage of its network and services by subscribers who were untraceable. The Company has lodged a first information report with the police authorities and investigations are in progress. Two individuals have been arrested as of date. The Company is following up this matter with the police authorities. The Company has taken corrective action and strengthened the internal controls.

Shareholders may note that the Auditors have observed in the above quoted paragraph that 'During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls'.

- Attention is also invited to paragraph 10 in the Annexure to the Auditors' Report wherein the auditors have observed as follows:

'The accumulated losses of the Company exceed fifty percent of its net worth as at the end of the financial year. The Company has incurred cash losses during the financial year and the immediately preceding financial year.'

Directors' comments

Attention is invited to the following Note 21 in Schedule 15 forming part of the Balance Sheet and Profit and Loss Account which is self-explanatory and is reproduced below:

'21. The accumulated losses of the Company at the close of the year exceeded its paid up capital and reserves. The Company has been incurring cash losses. This however, is not an uncommon feature for telecommunication service providers in their initial years of commercial operations due to high operation costs of heavy infrastructure and high capital requirement for building the network. The Company has adequate commitments from its lenders for meeting its operating and financial requirements and continues to grow its network. The Company is therefore considered a going concern and accounts have accordingly been prepared under the going concern assumption.'

- **Fixed Deposits**

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

- **Balance Sheet Abstract and Company's General Business Profile**

Information pursuant to Department of Company Affairs' notification dated May 15, 1995, relating to the Balance Sheet Abstract and Company's General Business Profile is given in the Annual Report for information of the shareholders.

• **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The disclosures as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given below.

(i) Energy Conservation : Electricity is used for the working of the Company's telephone exchanges and other network infrastructure equipment. The Company regularly reviews power consumption patterns across its networks and implements requisite improvements/changes in the network or processes in order to optimize power consumption and thereby achieve cost savings.

(ii) Technology Absorption : The Company has not imported any technology. The Company has not yet established separate R & D facilities.

(iii) Foreign Exchange Earnings and Outgo :

	Current Year*	PreviousYear*
Earnings	4.69	Nil
Outgo	3.52	34.79
Capital Goods	361.28	72.40

* Figures in Rs. Crores

• **Particulars of Employees and Stock Options**

The information as required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto as Annexure I and forms part of this report.

Further, the information as required to be disclosed in the Annual Report pursuant to the Securities & Exchange Board of India (Employees' Stock Option Schemes and Employees' Stock Purchase Scheme) Guidelines, 1999 is also annexed to this Directors' Report as Annexure II and forms part of this report.

A certificate from M/s Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors, with regard to the implementation of the Company's Employees' Stock Option Plan, would be placed before the members in the ensuing Annual General Meeting ("AGM").

• **Corporate Governance**

A report on Corporate Governance appears after this report. A certificate from M/s. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors, with regard to compliance of the corporate governance code by the Company is annexed hereto as Annexure III and forms part of this report.

Acknowledgements

The Directors wish to place on record their sincere appreciation of the assistance and support extended by customers, financial institutions, banks, vendors, Government and others associated with the activities of the Company.

For and on behalf of the Board of Directors

Place : Mumbai
Date : May 13, 2005

Firdose A. Vandrevala
Chairman

ANNEXURE I

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2005
a) Employed throughout the financial year and in receipt of remuneration exceeding Rs.24 lacs per annum

Sr. No.	Name	Age	Designation	Qualifications	Date of Joining	Prior Experience	Remuneration Received Rs.	Particulars of Last Employment Held
1	Mr. Ajay Mathur	32	General Manager - Marketing	B. Com, DSM	9-Jun-03	12 Years	2,492,925	Reliance Infocomm Ltd., National Head- Direct Marketing
2	Mr. Dhananjay Saheba	50	Chief Technical Officer	B.Tech (IT), M.S. (Columbia University)	19-Jun-00	22 Years	3,587,636	Lucent Technologies, Sr. Manager - Business Development
3	Mr. Gopal Srinivasa Pai	48	General Manager - Sales	B.E., PGDM	29-Oct-98	20 Years	2,821,225	Page Point Services India Ltd., Deputy General Manager
4	Mr. Hariddev Khosla	48	Vice President & Head - Network	B.E.	2-Mar-98	23 Years	5,350,936	Mahanagar Telephone Nigam Limited, Deputy General Manager
5	Mr. Kishore Mukund Salemore	39	VP - Finance	B.Com, ACA, PGDM	24-Nov-97	10 Years	3,942,658	ITC Limited, Exec Asst. to Dy. Chairman
6	Mr. Louis D'Souza	51	General Manager - Sites & MTRL	B.Com, DMS	18-Aug-97	24 Years	2,916,776	Hutchinson Max Telecom Ltd., Sr. Manager, Materials
7	Mr. Madhav J Joshi	52	Chief Legal Officer & Company Secretary	B.Com., LLB, FCS	1-Sep-98	29 Years	5,487,315	Bayer Industries Limited, Director and Secretary
8	Mr. Shishir Kumar	51	General Manager - Network Implementation	B.E. (Electronics)	14-Jul-98	22 Years	2,859,567	Hindustan Cables Ltd., General Manager
9	Mr. Vivek Garg	43	Deputy COO	B.Sc., PGDM	9-Feb-04	17 Years	2,940,753	BPL Mobile Communications Ltd., COO
10	Mr. Vivek Sett	50	Chief Financial Officer	B.Com, FCA	22-Jun-02	21 Years	9,319,172	Ispat Industries Limited, Director - Finance

b) Employed for part of the financial year and drawing not less than Rs.2 lacs. per month

Sr. No.	Name	Age	Designation	Qualifications	Date of Joining	Prior Experience	Remuneration Received Rs.	Particulars of Last Employment Held
1	Mr. Abhay Meekar	36	Senior Manager - Sales	MMM	10-Dec-04	11 Years	855,160	Bharati Cellular Ltd., Head - Sales Prepaid
2	Mr. Alok Pathak	45	General Manager - Sales	M.Tech	1-Dec-04	16 Years	807,925	ISG Novasoft, Vice President
3	Mr. Charles Antony	52	Managing Director	B.Sc (Maths), B.S.(Electrical Engineering)	1-Oct-04	24 Years	4,371,072	Tata Infotech Ltd., President & COO
4	Mr. Harpreet Singh Bindra	35	General Manager - Network Operations	B.E.	8-Jun-98	8 Years	1,161,812	Siemens Public Communication Networks Ltd., Senior Manager - Projects
5	Mr. Harsh Juneja	44	General Manager - Central Marketing	PGDBM in MKT	20-Sep-04	22 Years	1,231,764	Xerox Modi Corp. Regional Sales Operations Manager
6	Mr. K. Ravichandran	37	General Manager - Network Implementation	B.E.	25-Apr-00	13 Years	1,402,010	Konkan Railway Corp Ltd.
7	Mr. Suresh Mody	36	General Manager - Sales	B.E. (Electronics)	28-Jul-98	11 Years	1,388,014	Wipro Ltd., Regional Sales Manager
8	Mr. Srinivas Rao Mulky	49	AVP - Network Implementation	B.Tech	2-Mar-98	22 Years	1,650,179	GELL Products & Services (I) Ltd., Sr. Vice President (Project Services)
9	Mr. Suneel Umni	45	VP - Sales	M.A. (Hons), PGDBM	2-Mar-98	16 Years	2,459,600	Sterling Holiday Resorts (I) Ltd., General Manager (West)
10	Mrs. Swati Arte	38	General Manager - Customer Care	BA & MMM	9-Aug-04	15 Years	1,739,437	Reliance Infocomm Ltd., Circle Head - Customer Care
11	Mr. Y.V.L Pandit	51	Chief Operating Officer	MBA	1-Nov-03	28 Years	3,283,065	Tata Teleservices Ltd., Karnataka, COO

Notes :

- 1) Remuneration includes Salary, Allowance, Provident Fund and Superannuation scheme with LIC and taxable value of perquisites.
- 2) All appointments are contractual and terminable by notice on either side.
- 3) None of the above employees is related to any of the Directors.

ANNEXURE II

PARTICULARS PURSUANT TO THE SECURITIES & EXCHANGE BOARD OF INDIA (EMPLOYEES' STOCK OPTION SCHEMES AND EMPLOYEES' STOCK PURCHASE SCHEME) GUIDELINES, 1999

Options granted :

(i) Cumulative (cum.)	37,33,550
(ii) During the year 2004-05	Nil
Pricing formula	Not Applicable
Options vested (cum.)	25,13,630
Options exercised (cum.)	20,94,324
Options lapsed (cum.)	12,19,920
Total number of shares arising as a result of exercise of options (cum.)	20,94,324
Variation of terms of options	Not varied
Money realised by exercise of options (cum.)	Rs. 2,09,43,240/-
Total number of options in force	4,19,306
Options granted to Senior managerial personnel during year 2004-2005 :	NIL
Any other Employees to whom 5% or more of the total options have been granted during the year	None
Identified employees to whom options have been granted equal to 1% or more of the issued capital (excluding outstanding warrants & conversions) of the Company at the time of grant	None
Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS 33)	(1.97)
Number of employees to whom options have been granted:	
(i) Cumulative* till March 31, 2005	349
(ii) during F.Y. 2004-2005	Nil

* Also includes employees who have since left the employment of the Company

ANNEXURE III AUDITOR'S CERTIFICATE

The Board of Directors

Tata Teleservices (Maharashtra) Limited

We have examined the compliance of conditions of Corporate Governance by Tata Teleservices (Maharashtra) Limited (formerly Hughes Tele.com (India) Limited) for the year ended on 31 March, 2005 as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that according to the information and explanations given to us, no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders and Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner

Membership No: 40005

Mumbai, dated : May 13, 2005

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes in setting the highest standards in good and ethical corporate governance practices. The Company is managed by the Managing Director (MD) under the supervision and control of the Board of Directors. The MD is assisted by a team of highly qualified & experienced professionals.

Corporate Code of Conduct

Being a part of the Tata Group, the activities and conduct of the Company and its employees are governed by the Tata Code of Conduct, which lays down the basic rules of good management practices, and ethical conduct. The major salutary principles prescribed by the Tata Code of Conduct are:

- (a) conduct of business in consonance with National interest,
- (b) fair and accurate presentation of financial statements,
- (c) being a Equal Opportunities employer,
- (d) prohibition on taking of gifts and donations which can be perceived to obtain business or uncompetitive favours,
- (e) practicing political non-alignment,
- (f) maintaining quality of products and services,
- (g) being a good Corporate Citizen,
- (h) ethical Conduct, and
- (i) commitment to enhancement of shareholder value and statutory compliance

PROMOTERS

The promoters of the Company are Tata Teleservices Limited, Tata Sons Limited, The Tata Power Company Limited, Panatone Finvest Limited, Trent Brands Limited and Tata Investment Corporation Limited. As on March 31, 2005, the Company's Promoters together held 66.80% of the Company's paid-up share capital. The break-up of your Promoter's shareholdings in the Company as on March 31, 2005 was as follows:

Name of Promoter	Holding (% of paid-up capital)
Tata Teleservices Limited	47.91
Tata Sons Limited	8.01
The Tata Power Company Limited	10.84
Panatone Finvest Limited	0.00
Trent Brands Limited	0.01
Tata Investment Corporation Limited	0.03
Total	66.80

BOARD OF DIRECTORS

Composition

The Company's Board of Directors comprises of 9 Directors, 8 of them are Non-Executive, and 3 of them are Independent Directors. The Board composition is as under:

Director	Non-Executive (NE) / Independent
Mr. F. A. Vandrevala	NE
Mr. Kishor A. Chaukar	NE
Dr. Naushad Forbes	NE & Independent
Mr. R. Gopalakrishnan	NE
Mr. Ishaat Hussain	NE
Dr. J. J. Irani	NE
Mr. Pradman Kaul	NE & Independent
Mr. N. S. Ramachandran	NE & Independent
Mr. Charles Antony	Executive

Mr. F. A. Vandrevala and Mr. Charles Antony are Non-Executive Chairman and Managing Director respectively. During the year, Mr. S. Ramakrishnan relinquished office of Managing Director of the Company to take up another assignment within the Tata Group. Mr. Ramakrishnan also ceased to be member of the Board of Directors of the Company. During the year the Company appointed Mr. Charles Antony as Additional Director and as Managing Director of the Company w.e.f. October 1, 2004.

The Managing Director is a Executive Director and paid remuneration by the Company as per details given under the Section "Directors' Remuneration".

The non-executive Directors have no material pecuniary relationship or transaction vis-à-vis the Company in their personal capacity during the year. Sitting fees are paid to Directors for attending meetings of the Board and Committees. None of the Directors have been issued any stock options by the Company during the year.

Participation and Interest of Directors

Since the commencement of the financial year 2004-2005 till March 31, 2005, a total of 5 Board Meetings were held on the following dates viz. May 13, 2004, July 19, 2004, October 27, 2004, January 25, 2005 and March 22, 2005. The maximum time gap between two board meetings did not exceed the limits prescribed in Clause 49 of the listing agreement. The following table gives details of participation of the current directors of the Company in Board Meetings and AGMs of the Company and interests of these directors in other companies:

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Director	Participation of Directors		Interests of Directors in Other Companies		
	Board Meetings	Last AGM	Directorships@	Committee Memberships # \$	Committee Chairmanships#
Mr. F. A. Vandrevala	5	Yes	14 (3)	2	Nil
Mr. Kishor A. Chaukar	3	Yes	12	7	4
Dr. Naushad Forbes	2	No	14 (4)	1	0
Mr. R. Gopalakrishnan	1	Yes	13 (1)	5	Nil
Mr. Ishaat Hussain	3	Yes	16 (2)	8	3
Dr. J. J. Irani	1	No	13	4	1
Mr. Pradman Kaul	Nil	No	4	Nil	Nil
Mr. N. S. Ramachandran	5	No	1	1	0
Mr. Charles Antony*	3	NA	Nil	Nil	Nil

Notes :

Figures mentioned in the brackets indicate the no. of companies in which each director is also the Chairperson.

@ Includes directorships and chairmanships of private companies and bodies corporate incorporated outside India.

NA : Not Applicable

Includes memberships & chairmanships of audit committees & investors' grievances committees of Boards across all companies.

\$ Includes committees in which an individual holds chairmanship.

* Member of Board for part of the financial year 2004-05.

None of the Directors is a member in more than 10 mandatory committees nor acts as a Chairman in more than 5 mandatory committees across all listed companies in which he is a Director.

Directors' Remuneration

The Company's Board of Directors comprises of 8 Non-Executive Directors and 1 Executive Director. The details of remuneration paid by the Company to its Directors during the financial year 2004-05 is as follows:

Name	Salary (Rs.)	Allowances (Rs.)	Perquisites (Rs.)	Performance Pay (Rs.)	Stock Options (number)	Sitting Fees (Rs.)	Total (Rs.)
Mr. F. A. Vandrevala	0	0	0	0	0	60,000	60,000
Mr. Kishor A. Chaukar	0	0	0	0	0	40,000	40,000
Dr. Naushad Forbes	0	0	0	0	0	40,000	40,000
Mr. R. Gopalakrishnan	0	0	0	0	0	5,000	5,000
Mr. Ishaat Hussain	0	0	0	0	0	15,000	15,000
Dr. J. J. Irani	0	0	0	0	0	10,000	10,000
Mr. Pradman Kaul	0	0	0	0	0	0	0
Mr. N. S. Ramachandran	0	0	0	0	0	1,01,000	1,01,000
Mr. Charles Antony (w.e.f. October 1, 2004)	11,10,000	9,95,300	9,87,727	11,10,000	0	0	42,03,027

Mr. Charles Antony is not entitled to payment of any sitting fees for any Board or Committee meetings. Mr. Antony's appointment can be terminated by either party by giving six months' notice or by the Company paying six months' basic salary in lieu thereof.

The Board has approved the payment of sitting fees to Non-Executive Directors as follows :

- a) Independent Directors – Rs. 8,000/- plus out of pocket expenses for every meeting of the Board and Audit Committee and Rs. 5,000/- per meeting of Remuneration Committee and any other committee of the Board.
- b) Non-Independent Directors – Rs. 5,000/- for every meeting of the Board and any committee of Board.

As on March 31, 2005, none of the Directors of the Company held any equity shares or convertible instruments of the Company.

Except as disclosed in this Annual Report, there are no pecuniary relationship or transactions of Non-Executive Directors vis-à-vis the Company.

Information placed before Board of Directors

All information, which is required to be placed before the Board of Directors under Clause 49 of the listing agreements with stock exchanges, has been duly placed before the Board of Directors during the year.

AUDIT COMMITTEE

Composition

The Audit Committee of the Board of the Company presently comprises of 4 members all of whom are Non-Executive Directors and of them, 3 are Independent Directors. The Committee functions under the Chairmanship of Mr. N. S. Ramachandran who is an Independent Director. Mr. Madhav Joshi, Chief Legal Officer & Company Secretary, acts as the Convener to the Committee. The composition of the Committee is as follows:

Name of Member	Category / Position
Mr. N. S. Ramachandran	Independent Director / Chairman
Mr. Kishor A. Chaukar*	Non-Executive Director / Member
Dr. Naushad Forbes	Independent Director / Member
Mr. Pradman Kaul	Independent Director / Member

Mr. F. A. Vandrevale was a member of the audit committee till March 22, 2005.

* Mr. Kishor A. Chaukar has financial and accounting knowledge and possesses experience of more than 20 years in the field of finance and accounts.

Terms of Reference

The terms of reference for the Committee as laid down by the Board include the following:

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with management, the quarterly, half yearly and annual financial statements before submission to the board, focusing primarily on:
 - (i) any changes in accounting policies and practices
 - (ii) major accounting entries based on exercise of judgement by management
 - (iii) qualifications in draft audit report
 - (iv) significant adjustments arising out of audit
 - (v) the going concern assumption
 - (vi) compliance with accounting standards
 - (vii) compliance with stock exchange and legal requirements concerning financial statements
 - (viii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.

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- d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems and ensuring compliance therewith.
- e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f) Discussing with internal auditors any significant findings and follow up thereon.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussions with external auditors before the commencement of the audit about the nature and scope of audit as well as have post-audit discussion to ascertain any areas of concern.
- i) Reviewing the Company's financial and risk management policies.
- j) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- k) Reviewing the quarterly, half-yearly and annual financial statements before submission to the Board of Directors.
- l) To review the functioning of the Whistle Blower Policy adopted by the Company in the meeting held on March 22, 2005.
- m) To review report on Management's Discussion & Analysis of Financial Condition and Results of Operations, to be included in the Company's Annual Report to its shareholders.

Summary statements of related party transactions are regularly placed before the Audit Committee.

Audit Committee Meetings

Seven meetings of the Committee have been held since the commencement of the financial year 2004-2005 till March 31, 2005. The details of the same are as follows:

Date	Venue
May 13, 2004	Mumbai
July 19, 2004	Mumbai
September 10, 2004	Mumbai
October 27, 2004	Mumbai
December 30, 2004	Mumbai
January 25, 2005	Mumbai
March 22, 2005	Mumbai

The maximum time gap between two consecutive Audit Committee meetings held during the year has never exceeded 4 months.

The Attendance of the Committee Members at the above meetings is as follows:

Member	Committee Meetings	
	Held	Attended
Mr. N. S. Ramachandran	7	7
Mr. Pradman Kaul	7	1*
Mr. F. A. Vandrevala	7	6
Mr. Kishor A. Chaukar	7	5
Dr. Naushad Forbes	7	3

* Participated via conference call.

REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee for the purpose of approving from time to time, the remuneration payable to the Managing Director and Executive Director/s and to discharge any other statutory duties and functions as may be specified under the law, or to perform such task/s as may be entrusted by the Board of Directors from time to time. The Company pays sitting fees to Non-Executive Directors. The Company also reimburses out-of-pocket expenses incurred by the Independent Directors in connection with attending Board Meetings and Committee Meetings. The Company's Remuneration Committee comprises of 4 Directors, all of them are Non-Executive and 3 of them are Independent Directors. The committee composition is as under:

Name of the Member	Category / Position
Mr. N. S. Ramachandran	Independent Director / Chairman
Mr. F. A. Vandrevala	Non-Executive Director / Member
Mr. Pradman Kaul	Independent Director / Member
Dr. Naushad Forbes	Independent Director / Member

One meeting of the Committee has been held since the commencement of the financial year 2004-2005 till the date of this report. The details of the same are as follows:

Date	Venue
October 27, 2004	Mumbai

The Attendance of the Committee Members at the above meeting is as follows:

Member	Committee Meetings	
	Held	Attended
Mr. N. S. Ramachandran	1	1
Mr. F. A. Vandrevala	1	1
Mr. Pradman Kaul	1	Nil
Dr. Naushad Forbes	1	Nil

INVESTORS' GRIEVANCES COMMITTEE

Composition

The Investors' Grievances Committee comprises of Dr. J. J. Irani, Mr. Charles Antony and the Company Secretary. The Committee functions under the chairmanship of Dr. J. J. Irani.

Terms of Reference

To look into the redressal of the shareholders' complaints in respect of any matter including transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends, dematerialisation of shares, IPO refunds and complaints, etc.

Compliance Officer

The Company has designated Mr. Madhav Joshi, Chief Legal Officer & Company Secretary as its Compliance Officer.

Summary of Investors' Complaints

The status of Investors' Complaints as on March 31, 2005 is as follows:

Number of aggregate Complaints received (cum.) during the year 2004-05	:	156
Number of Complaints not solved to the Satisfaction of shareholders	:	NIL
Number of pending share transfers	:	8*

* These have since been processed

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GENERAL BODY MEETINGS

The Company's statutory meeting was held on April 24, 1995. Further, till date, the Company has held 9 Annual General Meetings (AGMs) and 11 Extra ordinary General Meetings of shareholders. The details of the last 3 AGMs are as under :

Particulars	Date	Venue
7 th Annual General Meeting	September 27, 2002	Mumbai
8 th Annual General Meeting	August 6, 2003	Mumbai
9 th Annual General Meeting	August 10, 2004	Mumbai

Details of special resolutions passed in the above referred meetings are as under:

Particulars of the AGM	Section under which special resolution was passed	Purpose
7 th AGM held on September 27, 2002	Section 31 of Companies Act, 1956	Amendment to Articles of Association consequent to takeover of the Company by Tata Group Companies
	Section 163 of Companies Act, 1956	Keeping of Register of Members and other statutory records at the office of the Company's Registrars & Share Transfer Agent viz. MCS Limited
8 th AGM held on August 6, 2003	Section 163 of Companies Act, 1956	Keeping of Register of Members and other statutory records at the office of the Company's new Registrars & Share Transfer Agent viz. Tata Share Registry Limited
	Section 31 of Companies Act, 1956	Amendment to Articles of Association pertaining to meetings of Board of Directors and of shareholders.

One ordinary resolution pursuant to Section 293(1)(a) of the Companies Act, 1956 in connection with creation of charge over Company's assets in favour of Company's lenders was passed via postal ballot and the result thereof was announced at the 9th Annual General Meeting held on August 10, 2004. All the resolutions at Annual General Meetings of the Company held till date have been passed with the requisite majority.

An Extraordinary General Meeting (EGM) of the shareholders of the Company was held on May 28, 2004 to consider (i) issue of Foreign Currency Convertible Bonds (FCCBs) with principal amount of upto US\$ 150,000,000 and (ii) increase in Authorised Capital of the Company from Rs. 1600 crores to Rs. 2500 crores by way of special resolutions. Both these special resolutions were passed by the requisite majority.

RELATED PARTY TRANSACTIONS

There were no materially significant related party transactions during the year that in the opinion of the Board may have potential conflicts with the interests of the Company at large.

COMPLIANCE WITH LAWS

The Company has exercised due diligence in complying with all applicable laws in the matter of conduct of its business and in particular, there has neither been any non-compliance on the part of the Company on any matter related to capital markets, during the last three years nor have any penalties or strictures been imposed on the Company in this respect.

The Board periodically reviews compliance reports of applicable laws as prepared by the management as well as steps taken by the Company to rectify instances of non-compliances (if any).

FINANCIAL RESULTS

The Company approved its unaudited financial results for the quarter ended December 31, 2004 at the meeting of the Board of Directors held on January 25, 2005. The same were published in the 'Free Press Journal' in English and in 'Navshakti' in Marathi on January 28, 2005. The financial results as well as all other official news releases issued by the Company are displayed on its website www.tataindicom.com

under the link "[TTML Investor Relations](#)." Presentations to institutional investors or analysts whenever made, are displayed on the website.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

In compliance with the Securities & Exchange Board of India (Prevention of Insider Trading) Regulations, 1992, the Company has framed a Code of Conduct for prevention of insider trading by Company insiders. The Company has also put in place a Corporate Disclosure Policy in order to ensure timely disclosures of all material price sensitive information in a transparent manner. The above documents were taken on record by your Board at its meeting held on April 11, 2002.

WHISTLE BLOWER POLICY

The Tata Code of Conduct mandates that every employee of a Tata company shall promptly report to the management any actual or possible violation of the said Code, or an event he or she becomes aware of that could affect the business or reputation of his/her or any other Tata company.

Recently, the Securities & Exchange Board of India has also prescribed the adoption by all listed companies, of a Whistle Blower Policy as a non-mandatory requirement. The Company has adopted a Whistle Blower Policy which affords protection and confidentiality to whistle blowers. The Audit Committee Chairman is authorized to receive Protected Disclosures under this Policy. The Audit Committee is also authorized to supervise the conduct of investigations of any disclosures made by whistle blowers in accordance with policy.

No personnel have been denied access to the Audit Committee.

MANAGEMENT DISCUSSION & ANALYSIS

The Management's Discussion and Analysis of Financial Condition and Results of Operations is attached and forms part of this Annual Report.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

The ensuing Tenth Annual General Meeting is scheduled to be held on Friday, August 5, 2005 at 1530 hours at Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Fort, Mumbai – 400 001.

Financial Calendar

The Company follows April–March financial year. The unaudited financial results for first, second (half yearly) and third quarter are generally published in July, October and January respectively. Annual audited financial results are generally published in May/June.

All statements of financial results are uploaded on the Company's website on the following page viz. http://www.tataindicom.com/misc/ttml/investor_rel.asp.

The same are also uploaded on the website of Securities & Exchange Board of India viz. www.sebi.gov.in via the Electronic Data Information Filing and Retrieval System and are available for public viewing via the link "EDIFAR" appearing on the home page of the said website.

Date of Book Closure

The share transfer books and the members' register will be closed between July 21, 2005 and August 5, 2005 (both days inclusive) for the purposes of the Tenth Annual General Meeting.

Listing on Stock Exchanges

The Company's shares are listed on The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE).

The addresses of the BSE & NSE are given below for the information of the shareholders:

The Stock Exchange Mumbai (BSE)

P. J. Towers
Dalal Street
Mumbai - 400 023.

The National Stock Exchange of India Limited (NSE)

Exchange Plaza, 5th Floor
Plot No. C/1, 'G' Block, Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051.

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Your Board confirms that the Annual Listing Fees have been paid to both the Stock Exchanges where the Company's shares are listed i.e. BSE & NSE.

During the financial year 2004-05, the Company received listing approvals from BSE & NSE for listing of an aggregate of (a) 8,35,53,417 equity shares consequent to conversion of Foreign Currency Convertible Bonds issued by the Company and (b) 4,40,869 equity shares consequent to conversion of Employee Stock Options issued by the Company. All these shares have been duly issued and are currently tradeable on both the stock exchanges.

The Foreign Currency Convertible Bonds issued by the Company in June 2004 are listed on the Singapore Stock Exchange (SGX).

Stock Code

The Stock Codes of the Company's shares on the BSE are as follows :

- (a) Demat Segment Code No. 532371 Scrip ID TTML
- (b) Normal Segment Code No. 32371 Scrip ID TTML

The Stock Code of the Company's shares on the NSE is TTML, Series EQ.

Market Price Data

The High & Low price, during each month in the last financial year, of the Company's shares is as follows:

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2004	21.00	16.35	21.10	16.30
May 2004	24.35	16.80	24.35	16.85
June 2004	20.35	17.55	20.30	17.50
July 2004	20.85	17.00	20.85	17.95
August 2004	20.10	17.50	20.10	17.95
September 2004	19.80	17.90	19.80	17.90
October 2004	20.40	17.85	20.45	17.90
November 2004	18.90	17.05	18.40	17.05
December 2004	35.80	17.30	35.80	17.30
January 2005	37.30	28.10	37.35	28.10
February 2005	36.60	29.00	35.35	29.00
March 2005	32.05	23.75	32.05	23.65

Performance of The Company's Share Price in comparison to BSE and NSE Indices

The performance of TTML Share Price vis-à-vis the broad based BSE and NSE Indices during the financial year 2004-2005 is as under:

Particulars	TTML Share Price v/s BSE		TTML Share Price v/s NSE	
	Share Price (Rs.)	BSE Sensex	Share Price (Rs.)	NSE Nifty
As on April 1, 2004	17.35	5740.85	16.70	1819.65
As on April 1, 2005	27.75	6605.04	27.80	2067.65
% Change	59.94	15.05	66.47	13.63

Registrar & Share Transfer Agents

The Company has appointed Tata Share Registry Limited as its Registrar & Share Transfer Agents. Shareholders are advised to approach Tata Share Registry Limited on the following address for any share and demat related queries and problems:

Tata Share Registry Limited

Army & Navy Building,
 148, Mahatma Gandhi Marg,
 Fort, Mumbai – 400 001.
 Tel.: 91 22 5656 8484 (Extn. 240 / 241 / 242).
 Fax: 91 22 5656 8496
 E-mail: csg-unit@tatashare.com
 Website: www.tatashare.com

Share Transfer System

All physical share transfers are handled by Tata Share Registry Limited. The transferee is required to furnish the transfer deed duly complete in all respects together with the share certificates to Tata Share Registry Limited at the above-said address in order to enable Tata Share Registry Limited to process the transfer. As regard transfers of dematerialized shares, the same can be effected through the demat accounts of the transferor/s and transferee/s maintained with recognized Depository Participants.

Distribution of Shareholding

The broad shareholding distribution of the Company as on March 31, 2005 with respect to categories of investors was as follows:

Category of Investors	Percentage of Shareholding	
	As on March 31, 2005	As on March 31, 2004
Promoters	66.80	70.75
International Investors (FIIs/NRIs/OCBs/Foreign Banks)	3.61	9.52
Indian Financial Institutions/Banks/Mutual Funds	6.28	10.40
Private Bodies Corporate	5.20	1.48
Individuals	18.11	7.85
TOTAL	100.00	100.00

The broad shareholding distribution of the Company as on March 31, 2005 with respect to size of holdings was as follows:

Range (No. of Shares)	% of Paid-up Capital	% of Total No. of Shareholders
1 to 500	2.91	62.32
501 to 1000	3.02	20.03
1001 to 2000	2.38	8.67
2001 to 3000	1.36	3.04
3001 to 4000	0.83	1.33
4001 to 5000	1.16	1.43
5001 to 10000	2.33	1.81
> 10000	86.01	1.37
Total	100.00	100.00

The Company had a total of 1,04,017 shareholders as on March 31, 2004. which increased to 2,50,685 shareholders as on March 31, 2005.

The quarterly shareholding pattern distribution statements filed with the stock exchanges are also uploaded on the website of Securities & Exchange Board of India viz. www.sebi.gov.in via the Electronic Data Information Filing and Retrieval System and are available for public viewing via the link "EDIFAR" appearing on the home page of the said website.

Dematerialization of Shares & Liquidity

As of March 31, 2005, 99.65% of the total equity shares issued by the Company have been dematerialised. The trading in the Company's equity shares is compulsorily in dematerialized form. In order to afford full liquidity and efficient transfer mechanisms to the investor community, the Company has tied up with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Thus, the investors can exercise dematerialization and transfer actions through a recognized Depository Participant (DP) who is connected to NSDL or CDSL.

Outstanding Employee Stock Options, GDRs, ADRs, etc.

The Company has not issued any GDRs/ADRs/Warrants or any convertible instrument except 1,20,00,000 Employee Stock Options for one equity share each issued to Tata Teleservices (Maharashtra) Limited (*formerly known as Hughes Tele.com (India) Limited*) Employees' Stock Option Plan Trust. These options are convertible into Equity Shares of the Company on payment by the option holders of the stipulated conversion prices. In September 2004, 4,40,869 equity shares were issued consequent to exercise of stock options. Please refer Annexure II of the Report of the Board of Directors for further details regarding the Employee Stock Options.

In June 2004, the Company issued Foreign Currency Convertible Bonds (FCCBs) aggregating US\$ 125 million to foreign investors. Of these, FCCBs with aggregate principal value of US\$ 46.96 million have been converted into equity shares of the Company at a conversion price of Rs. 24.96 per share (including a premium of Rs. 14.96 per share). FCCBs with aggregate principal value of US\$ 78.04 million are outstanding as on March 31, 2005.

Where we Offer service

The Company provides services in about 125 towns and cities in the States of Maharashtra and Goa through its telephone exchanges located at Turbhe (Navi Mumbai), Worli (Mumbai), Nariman Point (Mumbai), Marol (Mumbai), Andheri (Mumbai), Pune, Nasik, Panaji, Nagpur and Kolhapur.

Address for Correspondence

Shareholders are requested to direct all share-related correspondence to Tata Share Registry Limited and only the non-share related correspondence and complaints regarding Tata Share Registry Limited to the Compliance Officer at the registered office of the Company. Shareholders holding shares in electronic mode (dematerialized) should address all shares-related correspondence to their respective depository participants only.

Auditors' Certificate

The certificate dated May 13, 2005 issued by M/s. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors on compliance of the Corporate Governance requirements by the Company is annexed to the Directors' Report.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Background

The Company was incorporated on March 13, 1995 as Hughes Ispat Ltd., and was later renamed Hughes Tele.com (India) Ltd., effective April 26, 2000. Consequent to takeover of the Company by the Tata Group, the Company has been renamed Tata Teleservices (Maharashtra) Limited.

The Company was licensed to provide basic telecommunication services in Maharashtra Circle (including Mumbai and Goa). Effective November 14, 2003, the Company has migrated to Unified Access (Basic & Cellular) Services Licence (UASL), which authorizes the Company to provide fixed as well as mobile services within the States of Maharashtra and Goa. The Company now holds 2 UASLs – one for Mumbai Metro Area and another for Rest of Maharashtra and Goa. The Company also holds all-India Internet Service (including Internet Telephony) licence.

During the financial year ended March 31, 2005, the Company's subscriber base more than doubled to 10,05,655 lines comprising of 2,22,390 wired lines, 2,56,177 mobile connections and 5,27,088 fixed wireless connections.

Tata Teleservices Limited (TTSL), which is a major shareholder in the Company, acquired licences for 12 more telecom circles in addition to its existing 6 circles and thus the Company's subscribers now enjoy almost pan-India mobility. The Company and TTSL together provide service in 1200 towns which is proposed to be doubled during the current year. The Company, TTSL and Videsh Sanchar Nigam Limited provide their services under a common brand 'Tata Indicom'.

Industry Structure and Developments

The Indian Telecom Services Industry witnessed significant growth in the recent past, primarily driven by reforms in the regulatory set-up. The reforms have encouraged major Indian business houses including the Tata Group to invest substantially in this sector. The past year or so has been very exciting for the industry. Major developments on the regulatory front which have made the year a significant one for the telecom services sector in general and for your Company in particular are as follows:

- Walky – The fixed line (wireline) service lost its luster and was overtaken by mobile service. The Wireline segment, in fact, registered a negative growth. It was fast replaced by the easy-to-install fixed wireless service with sleek modern subscriber terminals with features like SMS, LCD display, ringtones, high speed internet dial-up without modems. The Company has repositioned its fixed wireless services under the sub-brand name "Walky". The Company enjoys the market leadership position in the fixed wireless segment having achieved around 70% share of the total additions in this segment during the year ended March 31, 2005.
- Reduction in Licence Fees - Licence fees have been reduced from 12% of revenues to 10% of revenues with effect from April 1, 2004.
- Discontinuation of ADC benefits to private operators - W.e.f. February 1, 2005, the Telecom Regulatory Authority of India (TRAI) announced a new interconnect sharing regime whereby the Access Deficit Charges (ADC) payable on incoming calls to fixed service phones was withdrawn. The Association of Unified Telecom Service Providers of India, of which the Company is a member, while challenging ADC in the Telecom Disputes Settlement & Appellate Tribunal (TDSAT), has pointed out that Bharat Sanchar Nigam Limited (BSNL), a wholly owned Government of India undertaking, receives ADC from private telecom operators on the ground that it rolls out services in rural areas. However, the private operators are also obliged to contribute 5% of their revenues to the Universal Service Obligation (USO) Levy Fund which was set up by the Government of India amongst other things for supporting rural telephony. The private operators thus bear a double burden while BSNL gets ADC even if it is making substantial profits; indeed, BSNL's use of ADC funds to offer very low tariffs even in urban areas which are not subject to regulated tariffs cannot be ruled out. This creates a non-level playing field in favour of BSNL. The ADC regime and its quantum is currently being reviewed by the TRAI through a formal consultation process.
- PTT Launched & Withdrawn – The Company, after holding discussions with TRAI since May 2004 launched in November 2004 the innovative Push-to-talk (PTT) service on a trial basis pursuant to its Internet Telephony licence. PTT enables subscribers to form groups and instantly connect multiple people across the country, who require short bursts of information thus increasing productivity and efficiency while simultaneously reducing costs. Commencing January 2005, DoT and TRAI sought some information about PTT which was furnished and they directed the Company in February 2005 to discontinue the trial services. The Company will re-launch these services again after obtaining requisite clearances. PTT services are extremely popular in the world, with millions of subscribers in developed markets such as the US, and the Company is keen to pioneer their introduction in India.

Opportunities and Threats

The rapid pace of technological development in the telecom hardware and software sectors has made it possible for the Company to provide a variety of services to its subscribers in a spectrum-efficient and cost-efficient manner. The Company would continue to focus on the provision of fixed wireless and mobile telecom services. The year has also witnessed the introduction of value added services, which are expected to deliver a growing part of the Company's revenues in the years ahead. The Company proposes to launch exciting new services and features on its network in the near future, as a part of its endeavour to achieve Customer Delight.

During the year, the Company launched its prepaid services in both the mobile and fixed wireless segments under the brand name "True Paid" which reflected the 100% talktime plans (with no rental) introduced by the Company. Competitive pressures have forced the Company to bundle subscriber handsets and free recharge coupons for True Paid. This has adversely affected the Company's revenues in the short term, though it is expected that the customer "stickiness" and life-time revenues that will be generated will adequately protect the Company's interests.

Segment-wise or product-wise performance

The Company offers a variety of telecommunication services, including certain value added services. These are discussed under the "Operations" section in the Directors' Report.

Outlook

The Company intends to concentrate primarily on the wireless segment i.e. fixed and mobile. Further, in line with industry trends, the Company would give a thrust to prepaid products. The Company has already launched prepaid mobile (Tata Indicom True Paid) and fixed wireless (True Paid Walky) services.

The outlook for the Company appears bright on a long-term basis, as the Company will benefit from its association with Tata Teleservices Limited (TTSL) which has licences to provide telecom services in 18 circles. With the national teledensity still hovering around the 10% mark considering the teledensity of other countries (49% in China, 120% in Japan and 176% in Hongkong), there is a vast market waiting to be tapped and the Company will take all the necessary initiatives to become a major player in its chosen areas of operations. The Company expanded its network throughout the States of Maharashtra and Goa by covering 125 towns and cities and plans to reach 160 towns by the end of the current financial year.

Risks & Concerns

As is the case with any infrastructure project, the Company is exposed to a number of risks. Key risks have been mentioned below:

1. Risk of Reducing tariffs & Business risks

The tariffs offered by the Company are dependent on competition as also on the overall economic scenario. There are 5/6 pan-Indian operators in the mobile segment apart from some strong regional operators. Reduction in tariffs and a weak economic scenario would hamper revenue growth.

2. Regulatory Risks

The regulatory policies are highly loaded in favour of the incumbent Government operator i.e. Bharat Sanchar Nigam Limited (BSNL). Even though BSNL is making substantial profits and has been offering very low tariffs which are below the ceilings prescribed by TRAI, BSNL is being paid Access Deficit Charge (ADC) and it is feared that this may continue for some more time. The licensor and regulator have been relatively passive in exercising control over BSNL as regards provision of interconnection facilities to private operators like the Company as a result of which implementation of interconnect arrangements has been very weak. Some of the current regulations have been challenged in courts of law. In the event that the assumptions used in the business plan differ from the eventual final regulations, there could be an adverse impact on the business plan.

The year saw some hectic activity from the Licensor (DoT), the Regulator (TRAI), the incumbent operator (BSNL) and the GSM lobby (COAI), with regard to the definition of Fixed Wireless Services being offered by the Company under the brand name "Walky". Objections were raised by the Licensor and the Regulator with regard to the advertising tag line as well as with regard to alleged bypass of Access Deficit Charge (ADC) payment to BSNL. The objection came in the form of show cause notices which have been replied under legal advice. The Company has also filed a petition in the Telecom Disputes Settlement & Appellate Tribunal (TDSAT) against BSNL for raising unfair demands and withholding interconnections.

The Licensor as well as the Regulator also issued show cause notices to the Company for launching PTT (Push To Talk) services. The Regulator asked the Company to stop this service and to show cause why no penalty under the Company's Internet Services (including Internet Telephony) Licence should be levied and why the said licence should not be cancelled. Those have been replied under legal advice.

3. Increased Competition

The Company faces competition from the incumbent basic telecommunication service operator namely Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL), who together have significant financial resources, well-established brand names, a countrywide network and a large customer base. These operators already enjoy a significant advantage by virtue of not paying any entry fee for their cellular licences, yet have resorted to various tactics, including delaying interconnect agreements and underpricing on the strength of Government grants and the ADC subsidy, to unfairly leverage their incumbent status at the expense of the private operators. Further, the Company also faces competition from GSM & CDMA players in the mobile telephony segment.

The Company's Internet access service faces significant competition from other ISPs including the incumbent MTNL. The Company's Internet business also faces competition from niche Internet Telephony services operators.

The management is confident of meeting competition by leveraging its synergies with the other companies in the Tata Group such as VSNL, Tata Teleservices etc.

4. Financing Risks

Like all infrastructure projects, the Company too requires significant amount of capital to fund its project especially for the expansion under implementation and for its working capital requirements. About half of the project cost is funded by way of debt. The completion of the financing is subject to a number of terms and conditions, including periodic review of the business plan. The implementation of the project would be materially affected if these debt facilities are not raised in a timely manner.

5. Risk of rapid technological changes

The telecommunications industry is subject to rapid technological changes, which require huge capital investments towards upgrading networks and associated infrastructure.

Internal Control Systems and their adequacy

An Audit Committee of the Board of Directors has been constituted as per the provisions of Section 292A of the Companies Act, 1956 and Corporate Governance requirements specified by the Stock Exchanges.

The internal audit function is looked after by an independent firm who conduct reviews and evaluation and present their reports to the Audit Committee and the management at regular intervals.

The Internal Auditors Reports dealing with Internal Control Systems are considered by the Audit Committee and appropriate actions are taken, wherever deemed necessary.

Attention is invited to Auditors' observations in paragraph 5 and 15 in the Annexure to the Auditors' Report and Directors' comments thereon (please refer Directors' Report - Statutory Disclosures - Directors' Responsibility Statement section).

Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956, the Indian Generally Accepted Accounting Principles (Indian GAAP) and the Accounting Standards as prescribed by the Institute of Chartered Accountants of India.

Your Board believes that it has been objective and prudent in making estimates and judgements relating to the financial statements and confirms that these financial statements are a true and fair presentation of the Company's operations and loss for the year.

Developments on Human Resources Front

The Company had 1,060 employees on its rolls as on March 31, 2005. A detailed write-up appears in the accompanying Directors' Report under the paragraph titled "Human Resources".

Financial Performance

The accumulated losses of the Company at the close of the year exceeded its paid up capital and reserves. The Company has been incurring cash losses. This however is not an uncommon feature for telecommunication service providers in their initial years of commercial operations, due to high operation costs of heavy infrastructure and high capital requirement for building the network. The Company has adequate commitments from its lenders for meeting its operating and financial requirements and continues to grow its network. The Company is therefore considered a going concern and accounts have accordingly been prepared under the going concern assumption.

It is to be noted that the Company rolled-out its CDMA services in 116 more towns during the year and created huge infrastructure. It also provided coverage on the major highways.

a) Financial Condition

1. Share Capital, Reserves & Surplus

The Share Capital increased from Rs. 1,406.98 crores to Rs. 1,490.97 crores consequent to issue of equity shares by the Company upon exercise of stock options by employees and conversion of FCCBs into Equity Shares. The Reserves & Surplus (consisting of Security Premium) increased from Rs. 114.71 crores to Rs. 157.68 crores on conversion of FCCBs into Equity Shares at premium. Premium payable on redemption of FCCBs and costs incurred in connection with the FCCBs issue aggregating to Rs. 82.03 crores have been adjusted against the Share Premium Account in consonance with Section 78 of the Companies Act, 1956.

2. Secured and Unsecured Loans

Secured Loans availed of by the Company as at March 31, 2005 are lower at Rs. 1,091.51 crores as compared to Rs. 1,218.53 crores as at March 31, 2004. This decrease is on account of repayment done by the Company on maturity date. Unsecured loans have increased from Rs. 259.93 crores as at the end of previous year to Rs. 746.36 crores as at the end of current year 2004-05. The increase is on account of issue of Foreign Currency Convertible Bonds (FCCBs) and temporary loans availed from banks and financial institutions during the year.

3. Fixed Assets

The Company continues to grow its network in Mumbai and other cities in Maharashtra & Goa. The year-end gross block increased by Rs. 737.89 crores to Rs. 3,232.80 crores (previous year Rs. 2,494.91 crores). The major increase in the Gross Block was on account of expansion of the CDMA network by installation of switches, cell sites and Backbone.

Year-end Net Block has increased from Rs. 1,800.15 crores to Rs. 2,252.01 crores. Year-end Capital Work-in-Progress is lower at Rs. 240.37 crores (previous year Rs. 314.98 crores).

4. Investments

The Company temporarily invests its short-term funds surplus in bank deposits and liquid and short-term debt plans of reputed Mutual Funds. Such surpluses are maintained until the time these are deployed in the network build out. There were no investments at the end of the year as compared to Rs. 45 crores at the end of the previous year.

5. Sundry Debtors

Sundry debtors as a percentage of telecom service revenues, reduced to 17.62% (previous year 37.03%). Separately, during the year Company adopted a more conservative provisioning policy resulting in a higher provision for doubtful debts at Rs. 125.55 crores as against Rs. 23.27 crores as at the end of the previous year. The collections have also shown good improvement.

6. Loans & Advances

Year-end Loans & Advances increased to Rs. 142.29 crores (previous year Rs. 88.36 crores), mainly on account of advances made to suppliers and site owners for procurement of equipment and services and for acquisition of sites for installing cell-sites respectively.

7. Current Liabilities and Provisions

Current Liabilities and Provisions increased to Rs. 1,064.81 crores (previous year Rs. 695.54 crores). The provisions include an amount of Rs. 73.72 crores being provision for premium payable on redemption of FCCBs issued by the Company.

8. Profit and Loss Account

The accumulated losses of the Company (Rs. 1,692.35 crores) exceeded its net worth as at the end of the financial year.

b) Results of Operations

Loss for the year is higher as compared to the previous year due to higher expenditure on account of infrastructure costs for additional network roll out, higher interconnect usage charges, aggressive sales and marketing initiatives on launch of prepaid services to match competitive offering, higher customer service costs & provisions for bad & doubtful debts, higher Finance costs mainly on account of additional borrowings to finance the capital expenditure incurred by the Company and higher Depreciation on account of creation of additional assets for the Company's expansion plan.

1. Total Income

Total income comprises revenues from Telecommunication Services and Other Income. Total income increased to Rs. 836.48 crores for the financial year ended March 31, 2005 (previous year Rs. 648.66 crores). The break up of total income is depicted in the table below:

Rs. crores

Particulars	Year ended March 31, 2005	Previous Year ended on March 31, 2004	% Change + / (-)
Telecom Revenue	807.47	597.50	35
Other Income	29.01	51.16	(43)
Total Income	836.48	648.66	29

2. Revenues from Telecommunication Services

Revenues from telecommunication services include:

- Usage charges for outgoing local, domestic (STD) and International (ISD) long distance calls and interconnect charges for incoming local, long distance and international calls,
- Monthly commitment charges - voice, leased data, and DSL,
- Usage charges for Internet access and audio conferencing services and
- Installation and other initial charges for new subscribers.

During the year, revenues from telecommunication services increased to Rs. 807.47 crores (previous year Rs. 597.50 crores). This revenue growth was largely driven by the 107% increase in the number of subscriber to 10,05,655 at the end of March 2005 (previous year 4,85,076 subscriber lines as at the end of March 2004). The revenue growth is consistent with the growth in subscriber base considering that most of subscriber additions happened in the second half of the current financial year and tariff drops. The fixed line tariffs were reduced to match competition prices during second half of the year.

3. Other Income

Other Income reduced to Rs. 29.01 crores (previous year Rs. 51.16 crores). It includes an amount of Rs. 26.80 crores towards refund from DoT on account of excess interest recovered.

The "Other Income" figures for previous year ending March 31, 2004 have been restated in consonance with the method of offsetting interest income against finance charges adopted for presenting the financial statements for the current year ended March 31, 2005. Consequently figure of Total Income for previous year has also changed.

4. Operating Expenses

The major operating expenses comprise:

- (1) Network Operation Costs [incl. Interconnection and other access costs and Revenue share to Department of Telecommunications (DoT)],
- (2) Employee related expenses, and
- (3) Administration and other expenses (incl. Advertisements and business promotion & Sales commissions and provisions for bad & doubtful debts)

i) Network Operation costs

These are costs incurred to operate and maintain the Company's networks-Interconnect and other access costs, fees to DoT, repairs & maintenance, power, etc. During the year, Network Operation expenses increased to Rs. 404.49 crores (previous year Rs.356.64 crores). This increase was driven by an expansion of the network within the cities together with the increase in the number of towns and villages covered during the year.

Interconnect usage charges and other access costs payable to other operators for terminating traffic in their networks are governed by the Telecommunication Interconnection Usage Charges Regulations, 2003 introduced by the TRAI with effect from May 1, 2003. Interconnection and other access costs include the share of long distance telephony revenues paid out to Domestic Long Distance (DLD) operators and International Long Distance (ILD) operators. Also included here is a License Fee, for use of wireless spectrum, of 2% of wireless phones revenues. The access costs also include port and leased line charges incurred by the Company while interconnecting with other Operators. As a percentage of telecom service revenues,

Interconnection and other access costs decreased to 36.29% (previous year 41.45%). The Company expanded its inter-city connectivity with a combination of its own fiber optic network and leased lines from other service providers, leading to some savings in interconnect charges during part of the year.

W.e.f. April 1, 2004, the Company is required to pay a License Fee to DoT of 10% (previous year 12%) of the net revenues, after deduction of interconnect charges, service tax and sales tax. This fee increased to Rs. 60.58 crores (previous year Rs. 46.10 crores) due to increase in telecom service revenue.

ii) *Employee related expenses*

Employee related expenses of Rs. 41.37 crores (previous year Rs. 39.71 crores) as a percentage of telecom service revenues, reduced to 5.12% (previous year 6.64%).

iii) *Administrative and other expenses*

The major expenses under this category are in the nature of rents, rates and taxes, insurance, repair and maintenance of buildings & others, communications, electricity, travel & conveyance, collection / credit verification, customer services and call center, legal and professional services, advertisement and business promotion, sales commission and expenses, miscellaneous expenses, bad/doubtful debts and advances and contractual and other claims and liabilities. These expenses increased to Rs. 456.74 crores for the year (previous year Rs. 201.57 crores). During the year, the Company incurred significant expenses on advertisement and business promotion for the launch of its Prepaid, Walky and Push-to-talk (PTT) services. As a percentage of telecom service revenues, these expenses increased to 9.87% (previous year 5.55%). The Company's administrative infrastructure is substantially in place and it plans to focus on the prepaid segment and hence, going forward, administrative expenses are not expected to rise proportionately to the revenues.

5. **Finance and Treasury Charges**

Net finance and treasury charges are disclosed in the financial statements. Interest and other income earned from treasury operations are reduced from the costs of treasury operations. Previously, such costs and income were disclosed on a gross basis. The change in presentation does not have an impact on the loss for the year. Finance and Treasury charges include interest on loans, expenses for loan arrangement, bill discounting charges, bank charges, profit and loss on redemption of Units and foreign exchange fluctuations.

On a net basis, the charge to the profit and loss account towards interest increased to Rs. 144.73 crores (previous year Rs. 117.89 crores), mainly on account of avilment of new loans to fund expansion of the Company's network subsequent to occurrence of project financial closure last year. As a percentage of telecom service revenues, these expenses decreased to 17.92% (previous year 19.73%).

6. **Depreciation**

Depreciation on tangible and fixed assets other than leasehold assets is provided for on Straight Line basis at rates based on estimated useful lives of the assets. Total depreciation charges increased by 56.52% to Rs. 317.01 crores (previous year Rs. 202.53 crores). The Company provided additional depreciation for slow moving capital inventory. As a percentage of telecom service revenues, these expenses increased to 39.26% (previous year 33.90%).

Leasehold land and premises are amortized over the period of lease. The fixed license fees of Rs. 532.55 crores paid to the Government of India for the period upto July 31, 1999 as a part of the package for migration to revenue sharing regime, are amortized equally (i.e. Rs. 26.64 crores each year) over the license period of 20 years. Dark fibers are amortized equally over the lease period of 15 years. Computer software is amortized uniformly over its estimated useful life.

7. **Taxes**

No provision for current income tax has been made in the accounts, since there were no taxable profits for the year. No provision for deferred tax has been made in the accounts since the Company estimates that the accumulated deferred tax assets will offset the deferred tax liabilities.

8. **Net Loss**

The Company's net Loss increased to Rs. 527.86 crores for the year (previous year Rs. 269.68 crores). Generally, it is not uncommon for large Greenfield infrastructure telecom projects to incur losses during the initial few years of the project implementation. The Company launched its CDMA wireless business only in August 2003 and expanded coverage to 125 towns during the financial year ended March 31, 2005.

9. **Liquidity and Capital Resources**

During the year, the Company has generated net cash of Rs. 0.46 crores (previous year Rs. 111.40 crores) from its operating activities. At the end of the financial year 2004-05, the Company's cash and cash equivalent balance reduced to Rs. 80.90 crores (previous year Rs. 105.42 crores) on account of the liquidation of investments done by the Company during the year. The Company has tied up its current funding requirements with the lenders and will consider additional funding requirements based on its expansion plans.

AUDITORS REPORT TO THE MEMBERS OF TATA TELESERVICES (MAHARASHTRA) LIMITED.

1. We have audited the attached Balance Sheet of Tata Teleservices (Maharashtra) Limited, as at 31 March 2005 and also 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 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 the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 as amended by Companies (Auditor's Report) (Amendment) Order 2004, we enclose in the Annexure, a Statement on the matters specified in paragraph 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) 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;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the above books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors of the Company as at 31 March 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2005 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information, and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - (i) in the case of Balance Sheet, of the state of affairs of the Company, as at 31 March 2005;
 - (ii) in the case of Profit and Loss Account, of the loss for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

*For Deloitte Haskins & Sells
Chartered Accountants*

P. B. Pardiwalla
Partner

(Membership No. 40005)

Place : Mumbai
Date : May 13, 2005

ANNEXURE TO THE AUDITORS' REPORT

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

1. The nature of the Company's business/activities during the year is such that clauses (i-c), (vi), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of the Order are not applicable to the Company:
2. 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) Fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
3. The Company holds an inventory of capital stores and spares, which is carried in the books under Capital Work-in-Progress. Such items of inventory, when required, are also used for replacement, at which time they are charged to revenue. As the Company does not hold inventories as defined in Accounting Standard 2 on Valuation of Inventories, item (ii) of paragraph 4 of the Order is not applicable to the Company.
4. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regards to purchase of fixed assets. *In relation to sale of services, on migration to a new billing system, the Company observed certain important areas that needed to be strengthened and we are informed that, the Company has taken steps to remedy those areas.* During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls. The nature of the Company's activities is such that there is no purchase of inventory or sale of goods.
6. In respect of contracts or arrangements required to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) There are no contracts or arrangements referred to section 301 that need to be entered into the register maintained under the said section.
 - (b) Since there are no contracts or arrangements referred to in section 301 that need to be entered into the register, the question of the transactions being made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time does not arise.
7. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the books of account and records maintained by the Company relating to telecommunication activities pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
9. In respect of Statutory dues:
 - (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales-Tax, Wealth Tax, Service Tax, Customs Duty, cess and any other material statutory dues with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, details of disputed Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and cess which have not been deposited as on March 31, 2005 on account of disputes are given below:

Name of statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income tax demand	93,496,852	A.Y. 1998-1999 1999-2000	Income Tax Appellate Tribunal
The Central Excise Act, 1944	Excise duty demand	2,92,40,200	Not specified in demand	Customs & Central Excise Settlement Commission, Mumbai
Bombay Sales Tax Act, 1959	Sales tax demand	34,997,898	A.Y. 1999-2000 to 2002-2003	Supreme Court

10. The accumulated losses of the Company exceed fifty percent of its net worth as at the end of the financial year. The Company has incurred cash losses during the financial year and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interests of the Company.
13. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
14. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
15. As stated in item 5 above, on migration to a new billing system, the Company observed certain important areas that needed to be strengthened. The Company noticed unauthorized usage of its network, on account of which management has estimated that its revenues are exposed to the tune of approximately Rs.20.3 crores. Except for the above, to the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
(Membership No. 40005)

Place : Mumbai
Date : May 13, 2005

TATA TELESERVICES (MAHARASHTRA) LIMITED

10th Annual Report 2004-2005

BALANCE SHEET AS AT MARCH 31, 2005

	Schedule	As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,490.97	1,406.98
Reserves and Surplus	2	157.68	114.71
		<u>1,648.65</u>	<u>1,521.69</u>
Loan Funds			
Secured Loans	3	1,091.51	1,218.53
Unsecured Loans	4	746.36	259.93
		<u>1,837.87</u>	<u>1,478.46</u>
Total		<u>3,486.52</u>	<u>3,000.15</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block (at cost)	5	3,232.80	2,494.91
Less : Accumulated Depreciation		980.79	694.76
Net Block		<u>2,252.01</u>	<u>1,800.15</u>
Capital Work-In-Progress		240.37	314.98
		<u>2,492.38</u>	<u>2,115.13</u>
Investments	6	—	45.00
Current Assets, Loans and Advances			
Cash and Bank Balances	7	82.02	61.46
Sundry Debtors	8	142.29	221.25
Loans and Advances	9	142.29	88.36
		<u>366.60</u>	<u>371.07</u>
Less : Current Liabilities and Provisions	10	<u>1,064.81</u>	<u>695.54</u>
Net Current Liabilities		<u>(698.21)</u>	<u>(324.47)</u>
Profit and Loss Account		<u>1,692.35</u>	<u>1,164.49</u>
Total		<u>3,486.52</u>	<u>3,000.15</u>
Significant Accounting Policies and Notes to Financial Statements	15		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

P.B. Pardiwalla
Partner

Place : Mumbai
Date : May 13, 2005

For and on behalf of the Board

F. A. Vandrevalla
(Chairman)

Vivek Sett
(Chief Financial Officer)

Charles Antony
(Managing Director)

Madhav J. Joshi
(Chief Legal Officer and
Company Secretary)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	2004-05 Rs. in Crores	2003-04 Rs. in Crores
Income			
Telecommunication Services	11	807.47	597.50
Other Income	12	29.01	51.16
Total		836.48	648.66
Expenditure			
Operation and Other Expenses	13	902.60	597.92
Finance and Treasury Charges (net)	14	144.73	117.89
Depreciation		317.01	202.53
Total		1,364.34	918.34
Loss for the year		(527.86)	(269.68)
Balance at commencement		(1,164.49)	(894.81)
Balance carried to Balance Sheet		(1,692.35)	(1,164.49)
Earnings Per Share - Basic and Diluted (Rs.)		(3.73)	(1.92)
Par Value (Rs.)		10.00	10.00
Significant Accounting Policies and Notes to Financial Statements	15		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

P.B. Pardiwalla
Partner

Place : Mumbai
Date : May 13, 2005

For and on behalf of the Board

F. A. Vandrevala
(Chairman)

Vivek Sett
(Chief Financial Officer)

Charles Antony
(Managing Director)

Madhav J. Joshi
(Chief Legal Officer and
Company Secretary)

TATA TELESERVICES (MAHARASHTRA) LIMITED

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2005

	As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
2,50,00,00,000 (Previous year 1,60,00,00,000) Equity Shares of Rs.10 each	2,500.00	1,600.00
	2,500.00	1,600.00
Issued and Subscribed		
1,49,09,74,402 (Previous year 1,40,69,80,116) Equity Shares of Rs.10 each fully paid up	1,490.97	1,406.98
	1,490.97	1,406.98
Note:		
Of the above, 83,38,32,530 shares are held by the Holding company and its subsidiaries. (refer note 1 of Schedule 15)		
SCHEDULE - 2		
RESERVES AND SURPLUS		
Securities Premium account		
Balance at beginning of the year	114.71	114.71
Add: On conversion of FCCB (refer note 1 of Schedule 4)	125.00	—
Less: Applied towards FCCB redemption premium and issue expenses	82.03	—
Balance at the end of the year	157.68	114.71
SCHEDULE - 3		
SECURED LOANS		
From Banks (refer Note 1 below)		
Term Loans	1,016.58	1,184.21
Cash Credit Accounts	74.79	34.22
	1,091.37	1,218.43
Deferred payment credits (refer Note 2 below)	0.14	0.10
	1,091.51	1,218.53

Notes :

- Loans from Banks are secured/to be secured by either one or more of the following as per terms of the arrangements with respective banks:
 - by first pari pasu charge on the movable and/or immovable assets of the company,
 - by pledge of shares of promoters,
 - by assignment of the proceeds on sale of network in the event of cancellation of the telecom license,
 - by assignment of telecom license,
 - by assignment of insurance policies
- Secured by hypothecation of Vehicles acquired out of the Loans.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2005

	As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
SCHEDULE - 4		
UNSECURED LOANS		
Foreign Currency Convertible Bonds (FCCB) (refer note 1 below)	341.43	—
From Banks		
— Short Term Loans	170.00	—
— Others	—	25.00
From others	234.93	234.93
(refer note 2 below)		
	746.36	259.93

Note:

- During the year the company issued Foreign Currency Convertible Bonds of USD 12.50 crores at an interest rate of 1% per annum (payable semi-annually). The holders of these bonds have an option to convert the bonds into equity shares of the company on or after July 1, 2004 at a pre-determined price of Rs. 24.96. The bonds that are not converted into equity, are redeemable at a premium of 19.38% at the end of 5 years from the date of issue. As at March 31, 2005 bonds of USD 4.70 crores have been converted, resulting in addition of Rs. 83.55 crores to equity share capital and Rs. 125.00 crores to Securities Premium.
- Loans - From others include Rs. 46.96 crores where the lender will have the right to share assets of the Company mortgaged to secured lenders, in the event of enforcement of the security and subject to consent of the secured lenders.

SCHEDULE - 5 FIXED ASSETS

Rs. in Crores

PARTICULARS	Notes	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 1, 2004	Additions during the year	Deletions during the year	As at March 31, 2005	Upto April 1, 2004	For the year	Deletions during the year	Upto March 31, 2005	As at March 31, 2005	As at March 31, 2004
Tangible Assets											
Leasehold assets											
Land		6.38	—	—	6.38	0.67	0.10	—	0.77	5.61	5.71
Office premises		6.86	—	—	6.86	0.72	0.09	—	0.81	6.05	6.14
Buildings		2.42	—	—	2.42	0.32	0.11	—	0.43	1.99	2.10
Plant & Machinery	(a)										
Own		1,873.30	688.21	—	2,561.51	461.65	249.43	—	711.08	1,850.43	1,411.65
Acquired under finance lease		—	41.16	—	41.16	—	2.33	—	2.33	38.83	—
Furniture, Fixtures & Office Equipment											
Own		50.43	5.38	0.04	55.77	41.44	5.21	0.04	46.61	9.16	8.99
Acquired under finance lease		2.45	—	—	2.45	2.04	0.41	—	2.45	—	0.41
Vehicles	(b)	1.03	0.44	0.09	1.38	0.54	0.25	0.09	0.70	0.68	0.49
Intangible Assets											
Licence		532.55	—	—	532.55	173.11	26.64	—	199.75	332.80	359.44
Computer Software		19.49	2.83	—	22.32	14.27	1.59	—	15.86	6.46	5.22
		2,494.91	738.02	0.13	3,232.80	694.76	286.16	0.13	980.79	2,252.01	1,800.15
Previous year		2,158.18	336.84	0.11	2,494.91	493.24	201.53	0.01	694.76	1,800.15	
Capital Work-In-Progress:	(c)										
Capital advances (net of provision)										14.80	18.55
Capital Inventory [net of provision for obsolescence of Rs. 31.85 crores (previous year Rs. 1.00 crore)]										212.05	122.94
Assets under construction										13.52	173.49
										240.37	314.98

- Notes : (a) Additions during the year is net of exchange gain of Rs. 4.38 crores (Previous year Rs. 0.50 crores) adjusted in the carrying values of the assets.
(b) Includes Rs. 0.50 crores (Previous year Rs. 0.70 crores) for vehicles acquired on hire purchase basis. Rs. 0.37 crores (Previous year Rs. 0.46 crores) has been paid by the Company till date.
(c) Refer Note 19 of Schedule 15.

TATA TELESERVICES (MAHARASHTRA) LIMITED

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2005

		As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
SCHEDULE - 6			
INVESTMENTS			
Unquoted, Other than trade			
Current investments (at lower of cost and fair value)			
In units of Mutual Funds			
	As at March 31, 2005 No. of units	As at March 31, 2004 No. of units	
P31INP Prudential ICICI Liquid Plan Institutional Plus-Growth Option	—	12789113.91	20.00
TLSG TATA Liquid Super High Inv. Fund-Appreciation	—	8625746.13	10.00
Kotak Liquid Institutional Premium Plan-Growth	—	11800338.28	15.00
		<u>—</u>	<u>45.00</u>

Note : Following units have been purchased and sold by the Company during the year

	2004-2005 No. of units		2003-2004 No. of units	
	Purchased during the Year	Sold during the Year	Purchased during the Year	Sold during the Year
P31INP Prudential ICICI Liquid Plan Institutional Plus-Growth Option	—	12789113.91	63281733.37	60082771.85
HDFC Cash Management Fund - Savings Plan - Growth Option	—	—	52345047.31	58331637.34
Zurich India Mutual Fund - Growth	75247105.78	75247105.78	—	—
HDFC Liquid Fund - Growth	—	—	15487918.07	23803027.46
HDFC Liquid Fund - Premium Plan-Growth	—	—	13691035.73	13691035.73
D40 DSP Merrill Lynch Liquidity Fund - Growth	—	—	3307994.10	10103318.92
TLSG TATA Liquid Super High Inv.Fund - Appreciation	29109342.29	29109342.29	54664158.16	55987571.82
Tata Liquid High Investment Fund - Growth	—	8625746.13	—	—
Kotak Liquid Institutional Premium Plan - Growth	—	11800338.28	65072499.03	57408220.58
Deutsche Insta Cash Plus Fund - Growth Plan	—	—	13544484.24	13544484.24
Templeton India TREASURY Management Account - Growth	—	—	64688.16	64688.16
J57 JM High Liquidity Fund - Institutional Plan - Growth	—	—	12534267.64	12534267.64
GCBG Grindlays Cash Fund - Inst. Plan B - Growth	—	—	8573976.27	8573976.27
Principal Mutual Fund (Institutional Plan - Growth Option)	—	—	4831244.63	4831244.63

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2005

	As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
SCHEDULE - 7		
CASH AND BANK BALANCES		
Cash on hand	0.03	0.04
Balance with Scheduled Banks in		
— Current Accounts	26.83	8.74
— Term Deposit Accounts [including accrued interest Rs. 1.12 crores (Previous year Rs. 1.04 crores)]	55.16	52.68
	<u>82.02</u>	<u>61.46</u>
SCHEDULE - 8		
SUNDRY DEBTORS (Unsecured)		
Outstanding for a period exceeding six months	118.06	5.73
Others	173.34	239.08
	<u>291.40</u>	<u>244.81</u>
Less: Provision for doubtful debts	149.11	23.56
	<u>142.29</u>	<u>221.25</u>
Note :		
Considered good	142.29	221.25
Considered Doubtful	149.11	23.56
The above include :		
1) Debts due from companies under the same management Rs. 0.37 crores (Previous year Rs. Nil)		
2) Debts due from director/(s) Rs. Nil (Previous year Rs. Nil). Maximum amount outstanding during the year Rs. 2,376/- (Previous year Rs. Nil)		
SCHEDULE - 9		
LOANS AND ADVANCES (Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Staff Loans	0.45	0.43
[Includes Rs. 0.18 crores (Previous year Rs. 0.18 crores) due from an officer of the Company. Maximum amount outstanding at any time during the year is Rs. 0.18 crores (Previous year Rs. 0.18 crores)]		
Advances to Suppliers	81.98	38.65
Premises and other deposits	11.88	9.96
Prepayments and Others	48.89	40.22
Tax paid	0.01	0.02
	<u>143.21</u>	<u>89.28</u>
Less : Provision	0.92	0.92
	<u>142.29</u>	<u>88.36</u>
Note :		
Considered good	142.29	88.36
Considered doubtful	0.92	0.92

TATA TELESERVICES (MAHARASHTRA) LIMITED

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2005

	As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
SCHEDULE - 10		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Acceptances	69.12	121.19
Sundry Creditors (other than small scale industrial undertakings)	734.54	440.73
Deposits from Customers and others	59.25	22.10
Interest accrued but not due on loans	17.73	9.80
Other liabilities	92.82	83.69
Provisions		
For contingencies	16.74	16.74
For retirement benefits	0.89	1.29
For premium on redemption of Foreign Currency Convertible Bonds (FCCB)	73.72	—
	<u>1,064.81</u>	<u>695.54</u>

Notes :

- (a) Sundry Creditors include vendor balances with extended periods of interest bearing credit.
- (b) Other liabilities includes Rs. 66.94 crores (Previous Year Rs 72.67 crores) that are due after a period of 12 months.
- (c) Provisions for contingencies relate to certain claims by vendors on the Company made in earlier years. These claims are not yet settled pending negotiations.

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

SCHEDULE - 11

	2004-05 Rs. in Crores	2003-04 Rs. in Crores
TELECOMMUNICATION SERVICES		
Telephony	704.72	514.67
Internet Services	17.72	7.60
Interconnection Usage Charges	85.03	75.23
	<u>807.47</u>	<u>597.50</u>

SCHEDULE - 12

OTHER INCOME

Miscellaneous Receipts	2.21	0.47
Refund from DoT	26.80	49.75
Provisions no longer required	—	0.94
	<u>29.01</u>	<u>51.16</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	2004-05 Rs. in Crores	2003-04 Rs. in Crores
SCHEDULE - 13		
OPERATION AND OTHER EXPENSES		
Network Operation costs		
Interconnection and other access costs	293.09	247.71
Revenue Share to Department of Telecommunication	60.58	46.10
Operations Support System costs	—	30.56
Repairs and Maintenance - Plant and Machinery [including capital inventory consumed Rs. 0.59 Crores (Previous year Rs. 0.92 Crores)]	16.99	14.73
Power	24.58	14.36
Others	9.25	3.18
	<u>404.49</u>	<u>356.64</u>
Payments to and Provisions for Employees		
Salaries and Bonus	36.83	34.99
Contribution to Provident and other Funds	1.96	1.97
Staff Welfare	2.58	2.75
	<u>41.37</u>	<u>39.71</u>
Administration and Other Expenses		
Rent	27.56	23.52
Rates and Taxes	7.65	3.57
Insurance Charges	2.59	0.88
Repairs and Maintenance		
Buildings	0.08	0.13
Other	18.27	6.78
	<u>18.35</u>	<u>6.91</u>
Communication costs	3.82	2.27
Electricity	2.50	2.14
Travel and conveyance expenses	6.19	5.20
Collection / Credit verification charges	22.00	3.87
Customer service and call centre cost	20.82	1.41
Legal and professional charges	5.31	6.61
Advertisement and business promotion expenses	79.76	33.19
Sales Commission and Expenses	41.91	12.41
Miscellaneous expenses	31.84	27.10
Bad/Doubtful debts and advances	125.55	23.27
Loss on disposal of fixed assets (net)	—	0.01
Contractual and other claims and liabilities	60.89	49.21
	<u>902.60</u>	<u>597.92</u>
SCHEDULE - 14		
FINANCE AND TREASURY CHARGES (net)		
Interest		
On Fixed Term Loans	120.02	98.67
Others	12.64	6.06
Expenses for loan arrangement, bill discounting and bank charges	21.31	17.03
	<u>153.97</u>	<u>121.76</u>
Less: Interest Income on Deposit	7.21	1.57
Profit on redemption of Units	0.06	0.41
Foreign exchange fluctuations (net)	1.97	1.89
	<u>144.73</u>	<u>117.89</u>

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

SCHEDULE -15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1. Company background

Tata Teleservices (Maharashtra) Limited ("the Company"), was incorporated on March 13, 1995. The Company is licensed to provide basic and cellular telecommunication services. The Company presently holds two Unified Access (Basic & Cellular) Service Licenses, one for Mumbai Service Area and another for Maharashtra and Goa. The Company also holds National Internet Service provider – Internet Telephony license.

Upto February 4, 2005 the Company was a subsidiary of Tata Teleservices Limited. Following the conversion of Foreign Currency Convertible Bonds (FCCB) issued by the Company into equity shares, the Company ceased to be a subsidiary of Tata Teleservices Limited. Tata Sons Limited is presently the holding company.

2. Significant Accounting Policies

a) Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles and as per the provisions of the Companies Act, 1956, (the Act).

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 historical cost of acquisition or construction, less accumulated depreciation. Cost includes all costs incurred to bring the assets to their present condition and location.

The Company capitalises software and related implementation costs, where it is reasonably estimated that the software has an enduring useful life.

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

Capital inventory comprises of switching equipment, field unit cards, and capital stores that are carried under Capital Work-In-Progress till such time as they are issued for new installation or replacement.

Assets acquired under finance leases are accounted for at the inception of the lease in accordance with Accounting Standard 19 on Leases at the lower of the fair value of the asset and present value of minimum lease payments.

d) Depreciation

i) Fixed assets are depreciated on a straight line basis, based on the following estimates of their useful economic lives :

	Useful Life (In years)
Buildings	60
Plant & Machinery	
- Network Equipment	12
- Outside Plant	18
- Network Interface Units	5
- Air-Conditioning Equipment	6
- Generators	6
- Electrical Equipments	6
- Computers	3
- Office Equipments	3
- Computer Software	3
Furniture & Fittings	3
Vehicles	5

ii) Leasehold land and premises are amortised uniformly over the period of lease. Assets acquired under finance leases are depreciated over the lease term or their useful lives, whichever is shorter. Accordingly, computers and dark fiber acquired under finance lease have been depreciated uniformly over the respective lease terms of 30 months and 15 years.

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

- iii) Depreciation on License fees is provided for uniformly over the license period of 20 years. Since the Company has intention of being in business for a period well beyond 10 years and the telecommunication business cannot be carried on without the Telecom licence, the useful life of the asset will exceed the rebuttable presumption of 10 years under AS 26 on Intangible Assets.
- iv) Depreciation on additions and deletions to assets during the year is charged to revenue pro rata to the period of their use.
- v) The Company provides for obsolescence of its slow moving capital inventory, by way of depreciation, at the rate of 33.33% p.a. of cost.

e) Investments

All investments of the Company are Current Investments. They are stated at lower of cost and fair value.

f) Foreign Currency Transactions

- i) Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected.
- ii) Foreign currency denominated assets and liabilities are reported as follows:
Monetary items are translated into rupees at the exchange rates prevailing at the balance sheet date. Non-Monetary items such as fixed assets, are carried at their historical rupee values.
- iii) Gains/losses arising on settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are recognised in the profit and loss account, except those relating to the acquisition of imported fixed assets, which are adjusted to the carrying values of the relevant fixed assets.

g) Retirement benefits

Retirement benefit costs are expensed to revenue as incurred.

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

The Company participates in a group gratuity cum life assurance scheme administered by the Life Insurance Corporation (LIC). Provision for the year in respect of gratuity is made on the basis of actuarial valuation.

Leave encashment benefit payable to employees is provided for on the basis of actuarial valuation.

h) Stock based Compensation

The compensation cost of stock options granted to employees is measured by the difference between the market value of the Company's shares on the date of grant and the exercise price to be paid by the option holders. The compensation expense is amortised uniformly over the vesting period of the options. During the year, no such compensation cost has been incurred.

i) Revenue recognition

Revenue is recognised when it is earned and no significant uncertainty exists as to its ultimate realisation or collection. Revenue from telecommunication services is recognised as the service is performed on the basis of actual usage of the company's network / in accordance with contractual obligations.

j) Borrowing costs

Borrowing costs attributable to the acquisition of a qualifying asset, as defined in Accounting Standard 16 on Borrowing Costs, are capitalised as part of the cost of acquisition. Other borrowing costs are expensed as incurred (refer para n below). During the year, there was no such qualifying Asset, hence no Borrowing Costs were capitalised.

k) Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 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 shares outstanding during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

l) 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 Leases. Lease payments under Operating Leases are recognized as expenses as incurred in accordance with the respective Lease Agreements.

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

m) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents Cash flows by operating, investing and financing activities of the Company.

n) Bond Expenses

Premium payable on redemption of bonds is fully provided for on issue of the bonds. The Securities Premium Account is applied in providing for premium on redemption in accordance with Section 78 of the Act. On conversion of the bonds to equity the redemption premium is reversed.

Expenses on issue of bonds are written off to the Securities Premium Account in accordance with section 78 of the Act.

o) Finance and Treasury charges

Net finance and treasury charges are disclosed in the financial statements. Interest and other income earned from treasury operations are reduced from the costs of treasury operations. Previously, such costs and income were disclosed on a gross basis. The change in presentation does not have an impact on the loss for the year.

p) Contingent Liabilities

Contingent Liabilities as defined in Accounting Standard 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.

	As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	208.63	246.55
4. Counter guarantees given by the Company	685.00	318.31
5. Contingent liabilities :		
i. Claims against the Company not acknowledged as debts	80.26	67.73
ii. Disputed Tax demands in Appeals before relevant authorities :		
Income Tax	9.35	9.35
Excise Duty	2.92	—
Sales Tax	3.50	1.40
iii. The Company had paid during in an earlier year (under protest), a sum of Rs.7.20 crores to the Commissioner of Customs, Mumbai, pursuant to an inquiry carried out by the relevant authorities in connection with the import of Telecom equipment made by the Company in earlier years. The Company has received show cause notices from the authorities for Rs.21.58 crores plus interest and penalties which the Company proposes to contest.		
6. From August 1, 1999, the Company has been providing for fees payable to the Department of Telecommunications (DOT), calculated at 12% reduced to 10% with effect from April 1, 2004 of revenues from its basic and cellular telecommunication business, based on its interpretation of the New Telecom Policy 1999 (NTP 1999) and the Migration Package offered to the Company by the Government of India. These payments are however subject to the outcome of the petition pending in Telecom Disputes Settlement & Appellate Tribunal (TDSAT).		
7. Payments to Auditors (excluding service tax) :		
	2004-05 Rs. in Crores	2003-04 Rs. in Crores
i. Audit fees	0.13	0.13
ii. Tax Audit fees	0.04	0.04
iii. Other matters (certification work etc.)	0.08	0.08
iv. Out of pocket expenses [Current year Rs. 30,000/- (Previous year Rs. 19,471/-)]		

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

8. Stock Option Plan

In November 1999, the Company established the Employee Stock Option Plan (ESOP) under which equity shares are reserved for issuance to eligible employees of the Company. In terms of the plan, 1.20 crores warrants were issued to Hughes Tele.com (India) Limited Employees Stock Option Trust, to be held by it on behalf of the Company for awarding eligible employees as and when advised by the Compensation Committee constituted for the purpose. Each allotted warrant carries with it a right to purchase one equity share of the Company at a price of Rs. 10/- per share. Other than 2,40,000 fully vested warrants allotted in an earlier year, all allotted warrants vest at the rate of 25% on each successive anniversary of the grant date, until fully vested. The period during which the vested warrants may be exercised expires after 10 years from the date of the vesting.

The position of the allotted warrants is as follows :

	As at March 31, 2005 (Nos.)	As at March 31, 2004 (Nos.)
Opening Balance	951,962	29,11,195
Issued during the year	—	—
Forfeited	—	87,797
Exercised	440,869	16,53,455
Lapsed	91,787	2,17,981
Closing Balance	419,306	951,962

Since the market value of the Company's shares on the grant dates did not exceed the exercise price of Rs.10/-, no compensation expense has been recorded.

9. Segment Reporting

The Company operates in single business and geographical segments.

10. Finance Lease

The total of minimum lease payments and their present values of computers acquired under finance lease are as follows :

	As at March 31, 2005		As at March 31, 2004	
	Minimum Lease Payments Rs. in Crores	Present value of minimum lease payments Rs. in Crores	Minimum Lease Payments Rs. in Crores	Present value of minimum lease payments Rs. in Crores
Due not later than one year	0.01	0.01	0.44	0.43

11. Operating Lease:

Operating lease rentals charged to revenue during the period for lease agreements entered from April 1, 2001.

	2004-2005 Rs. in Crores	2003-2004 Rs. in Crores
Residential Flats for accommodation of employees	0.20	0.21
Switch and Other Sites	27.27	24.65

Future Minimum Lease Payments under Non-Cancelable Operating Lease:

	2004-2005 Rs. in Crores	2003-2004 Rs. in Crores
Due not later than one year	0.71	3.70
Due later than one year and not later than five years	1.83	15.51
Due later than five years	0.19	14.63

The agreements are executed for a period ranging from 6 months to 9 years with a renewable clause and in many cases also provide for termination at will by either party giving a prior notice period between 30 to 90 days.

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

12. Income Taxes

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 year. Deferred Tax charges / credits have not been recognized in view of the tax holiday enjoyed by the Company and on considerations of prudence as set out in Accounting Standard 22 on "Accounting for Taxes on Income".

	2004-05	2003-04
	Rs. in Crores	Rs. in Crores
13. Value of imports on CIF basis in respect of :		
Capital goods	361.28	72.40
14. Expenditure in foreign currency (payment basis) on account of:		
Interest	2.78	33.52
Others	0.74	1.27
	<u>3.52</u>	<u>34.79</u>
15. Earnings in foreign currency		
Interest	4.69	—
16. Value of Capital Inventory consumed during the year		

	2004-05		2003-04	
	Rs. in Crores	%	Rs. in Crores	%
Indigenous	0.03	5	0.21	23
Imported	0.56	95	0.71	77
	<u>0.59</u>	<u>100</u>	<u>0.92</u>	<u>100</u>

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

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

Rs. in Crores

For the year ended March 31, 2005	Holding Company		Fellow Subsidiaries						Total	
	Tata Teleservices Ltd.	Tata Sons Ltd.	Tata Internet Ltd.	Tata Infotech Ltd.	Tata Consultancy Services	Tata General Insurance Co. Ltd.	Tata AIG Life Insurance Co.	Others		Key Management Personnel
Payable:										
- Salary	-	**	-	-	-	-	-	-	0.48	0.48
- Interest	0.68	-	-	-	-	-	-	-	-	0.68
- Repairs & Maintenance	6.19	-	-	-	-	-	-	-	-	6.19
- Advertisement and Business Promotion expenses	19.81	-	-	-	-	-	-	-	-	19.81
- Network operation cost	6.36	-	-	-	-	-	-	-	-	6.36
- Miscellaneous Expenses	16.86	-	1.41	0.03	0.20	0.40	0.07	0.02	-	18.99
- Rent	-	-	1.28	-	-	-	-	0.05	-	1.33
- Purchase of Fixed Assets	0.17	-	-	4.70	0.30	-	-	-	-	5.17
Recoverable:										
- Miscellaneous Expenses	4.47	-	-	-	-	-	0.03	-	-	4.50
- Rendering Telecom Services	0.13	0.04	0.85	1.10	5.58	1.28	1.21	0.31	-	10.50
Outstanding as at 31st March 2005										
Sundry Debtors	0.04	****	0.32	0.16	1.03	0.21	0.18	0.03	-	1.97
Sundry Creditors	41.12	-	0.27	0.09	-	***	-	0.08	-	41.56
Other Receivables	-	-	-	-	0.03	-	0.02	8.73	-	8.78
Finance										
Unsecured Loan	121.04	-	-	-	-	-	-	-	-	121.04

** Rs. 6,000/- *** Rs. 6,238/- ****Rs. 32,622/-

TATA TELESERVICES (MAHARASHTRA) LIMITED

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

For the year ended March 31, 2004				Rs. in Crores
	Holding Company	Associates	Key Management Personnel	Total
Nature of Transactions				
<u>Expenses Payable :</u>				
- Salary Cost			0.33	0.33
- Interest		0.35		0.35
- Repairs & Maintenance	3.47			3.47
- Advertisement and Business Promotion	6.62			6.62
- Network operation cost	0.61			0.61
- Miscellaneous Expenses	12.36	13.64		26.00
- Rent	0.24	0.03		0.27
- Legal & Professional Fee		2.11		2.11
<u>Expenses Recoverable :</u>				
- Miscellaneous Expenses	0.11			0.11
- Rendering Telecom Services	0.01	1.07		1.08
Outstanding as at March 31, 2004				
Sundry Debtors	0.01	0.29		0.30
Sundry Creditors	16.07			16.07
Other Receivables		2.25		2.25
Finance				
Unsecured Loan	121.04			121.04

Name of related parties and description of relationship

	For 2004-05	For 2003-04
Holding Company	Tata Sons Ltd., Tata Teleservices Ltd.	Tata Teleservices Ltd.
Associates	—	The Tata Power Company Ltd., Tata Sons Ltd., Tata Industries Ltd.,
Fellow Subsidiaries	Tata Internet Ltd., Tata Infotech Ltd., Tata Consultancy Services Ltd., Tata AIG General Insurance Co.Ltd., Tata AIG Life Insurance Co.Ltd., THDC Ltd., E2E SerWiz Solutions Private Ltd., CMC Ltd., Ewart Investment Limited, TCE Consulting Engineers Ltd., Primal Investments & Finance Ltd., Panatone Finvest Ltd., Tata Asset Management P Ltd., Space TV Ltd., Tata Limited, London, Tata International AG, Zug, Tata Petrodyne Ltd., Airline Financial Support Services Ltd., AP Online Ltd., Aviation Software Development Consultancy India Ltd., Concept Marketing & Advertising Ltd., CMC Americas Inc., Exegenix Canada Inc., Tata AG, Zug, Tata Infotech Deutschland GmbH, Tata Infotech (Singapore) Pte. Ltd., Tata America International Corpn., Tata Consultancy Services Chile SA., Tata Consultancy Services de Espana SA, Spain, Tata Consultancy Services de Mexico SA de CV, Mexico, Tata Consultancy Services do Brasil Ltda., Tata Consultancy Services France SA., Tata Consultancy Services Asia Pacific Pte. Ltd., Tata Consultancy Services, Belgium SA., Tata Consultancy Services, Deutschland GmbH, Tata Consultancy Services Japan Ltd., Tata Consultancy Services, Malaysia, Tata Consultancy Services, Netherlands BV., Tata Consultancy Services, Sverige AB, Tata Information Technology (Shanghai) Co. Ltd., TCS Argentina SA, Argentina, TCS Brazil S/C Ltda, Brazil, TCS Iberoamerica, SA, T.C.S. Italia s.r.l, TCS Inversions Chile Ltda, Chile, TCS Solution Center SA Uruguay, TCS Business Transformation Solutions Ltd., WTI Advanced Technology Ltd., Tata Internet Services Ltd., Wireless-TT Infoservices Ltd.	—
Key Management Personnel	S. Ramakrishnan - Managing Director, Charles Antony - Managing Director	S. Ramakrishnan – Managing Director, Y.V.L. Pandit – Chief Operating Officer

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

	As at March 31, 2005 Rs. in Crores	As at March 31, 2004 Rs. in Crores
18. Earnings Per Share Data		
A. Loss during the year (Rs. in Crores)	527.86	269.68
B. Basic earnings per equity share – Weighted average number of equity shares outstanding excluding unallocated shares of ESOP	141,63,13,657	140,54,80,261
Effects of Dilutive Potential Equity Share equivalents [Stock options and Foreign Currency Convertible Bonds (FCCB)]	19,97,24,761	18,13,696
Diluted earnings per equity share – Weighted average number of equity shares and potential equity share equivalents outstanding	161,60,38,418	140,72,93,957
C. Nominal value of Equity Shares (Rs.)	10	10
Basic & Diluted Earnings per Share (Rs.)	(3.73)	(1.92)
In calculating the Earnings Per Share the effect of dilution is ignored since results are anti-dilutive.		
19. Capital work in progress includes the following incidental expenditure incurred during the construction period.		
	2004-05 Rs. in Crores	2003-04 Rs. in Crores
Salaries	–	1.29
Power	0.82	–
Rent	2.61	0.94
Bank Charges	–	1.27
Rates and Taxes	0.14	–
Total	3.57	3.50
20. Managerial Remuneration		
a) Managing Director (for the period October 1, 2004 to March 31, 2005)		
	2004-05 Rs. in Crores	2003-04 Rs. in Crores
Salaries	0.34	–
Contribution to Provident and other Fund	0.04	–
Monetary value of perquisites	0.10	–
Total	0.48	–
b) Non-Executive Directors		
	2004-05 Rs. in Crores	2003-04 Rs. in Crores
Directors' Sitting Fees	0.03	0.03

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

21. Going Concern

The accumulated losses of the Company at the close of the year exceeded its paid up capital and reserves. The Company has been incurring cash losses. This however is not an uncommon feature for telecommunication service providers in their initial years of commercial operations, due to the high operation costs of heavy infrastructure and high capital requirement for building the network. The Company has adequate commitments from its lenders for meeting its operating and financial requirements and continues to grow its network. The Company is therefore considered a going concern and accounts have accordingly been prepared under the going concern assumption.

22. Comparatives

Comparative financial information (i.e. the amounts and other disclosures for the preceding year), is included as an integral part of the current year's financial statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous year are regrouped/ reclassified wherever necessary to correspond to figures of the current year.

Signatures to Schedules '1' to '15'

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

P.B. Pardiwalla
Partner

Place : Mumbai
Date : May 13, 2005

For and on behalf of the Board

F. A. Vandrevala
(Chairman)

Vivek Sett
(Chief Financial Officer)

Charles Antony
(Managing Director)

Madhav J. Joshi
(Chief Legal Officer and
Company Secretary)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	2004-05 Rs. in Crores	2003-04 Rs. in Crores
A Cash Flows from Operating Activities		
Net loss before tax	(527.86)	(269.68)
Adjustments for :		
Depreciation	317.01	201.53
Loss on Disposal of fixed assets (net)	—	1.19
Profit on redemption of units	(0.06)	(0.41)
Unrealised foreign exchange gain (net)	(1.97)	(1.89)
Interest income	(7.21)	(1.57)
Finance and Treasury charges	153.97	121.80
	461.74	320.65
Operating (loss)/profit before working capital changes	(66.12)	50.97
Decrease/(Increase) in Sundry Debtors	78.96	(174.84)
(Increase) in Prepayments and Other Receivables	(53.93)	(59.45)
Increase in Current liabilities	41.55	294.72
Net Cash generated from Operating Activities	0.46	111.40
B Cash Flow from Investing Activities		
Purchase of Fixed Assets	(448.20)	(835.04)
Proceeds from Sale of Fixed Assets	—	0.08
Profit on redemption of units	0.06	0.41
Interest received	7.13	0.74
Net Cash from Investing Activities	(441.01)	(833.81)
C Cash Flow from Financing Activities		
Proceeds from issue of equity shares	0.44	1.65
Proceeds from long term borrowings (Net)	635.98	1,053.21
Repayment of long term borrowings	(74.35)	(285.82)
Finance and Treasury charges paid	(146.04)	(120.22)
Net cash used in Financing Activities	416.03	648.82
Net (decrease) in cash or cash equivalents	(24.52)	(73.59)
Cash and cash equivalents at beginning of year	105.42	179.01
Cash and cash equivalents at end of year	80.90	105.42
	(24.52)	(73.59)

Notes to Cash Flow Statement

- Components of Cash and Cash Equivalents includes Cash, bank balances in Current and Term Deposit Accounts and investments in Liquid Schemes of Mutual Funds (refer Schedule 6 and 7 to the Balance Sheet).
- Cash and Cash Equivalents includes foreign exchange gain of Rs. 0.07 crores (Previous year Rs. Nil)
- Proceeds from long term borrowings is net of debt arrangement expenses.
- Purchase of Fixed Assets are inclusive of movements in Capital Work in Progress between the commencement and end of the year.

For Deloitte Haskins & Sells
Chartered Accountants

P.B. Pardiwalla
Partner

Place : Mumbai
Date : May 13, 2005

For and on behalf of the Board

F. A. Vandrevala
(Chairman)

Vivek Sett
(Chief Financial Officer)

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(Managing Director)

Madhav J. Joshi
(Chief Legal Officer and
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TATA TELESERVICES (MAHARASHTRA) LIMITED

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BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE

I Registration Details		
Registration No.		11-86354
State Code		11
Balance Sheet Date		March 31, 2005
II Capital raised during the year (Rs. in Crores)		
(Equity Share Capital & Security Premium Account)		
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement (ESOP and conversion of FCCB)		208.99
III Position of Mobilisation and Deployment of Funds (Rs. in Crores)		
Total Liabilities		3,486.52
Total Assets		3,486.52
Sources of Funds		
Paid-up Capital		1,490.97
Reserves & Surplus		157.68
Secured Loans		1,091.51
Unsecured Loans		746.36
Application of Funds		
Net Fixed Assets (including Capital Work-in-Progress)		2,492.38
Investments		—
Net Current Assets		(698.21)
Misc. expenditure (to the extent not amortised)		—
Accumulated Losses		1,692.35
IV Performance of the Company (Rs. in Crores)		
Turnover (including other income)		836.48
Expenditure		1,364.34
Loss Before Tax		(527.86)
Loss After Tax		(527.86)
Earning Per Share (Rs.)		(3.73)
Dividend Rate		—
V Generic Names of three Principal Products/Services of the Company		
Item Code No. (ITC Code)		Not Applicable
Product Description		Telecommunication Services

For and on behalf of the Board

F. A. Vandrevala
(Chairman)

Charles Antony
(Managing Director)

Place : Mumbai
Date : May 13, 2005

Vivek Sett
(Chief Financial Officer)

Madhav J. Joshi
(Chief Legal Officer and
Company Secretary)

TATA TELESERVICES (MAHARASHTRA) LIMITED

Registered Office: Ispat House, B. G. Kher Marg, Worli, Mumbai - 400 018.



ATTENDANCE SLIP

Tenth Annual General Meeting on August 5, 2005

Folio No. DP ID* Client ID*

Name:

Address

.....
.....
.....

Pincode

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Tenth ANNUAL GENERAL MEETING of the Company at Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Fort, Mumbai 400 001 at 15:30 hours on Friday, August 5, 2005.

Proxy's name in Block Letters

Member's/Proxy's Signature

Note: Please fill in this slip and hand over at the ENTRANCE OF THE HALL.

* Applicable for investors holding shares in electronic (dematerialised) form.

TATA TELESERVICES (MAHARASHTRA) LIMITED

Registered Office: Ispat House, B. G. Kher Marg, Worli, Mumbai - 400 018.



PROXY FORM

Reg. Folio No. DP ID* Client ID*

I/We of

..... in the district of

..... being a member/members of the above named Company hereby appoint

..... of in the district of

..... or failing him of

..... in the district of as my/our proxy to

vote for me/us on my/our behalf at the TENTH ANNUAL GENERAL MEETING of the Company to be held on Friday, August 5, 2005 and at any adjournment thereof.

Signature

Signed this day of 2005.

Affix a 15 ps.
Revenue
Stamp

Note: This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

* Applicable for investors holding shares in electronic (dematerialised) form.

Members are requested to bring their copies of the Annual Report to the Annual General Meeting.

Members are requested to send their queries, if any, relating to the Accounts of the Company, at least 4 days before the meeting so that the necessary information can be made available at the Annual General Meeting