

**BOARD OF DIRECTORS**

**Dr. J. J. Irani (Chairman)**

**Mr. Ishaat Hussain**

**Mr. R. Gopalakrishnan**

**Mr. Kishor A. Chaukar**

**Mr. Firdose A. Vandrevala**

**Mr. N. S. Ramachandran**

**Mr. Pradman Kaul**

**Mr. S. Ramakrishnan (Managing Director)**

**COMPLIANCE OFFICER**

**Mr. Madhav Joshi**

Chief Legal Officer & Company Secretary

**Investor Services Executive**

Mr. Hiten Koradia

Tel – 022 5661 5251

e-mail – [ir@tatatel.co.in](mailto:ir@tatatel.co.in)

**STATUTORY AUDITORS**

M/s. Deloitte Haskins & Sells

Chartered Accountants

19<sup>th</sup> Floor, 'Nirmal',

Nariman Point,

Mumbai 400 021.

**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 8494

e-mail - [csg-unit@tatashare.com](mailto:csg-unit@tatashare.com)

website – [www.tatashare.com](http://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](http://www.tataindicom.com)

e-mail: [ir@tatatel.co.in](mailto:ir@tatatel.co.in)

# **TATA TELESERVICES (MAHARASHTRA)**

8<sup>th</sup> Annual Report 2002-2003

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**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

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## NOTICE

Notice is hereby given that the 8<sup>th</sup> Annual General Meeting of Tata Teleservices (Maharashtra) Limited (formerly known as Hughes Tele.com (India) Limited) will be held on **Wednesday, August 6, 2003 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, 2003 alongwith the Report of auditors thereon as well as the Directors' Report.
2. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION (if on date of the meeting, the financial institutions hold not less than 25% of the Subscribed Capital of your Company, the resolution will be proposed to be passed as a SPECIAL RESOLUTION in terms of section 224-A of the Companies Act, 1956)  
"RESOLVED THAT, M/s Deloitte Haskins & Sells, Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on remuneration to be decided by the Board of Directors."

### SPECIAL BUSINESS

3. To consider and if though fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution:  
"RESOLVED THAT Mr. R. Gopalakrishnan, a Director appointed in casual vacancy, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
4. To consider and if though fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution:  
"RESOLVED THAT Mr. F. A. Vandrevala, a Director appointed in casual vacancy, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
5. To consider and if though fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution:  
"RESOLVED THAT Mr. Pradman Kaul, a Director appointed in casual vacancy, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
6. To consider and if though fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution:  
"RESOLVED THAT Dr. J. J. Irani, who was appointed additional director, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
7. To consider and if though fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution:  
"RESOLVED THAT Mr. Ishaat Hussain, who was appointed additional director, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
8. To consider and if though fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution:  
"RESOLVED THAT Mr. S. Ramakrishnan, who was appointed additional director, who ceases to hold office at this Annual General Meeting, and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."

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9. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution:  
"RESOLVED THAT pursuant to section 163 of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the Register of Members, Index of Members, Register of Debentureholders, Index of Debentureholders and copies of all annual returns prepared under section 159 together with copies of certificates and documents required to be annexed thereto under section 161, shall be kept at the following address instead of at the registered office of the Company:

Tata Share Registry Limited  
Army and Navy Building,  
148, Mahatma Gandhi Marg,  
Fort, Mumbai – 400 001

RESOLVED FURTHER THAT the Company Secretary and/or any officer of the Company appointed by the Board of Directors be and is/are hereby authorised to take all the necessary steps in order to give effect to this resolution."

10. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution.  
"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles 44, 61, 75 and 79 be and are hereby replaced with the new Articles 44, 61, 75 and 79 respectively as under:

#### Article 44

- (a) At every General Meeting, the chair shall be taken by the Chairman of the Board of Directors.
- (b) If at any meeting the Chairman of the Board of Directors be not present within fifteen minutes after the time appointed for holding the meeting, or is unable or unwilling to act as Chairman of the meeting, then the Directors present shall elect one of them to be Chairman of the meeting.
- (c) If no Director is present within fifteen minutes after the time appointed for holding the meeting or no director is willing to act as Chairman of the meeting, the members present shall choose one amongst themselves to be Chairman of the meeting.

#### Article 61

Until otherwise determined by a General Meeting, the number of Directors shall not be less than three (3) nor more than twelve (12) or such higher number as may be permitted from time to time under the Companies Act, 1956.

#### Article 75

- (a) The Chairman or the Managing Director may at any time and the Company Secretary shall upon the requisition of a Director convene Meetings of the Board by giving a reasonable advance notice in writing to every director. Notice of any meeting will include a written agenda specifying all matters proposed to come before that meeting.
- (b) The quorum for a meeting of the Board of Directors will be in accordance with the provisions of Section 287 of the Act. Any adjournment for want of quorum will be governed in accordance with the provisions of Section 288 of the Act.

#### Article 79

Subject to the provisions of the Act, the Board may adopt resolutions by circulation without convening a meeting in accordance with the provisions of Section 289 of the Act."

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 5, 2003

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 your 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 your 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 your Company will remain closed from July 15, 2003 to August 6, 2003 (both days inclusive).
5. Members are requested to notify immediately change of address, if any, at the registered office of your Company.
6. Members who hold shares in the dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Annual General Meeting.
7. A circular on the Nomination facility is available on the Company's web-site [www.tataindicom.com](http://www.tataindicom.com). The shareholders holding shares in physical mode only are requested to go through the circular and appoint nominee/s, if any, in respect of their physical shareholdings at the earliest.

**Members may kindly note that, for security reasons, no handbags or parcels of any kind will be allowed inside the Bombay House Auditorium and those will have to be deposited outside the Auditorium on the counter provided, at the Members' own risk.**

## ANNEXURE

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

#### Item No. 2

It is proposed to re-appoint M/s Deloitte Haskins & Sells, Chartered Accountants, retiring auditors of your Company as Auditors on a remuneration to be decided by the Board of Directors. If the shareholdings of the public financial institutions, Government companies, Central Government, State Government, financial and other institutions established by any Provincial or State Act in which a State Government holds not less than fifty-one per cent of the subscribed share capital, nationalised banks and general insurance companies, is 25% or more of the subscribed share capital of your Company on the date of the ensuing Annual General Meeting, this resolution would be passed as a SPECIAL RESOLUTION. As on March 31, 2003, the above-referred institutions/bodies held 9.53% of the subscribed share capital of your Company.

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

#### Item No. 3

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

He is a graduate in Physics from Calcutta University and in Engineering from IIT, Kharagpur. After a long illustrious career in Levers (in India & abroad), he joined Tata Sons Ltd. in August 1998.

In addition to being on your Company's Board, Mr. Gopalakrishnan is the Executive Director of Tata Sons Ltd. He is the Chairman of Tata Honeywell Ltd. & Rallis India Ltd. and Vice Chairman of the Tata Chemicals Ltd. He is also a Director of Tata Engineering & Locomotive Co. Ltd., The Tata Power Company Ltd., ICI India Ltd., Idea Cellular Ltd., Tata Teleservices Ltd., Castrol India Ltd., Tata Technologies Ltd., Sheba Properties Ltd. and Tata AutoComp Systems Ltd. He is also a member of Audit Committee, Remuneration Committee and Investors' Grievance Committee in some of these companies.

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

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

#### Item No. 4

Mr. F.A. Vandrevala was appointed a Director of the Company on December 6, 2002 in casual vacancy caused due to resignation of Mr. Vinod Kumar Mittal. He holds office till this Annual General Meeting. Your Company has received a notice pursuant to

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Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. Vandrevala as a candidate for the office of Director. Mr. Vandrevala is therefore eligible for appointment to the office of Director at the ensuing Annual General Meeting.

In addition to being on your Company's Board, Mr. Vandrevala is the Managing Director of The Tata Power Company Ltd. and also a Director of Tata Ryerson Ltd., Tata Teleservices Ltd., Af-Taab Investment Co. Ltd., NELCO Ltd., North Delhi Power Ltd., Tata Chemicals Ltd., Power Trading Corporation of India Ltd., Videsh Sanchar Nigam Ltd. and Chemical Terminal Trombay Ltd. Apart from being a member of the Audit Committee and Chairman of the ESOP Compensation Committee constituted by your Company's Board of Directors, He is also a member of the Audit Committee of Tata Ryerson Ltd. and a member of the Investors' Grievance Committee of The Tata Power Company Ltd.

He 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.

Before joining The Tata Power Company Ltd. in 2001, he held several important positions at Tata Steel including that of a Deputy Managing Director (New and Allied Business).

Your 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.

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

#### **Item No. 5**

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

In addition to being on your Company's Board, Mr. Kaul is also a Director of Hughes Software Systems Ltd., Hughes Escorts Communications Ltd., Primus Telecom (USA) and Optimus (USA). Apart from being a member of the Audit Committee and ESOP Compensation Committee constituted by your Company's Board of Directors, Mr. Kaul is also a member of the Remuneration Committee of the Board of Hughes Software Systems Ltd.

Mr. Kaul has been associated with your Company since inception. Your Board considers that the Company would benefit immensely from Mr. Kaul's rich experience in the field of telecom and management and therefore recommends his appointment. None of the Directors except Mr. Kaul is deemed to be interested or concerned in the passing of this resolution.

#### **Item No. 6**

Dr. J. J. Irani, was appointed an Additional Director of the Company on December 6, 2002. He ceases to hold office at this Annual General Meeting. Your Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Dr. Irani as a candidate for the office of Director. Dr. Irani is therefore eligible for appointment to the office of Director at the ensuing Annual General Meeting.

In addition to occupying the position of Chairman of your Company's Board, Dr. Irani is also the Chairman of Tata Refractories Ltd., Tata Ryerson Ltd., TRF Ltd. Tata Teleservices Ltd. and a Director of Tata Sons Ltd., The Tata Iron and Steel Co. Ltd., Tata Industries Ltd., Tata Engineering & Locomotive Co. Ltd., Tata International Ltd., Tata Incorporated, New York, BOC India Ltd., Motor Industries Ltd., Industrial Development Bank of India Ltd., Goodlass Nerolac Paints Ltd. and Asset Reconstruction Co. (India) Ltd. Apart from being a member of the Investors' Grievance Committee constituted by your Company's Board of Directors, Dr. Irani is also a member of the Remuneration Committee, Audit Committee of some of these companies.

He is the Chairman of the Board of Governors of Xavier Labour Relations Institute, Jamshedpur.

Dr. Irani holds BSc and MSc degrees from the University of Nagpur. He also holds a MMet and PhD from the University of Sheffield, UK.

He joined Tata Iron and Steel Company in 1968 and held various positions before being appointed the Managing Director in 1992, a position he held for almost a decade.

He was bestowed with the honorary degree of Doctor of Metallurgy by University of Sheffield in 1993. In 1997, Her Majesty Elizabeth II conferred on Dr. Irani an Honorary Knighthood (KBE).

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

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

**Item No. 7**

Mr. Ishaat Hussain, was appointed an Additional director of the Company on December 6, 2002. He ceases to hold office at this Annual General Meeting. Your Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. Hussain as a candidate for the office of Director. Mr. Hussain is therefore eligible for appointment to the office of Director at the ensuing Annual General Meeting.

In addition to being on your Company's Board, Mr. Hussain is the Chairman of Voltas Ltd. and Tata Finance Co. Ltd. He is also a Director of Tata Sons Ltd., The Tata Iron and Steel Co. Ltd., Titan Industries Ltd., Tata INC., Tata Infomedia Ltd., Tata Teleservices Ltd., Tata Industries Ltd., Tata Internet Services Ltd., Tata AIG general Insurance Co. Ltd., Tata AIG Life Insurance Co. Ltd., CMC Ltd., Idea Cellular Ltd., and Videsh Sanchar Nigam Ltd. Mr. Hussain is also a member of the Audit Committee, Investors' Grievance Committee and other committees in some of these companies.

He is a graduate in Economics and a Chartered Accountant from England and Wales.

After an illustrious career with Tata Steel, he joined the Board of Tata Sons as an Executive Director and has been the Finance Director of Tata Sons Ltd. since July 2000.

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

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

**Item No. 8**

Mr. S. Ramakrishnan, who is the Managing Director of Tata Teleservices Limited (which is the holding company of your Company), was appointed by the Board of Directors of your Company as an Additional Director at its meeting held on December 6, 2002 and thus holds office till this Annual General Meeting. He was also appointed as the Managing Director of your Company for a period of 5 years w.e.f. December 6, 2002 which appointment was approved by the Members on February 7, 2003.

Mr. Ramakrishnan's professional qualifications include a degree in B. Tech (Mechanical) from IIT (Madras) and a management degree from IIM (Ahmedabad).

He has been associated with the Tata Group for more than 30 years. He joined the Tata Administrative Services in 1972 and during his long tenure handled a multitude of national as well as international projects. He joined the Taj Group of hotels in 1973 and became a whole-time Director of Indian Hotels Limited in 1982. He was involved in the conceptualisation and implementation of various hotel projects in India and neighbouring countries.

He moved to Tata Industries in 1992 and promoted projects such as Oil Exploration, Bangalore Technology Park, and Telecom Services projects for both basic and cellular services in Andhra Pradesh. From September 1997 till September 1999, he held the office of the Deputy Managing Director of Indian Hotels Limited.

Since October 1999, he holds the office of the Managing Director of Tata Teleservices Limited (TTSL).

He is also a Director of Tata Industries Limited, Tata Housing Development Company Limited, Tata Projects Limited, Piem Hotels Limited, Oriental Hotels Limited, Tata Petrodyne Limited, ITEL Industries Private Limited and Tata Telecom Limited.

He is a member of the Audit Committee in some of these companies. Mr. Ramakrishnan was appointed an Additional director of the Company on December 6, 2002. He ceases to hold office at this Annual General Meeting. Your Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. Ramakrishnan as a candidate for the office of Director. Mr. Ramakrishnan is therefore eligible for appointment to the office of Director at the ensuing Annual General Meeting.

Mr. Ramakrishnan may be deemed to be interested in the passing of this resolution. No other Director is concerned or interested in the passing of this resolution.

**Item No. 9**

Your Company has appointed Tata Share Registry Limited as its Registrars and Share Transfer Agents for physical as well as dematerialized shareholdings.

Tata Share Registry Limited is one of the leading R&T agents in India, presently servicing investor population of approximately 4.5 million. It is the first registrar in India accredited as an ISO 9001 Company. It is registered with the Securities and Exchange Board of India as a Category I Registrar to Issue and Securities Transfer Agent with NSDL & CDSL Depository Connectivity.

The Board seeks the consent of the members for keeping the Register and Index of Members, Register and Index of Debenture holders and copies of annual returns together with all documents required to be annexed thereto, at the office of Tata Share Registry Limited, Army and Navy Building, 148, Mahatma Gandhi Marg, Fort, Mumbai – 400 001.

The above records will be open for inspection from 10.30 a.m. to 1.00 p.m. and from 2.00 p.m. to 4.30 p.m. on all working days

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(Monday to Friday -excluding bank holidays) on payment of specified fees. Extracts and copies of the aforesaid records can also be taken on payment of specified fees.

Your Board seeks the consent of the members for the above and recommends the passing of this resolution as a special resolution.

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

#### **Item No. 10**

Consequent upon takeover of the Company by Tata Teleservices Limited, some of the clauses of the Articles of Association of your Company which were based on the provisions of the Joint Venture Agreement dated September 27, 1997 between the erstwhile promoters and the Company have become redundant and are therefore proposed to be amended. The respective existing provisions are reproduced hereunder.

#### **Existing Articles**

"Article 44

At every General Meeting, the chair shall be taken by the Chairman of the Board of Directors. If at any meeting the Chairman of the Board of Directors be not present within thirty minutes after the time appointed for holding the meeting, then the Members present shall elect one of the Members to take the chair."

"Article 61

The business of the Company will be managed by the Board of Directors which will consist of twelve (12) Directors, of which, subject to Article 62 and 66, ISPAT Shareholders and HE Shareholders have a right to nominate four (4) Directors each while ALLTEL Mauritius or its designated Affiliate has a right to nominate one (1) Director. In any corporate proceeding held for the purpose of electing Directors the JVA Shareholders will cast their votes in favour of the persons so nominated. By reason of HE's experience in launching telecommunications projects, ISPAT will, prior to the funding of the first Capital Call, consult with HE as to the identity of one of ISPAT's nominees to the Board, and ISPAT will not, without HE's prior written consent, seek to remove such Director prior to the end of the project launch period which is the first day of the fiscal quarter beginning after the tenth anniversary of the issuance of the Licence to the Company."

"Article 75

- (a) Meetings of the Board may be called upon at least twenty-one (21) days notice (or a shorter notice, if so consented by all the Directors entitled to attend and vote at that meeting) by the Managing Director or any other Director and unless otherwise agreed, will be convened at least once in every calendar quarter. Notice of any meeting will include a written agenda specifying, in reasonable detail, all matters proposed to come before that meeting.
- (b) The presence of a simple majority of Directors, that includes at least one Director (present in person or through telephone) nominated and identified as necessary for a quorum by each of ALLTEL Mauritius or its designated Affiliate, HNS Mauritius or its designated Affiliate and ISPAT will constitute a quorum for the conduct of business at a meeting of Directors. In the event of a lack of quorum at a duly called meeting of the Board, the meeting will reconvene at the same time and place three business days later (provided that any member who nominated any missing Directors has been given no less than sixty (60) hours advance notice of such reconvention by telephone or as otherwise permitted by these Articles) at which time three Directors present will constitute a valid quorum."

"Article 79

Subject to the provisions of the Act, the Board may adopt resolutions by circulation signed by each Director or his Alternate without convening a meeting."

None of your directors is or is deemed to be interested in passing this resolution.

By order of the Board  
For **Tata Teleservices (Maharashtra) Limited**  
**Madhav Joshi**  
Chief Legal Officer & Company Secretary

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

Dated May 5, 2003.

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Eighth Annual Report together with the Audited Statements of Accounts of your Company for the year ended March 31, 2003.

### Financial Highlights

The Financial highlights of the operations are given below:

Particulars	(Rs. Crores)		
	Year ended March 31, 2003	Year ended March 31, 2002	% Change + / (-)
Telecom Revenue	<b>359.59</b>	252.50	42
Other Income	<b>10.05</b>	24.00	(58)
Total Income	<b>369.64</b>	276.50	34
Total expenditure	<b>296.24</b>	238.99	24
EBITDA	<b>73.40</b>	37.51	95
Finance & Treasury Charges	<b>61.10</b>	72.29	(15)
Cash Profit / (Cash Loss)	<b>12.30</b>	(34.78)	—
Depreciation & Amortisation	<b>217.30</b>	113.71	91
Profit / (Loss) before tax	<b>(205.00)</b>	(148.49)	38
Provision for taxation	—	—	—
(Loss) for the year	<b>(205.00)</b>	(148.49)	38

During the year under review, your Company consolidated its operations. Total income recorded an impressive growth of 42% while the expenses increased only by 24%. The Operating Profit (EBITDA) recorded a 95% increase. The margins improved from 5% to 18%.

During the year, your Company recorded its first cash profit of Rs.12.30 crores as against a cash loss of Rs. 34.78 crores during the previous year.

The loss for the year was higher by Rs. 56.51 crores on account of additional depreciation of Rs. 105.67 crores consequent to revision in the useful life of fixed assets (please refer 'Management's Discussion and Analysis' section for further details).

The Company had on April 15, 2002 filed a petition with the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) for recovery of excess amount of interest and penalty recovered by DoT. The Company has claimed in its petition a refund of Rs. 104.33 crores based on its estimate of the excess paid. On March 17, 2003 the TDSAT disposed the petition in favour of the Company and DoT will now be required to modify its demand for interest and penalty under the migration package. Since DoT, as of date, has not intimated a revised calculation and still has time to go in appeal against the TDSAT order, no credit has been taken in the accounts.

### 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.

### Operations

Your Company believes in providing competitive world class telecom services to its valued customers and that its strong customer orientation places it in a unique position to maintain and sustain its competitive advantage.

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During the year, your Company focused on growth at all existing locations. This strategy led to a healthy growth. The number of telephone lines increased from 1,59,500 to 2,32,100. Your Company offers services to business and residential subscribers in Mumbai, Navi Mumbai, Thane, Kalyan, Panaji, Nagpur, Nasik, Pune, Kolhapur, Aurangabad, Ahmednagar and Sangli.

As a licence condition, your Company has also extended its services to 2019 villages in rural and remote areas of Maharashtra which did not have any telephone facilities earlier. About 6,000 villages still don't have telephone connections.

Encouraged by the excellent response it received for its conference call service, your Company has now decided to extend this service nationally as 'TATA Indicom Conference Call Service' which has now been augmented to offer an application for Web-based presentations (Web-conferencing). Your Company is also the first Basic Service Operator (BSO) in India to launch an on-premise Video Conferencing Service - 'TATA Indicom Video Conference Service'.

Apart from consolidating its product offerings in the conventional voice telephony services, your Company has increased its focus in providing non-voice products and the contribution of these products to the revenues is increasing. Your Company also intends to extensively use Digital Subscriber Line ("DSL") technology to deliver bundled voice and data product offerings. This technology will represent another cost-effective, high-bandwidth option to deliver communications services over your Company's network.

With over 600 installations, your Company provides the maximum number of commercial Managed Leased Lines by any private BSO in a single telecom circle.

Your Company is a Category A (National) ISP Licensee and offers a broad range of Internet-related product offerings. These products complement your Company's other product offerings and are well-suited to its customers' needs and expectations. Your Company has strengthened its position in the Broadband internet market with a rapidly growing DSL subscriber base. Your Company also provides post-paid dial-up internet access and content services to many satisfied customers.

As a result of far reaching changes in the regulatory environment, your Company is redrawing its project with limited further expansion of wired lines and growth coming through WLL Limited Mobility (WLL-M) network. Preparations are at an advanced stage to launch WLL-M services initially in Mumbai, Navi Mumbai, Kalyan, Pune, Nasik, Nagpur and Aurangabad.

Your Company's operations are being closely integrated with operations in five other circles of Tata Teleservices Limited. Common facilities for IS-IT, Short Messaging Services (SMS), Voice Mail are being set-up. Telecom Enterprise Business Unit has been formed for making a single point approach to enterprises having establishments in multiple cities and for meeting the entire gamut of their communication requirements.

### **ISO 9001:2000 Certification**

Your Company which is well known in the market for its quality and service excellence became the first basic telecom service Company in India to receive ISO 9001:2000 certifications in August 2002. Your Company has decided to implement Tata Business Excellence Model (TBEM) which would help your Company to accomplish higher levels of excellence to better serve its customers.

### **Financing**

In January 2003, your Company finalised a revised Business Plan taking into account some of the recent events such as (a) tariff amendments, (b) changes in regulatory and competitive environment, and (c) vendor debt restructuring, consequent to the takeover of the Company. The business plan has been appraised by ICICI Bank Ltd.

The Project Cost is estimated at Rs. 3,380 crores, of which the equity requirement of Rs. 1,553 crores has already been funded. The Project requires Rs. 1,350 crores of long term debt, of which Rs. 854 crores has been underwritten by ICICI Bank Ltd. Your Company together with ICICI Bank Ltd. is syndicating this debt through Indian Financial Institutions and Banks. The balance fund requirement of Rs. 477 crores is being met largely from vendor financing. Post the takeover, your Company is optimistic of achieving its financial closure during the current year.

### **Takeover by Tata Teleservices Limited (TTSL)**

(a) TTSL which offers basic services in Andhra Pradesh, Tamilnadu, Karnataka, New Delhi and Gujarat acquired on December 6, 2002, 50.83% of the paid-up equity capital of your Company from the erstwhile promoters i.e. Hughes

group, Ispat and Alltel group. In an open offer to our members consequent upon the acquisition, The Tata Power Company Ltd. ("Tata Power") and Tata Sons Ltd. ("Tata Sons") together acquired 20% of the paid-up equity capital. Thus, Tata Group now holds 70.83% of the paid-up equity capital of your Company.

- (b) As a part of the above described transaction, based on negotiations between erstwhile promoters of your Company, TTSL and your Company:
  - (i) Long term supply Agreements with Hughes Network Systems, USA (HNS) and also with its Indian subsidiary, have been terminated and the outstanding amounts due to HNS have been restructured.
  - (ii) Operations Support Services (OSS) Agreement with Alltel Information (India) Pvt. Limited is now terminable from April 2004.

The details are available under section 'Management's Discussion and Analysis'

- (c) Tata Sons has permitted your Company to use the word 'Tata' in the Company name and has also permitted use of the brand name 'Tata Indicom' for marketing the Company's range of products.

#### **Regulatory Environment**

Despite Telecom Disputes Settlement and Appellate Tribunal (TDSAT) upholding the legality of the Government of India decision allowing limited mobility service, cellular operators preferred an appeal before the Supreme Court which has referred the matter to TDSAT for re-hearing with special emphasis on 'Level Playing Field' issues.

TRAI announced much awaited IUC regulation to fix share of various participating networks in any telephone call on the basis of the work done. It has been challenged in TDSAT by cellular, basic and long distance operators on different grounds. Representations have also been made to TRAI, which however has directed that regulation should be implemented from May 1, 2003. To give effect to IUC regulation, your Company has revised its tariffs keeping in view competitive tariffs offered by other operators.

PCOs would have to pay termination charges on outgoing calls and as there are no incoming calls, they would not earn any termination charges. This may put pressure on viability of PCO business. PCOs provide a convenient mode of communication to millions of people who don't have phones and PCOs also provide livelihood to several million people. Your Company, TTSL and Association of Basic Telecom Operators (ABTO) have made representations to TRAI to reconsider IUC provisions vis a vis PCOs.

#### **Directors**

Mr. Madhav Joshi resigned as Alternate Director on April 25, 2002. Mr. Vivek Sett resigned as a Director on June 21, 2002.

Consequent upon transfer of majority ownership from Hughes, Ispat and Alltel to Tata Teleservices Ltd:

- (a) Dr. J. J. Irani, Mr. Ishaat Hussain and Mr. S. Ramakrishnan were appointed as Additional Directors of your Company in the Board Meeting held on December 6, 2002.
- (b) M/s Pramod Mittal, Pradman Kaul, Vijay Dhar, Francis X. Frantz, Pradeep Kaul, James Lucchese, Jack Shaw and V. K. Mittal resigned from your Company's Board in the Board Meeting held on December 6, 2002.
- (c) Mr. Jaykumar Dehejia, who represented AEIF (India) Ltd. resigned as a Director w.e.f. December 6, 2002.
- (d) M/s John-Michael Lind, Paul W. Cheng, Sanjay Chaudhary, Partho Banerjee, Pranav Roach and Arun Kumar also ceased to be Alternate Directors to M/s Pramod Mittal, Jaykumar Dehejia, Francis X. Frantz, Pradeep Kaul, James Lucchese and Jack Shaw respectively consequent to resignation of the original directors.

The Board places on record its sincere appreciation of the contributions made to your Company by these outgoing Directors.

- (e) M/s. R. Gopalakrishnan, F. A. Vandrevala, Kishor Chaukar, N. S. Ramachandran and Pradman Kaul were appointed as Directors in the Board Meeting held on December 6, 2002 to fill the vacancies caused by the resignation of M/s Pramod Mittal, V. K. Mittal, Pradman Kaul, Jaykumar Dehejia and Francis X. Frantz.

## **TATA TELESERVICES (MAHARASHTRA)**

8<sup>th</sup> Annual Report 2002-2003

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### **TATA TELESERVICES (MAHARASHTRA) LIMITED** (Formerly Hughes Tele.com (India) Limited)

Dr. J. J. Irani has been appointed as the Chairman of the Board of Directors of your Company in the Board Meeting held on December 6, 2002.

Mr. N. S. Ramachandran and Mr. Pradman Kaul are Independent Directors as regards your Company.

Dr. J. J. Irani, Mr. R. Gopalakrishnan, Mr. Ishaat Hussain, Mr. F. A. Vandrevala, Mr. Pradman Kaul and Mr. S. Ramakrishnan will cease to hold office as Directors at the commencement of the ensuing Annual General Meeting. Your Board recommends their appointment as Directors liable to retire by rotation.

#### **Management**

Mr. S. Ramakrishnan who is the Managing Director of the holding Company Tata Teleservices Limited was appointed the Managing Director of your Company for a period of 5 years commencing December 6, 2002.

Mr. Ajay Pandey was the Chief Operating Officer (COO) till March 31, 2003 and Mr. Y. V. L. Pandit has assumed charge as the COO effective April this year.

#### **Human Resources**

Your Company attaches considerable importance to training and employee development, emphasising on technical, behavioral and customer sensitivity training.

Consistent with your Company's intent of inculcating a sense of ownership amongst the employees towards your Company and creation of wealth for the employees through Shareholder value, an Employees' Stock Option Plan was introduced in 1999 and about 349 employees have already been granted warrants under the Plan till March 31, 2003.

Your Board sincerely thanks all the employees who have put in hard work and helped your Company to achieve good results despite an uncertain environment.

#### **Internal Audit**

Your Company had its own internal audit department. Effective April 2003, your Board has appointed M/s. Ratan S. Mama & Co., Chartered Accountants as the Internal Auditor.

#### **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.

#### **Share Capital**

There was no change in the paid-up share capital of your Company during the year; it stands at Rs. 1,405.3 crores.

#### **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.

- **Fixed Deposits**

Your 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 : Not Applicable

(ii) Technology Absorption :

Your Company has not imported technical know-how. Your Company has not yet established separate R & D facilities.

(iii) Foreign Exchange Earnings and Outgo:

	Rs. in crores
Earnings	Rs. 0.03
Outgo	Rs. 35.12

- **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 your 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 your Company is annexed hereto as Annexure III and forms part of this Report.

### **Acknowledgements**

Your 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 your Company.

Your Directors record their sincere appreciation for the support received from present and erstwhile promoters.

For and on behalf of the Board of Directors

Place: Mumbai  
Date: May 5, 2003

**Dr. J. J. Irani**  
Chairman

# TATA TELESERVICES (MAHARASHTRA)

8<sup>th</sup> Annual Report 2002-2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

## ANNEXURE - I

### Tata Teleservices (Maharashtra) Limited

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, 2003

#### 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. Birjoo H. Mehta	45	Assistant Vice President - Product Management	B.Tech	2-Mar-98	18 Years	58,72,397	Matrix Paging (I) Pvt Ltd., Sr. Vice President (Tech)
2	Mr. Dhananjay Saheba	48	Chief Technical Officer	B. Tech (IIT) M.S. (Columbia University)	19-Jun-00	22 Years	45,73,070	Lucent Technologies, Sr Manager - Business Development
3	Mr. Gopal Srinivasa Pai	46	Director - Sales	B.E., PGDM	29-Oct-98	20 Years	29,63,584	Page Point Services India Ltd, Deputy General Manager
4	Mr. Haridev Khosla	46	Senior Vice President - Network Operations	B.E.	2-Mar-98	23 Years	84,97,606	Mahanagar Telephone Nigam Limited, Deputy General Manager
5	Mr. Harpreet Singh Bindra	33	Associate Director - Network Operations	B.E.	8-Jun-98	8 Years	28,21,495	Siemens Public Communication Networks Ltd, Senior Manager - Projects
6	Mr. Kishore Mukund Saletore	37	Treasurer & Head - Business Development	B.Com, ACA, PGDM	24-Nov-97	10 Years	54,12,344	ITC Limited, Exec Asst. to Dy Chairman
7	Mr. Louis D'souza	49	Director - Sites & Material Logistics	B.Com, DMS	18-Aug-97	24 Years	24,81,614	Hutchinson Max Telecom Ltd, Sr. Manager, Materials
8	Mr. Madhav J Joshi	50	Chief Legal Officer and Company Secretary	B.Com.,LLB,FCS	1-Sep-98	29 Years	60,48,689	Bayer Industries Limited, Director and Secretary
9	Mr. Mulky Srinivas Rao	47	Assistant Vice President - Network Implementation	B.Tech	2-Mar-98	22 Years	48,99,646	GEL Products & Services (I) Ltd., Sr. Vice President (Project Services)
10	Mr. Naveen Chander Bhasin	54	Vice President - Customer Service & Revenue Assurance	M.Tech.,MBA,DCM	16-Jun-98	31 Years	67,18,170	Archana Technology Resource Park, Vice President
11	Mr. Prasad Tokekar	40	Director - Human Resources (Human Resources)	M.M.S.	16-Mar-98	11 Years	28,50,554	Lakme Lever Ltd, Head - Human Resources
12	Mr. Sailesh Mody	34	Associate Director - Sales	B.E.(Electronics)	28-Jul-98	11 Years	31,18,941	Wipro Ltd, Regional Sales Manager
13	Mr. Sumeet Walia	32	Associate Director - Sales	B. E., M.M.M.	20-Jul-98	6 Years	25,42,626	Microwave Communications, Mumbai, Sales Manager
14	Mr. Suneel Unni	43	Assistant Vice President - Sales	M.A.(Hons), PGDBM	2-Mar-98	16 Years	72,03,102	Sterling Holiday Resorts (I) Ltd., General Manager (West)
15	Mr. V Sivakumar	47	Associate Director - Infotech	B.Sc.	14-Jul-98	19 Years	26,39,686	MTNL, Mumbai, Sub Divisional Engineer

#### b) Employed for part of the financial year and drawing not less than Rs. 2,00,000/- per month

Sr. No.	Name	Age	Designation	Qualifications	Date of Joining	Prior Experience	Remuneration Received Rs.	Particulars of Last Employment Held
1	Mr. Dilip C. Modi	59	Vice President - Program Management & Network Implementation	B.Sc. Engg	2-Mar-98	31 Years	17,31,217	British Telecom Plc., Vice President
2	Mr. George Varghese	41	Senior Executive Vice President	B.Sc., MBA	1-Apr-98	19 Years	31,65,762	Indian Express Newspapers (Bombay) Ltd., Chief General Manager (Mktg.)
3	Mr. Prakash Bajpai	47	President & Chief Executive Officer	B.E.	15-Nov-99	20 Years	1,25,410	Tata Lucent Technologies Ltd, Vice President - Marketing & Sales
4	Mr. Sridhar Ranganathan	44	Financial Controller	B.Com, ACA	15-Dec-97	17 Years	10,93,978	Gujarat Ambuja Cements Ltd., General Manager - Accounts
5	Mr. Sunil Mohindra	38	Director - Investor Relations	B.E., Master's in International Business (IIFT)	15-Feb-01	10 Years	20,48,321	Powergen India Ltd, Project Development Manager
6	Mr. Vivek Sett	48	Chief Financial Officer	B.Com, FCA	22-Jun-02	21 Years	1,03,36,263	Ispat Industries Limited, Director - Finance

#### Notes :

- 1) Remuneration includes Salary, Allowance, Contribution to Gratuity 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 2002-03	Nil
Pricing formula	Not Applicable
Options vested (cum.)	14,70,307
Options exercised (cum.)	Nil
Options lapsed (cum.)	14,39,526
Total number of shares arising as a result of exercise of options (cum.)	Nil
Variation of terms of options	Not varied
Money realised by exercise of options (cum.)	Nil
Total number of options in force	22,94,024
Options granted to Senior managerial personnel during year 2002-2003:	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)	(1.46)
Number of employees to whom options have been granted:	
(i) Cumulative* till March 31, 2003	349
(ii) during F.Y. 2002-2003	Nil

\* Includes employees who have since left the employment of your 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<sup>st</sup> March 2003 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, except as stated in the relevant paragraphs of the Corporate Governance Report of the Board of Directors regarding the requirement of number of independent directors in the composition of the Board of Directors and Audit Committee which is to be fulfilled.

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**

Mumbai, dated: May 5, 2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

## **CORPORATE GOVERNANCE REPORT**

### **STATEMENT OF COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Your Company believes in setting the highest standards in good and ethical corporate governance practices. Your Company is managed by the Managing Director (MD) under the supervision and control of the Board of Directors. The Company has also appointed a Chief Operating Officer (COO) who looks after day to day management of the Company's operations. The MD and COO are assisted by a team of highly qualified & experienced professionals.

### **CORPORATE CODE OF CONDUCT**

Your Company is committed to integrity as the cornerstone of the way it does business. Your Company and its employees have a commitment to its customers, sub-contractors, suppliers, competitors, local communities, shareholders and the nation to conduct business in an ethical and legal manner. This includes:

- conduct of all dealings with your Company's customers and suppliers with honesty and integrity;
- respect for the rights of all employees to fair treatment and equal opportunity, free from discrimination or harassment of any type;
- knowledge, understanding and compliance with all laws, regulations and codes of conduct governing the operations of your Company's business;
- ensuring that all transactions are handled honestly and recorded accurately;
- protection of information that belongs to your Company or customers, suppliers and fellow workers;
- avoidance of conflict of interest, both real and perceived; and
- recognition of the reputation of your Company and acting accordingly.

### **BOARD OF DIRECTORS**

#### **Composition**

Your Company's Board of Directors comprises of 8 Directors, 7 of them are Non-Executive and 2 of them are Independent Directors\*. The Board Structure is as under:

Director	Non-Executive (NE) / Independent	Promoter / Equity Investor whom the Director represents
Dr. J. J. Irani	NE	Tata Teleservices Limited
Mr. Ishaat Hussain	NE	Tata Teleservices Limited
Mr. R. Gopalakrishnan	NE	Tata Teleservices Limited
Mr. Kishor A. Chaukar	NE	Tata Teleservices Limited
Mr. F. A. Vandrevale	NE	Tata Teleservices Limited
Mr. N. S. Ramachandran*	NE & Independent	Independent
Mr. Pradman Kaul*	NE & Independent	Independent
Mr. S. Ramakrishnan	Executive	Tata Teleservices Limited

Dr. J. J. Irani and Mr. S. Ramakrishnan are Non-Executive Chairman and Managing Director respectively. Your Company currently has 2 Independent Directors on its Board and proposes to appoint one more Independent Director in accordance with the requirements of Clause 49 of the listing agreements with the stock exchanges and such Director would be a nominee of ICICI Bank Limited or other financial institutions and banks participating in the financing of your Company's project. Such appointment of nominee Director would be necessary in terms of loan sanction letters and would take total number of Directors to 9 and the total number of Independent Directors to 3 to meet the Board composition requirements.

The Managing Director is not paid any remuneration by the Company. The non-executive Directors have no material pecuniary relationship or transaction vis-à-vis your Company in their personal capacity during the year. The Directors have not been issued any stock options by your Company during the year.

#### Participation and Interest of Directors

Since the commencement of the financial year 2002-2003 till the date of this report, a total of 10 Board Meetings were held on the following dates viz. April 11, 2002, May 28, 2002, June 21, 2002, July 16, 2002, October 16, 2002, December 6, 2002, December 20, 2002, January 6, 2003, April 3, 2003 and May 5, 2003. The maximum time gap between two board meetings was not more than four calendar months. The following table gives details of participation in Board Meetings and AGMs of your Company and interests of directors in other companies:

Director	Participation of Directors		Interests of Directors		
	Board Meetings <sup>#</sup>	Last AGM	Other Directorships <sup>@</sup>	Committee Memberships	Committee Chairmanships
Mr. Pramod Mittal	Nil	No	11	Nil	Nil
Mr. Pradman Kaul	3	No	4	2	Nil
Mr. Alok Gupta*	Nil	No	1	Nil	Nil
Mr. Jaykumar Dehejia*	2	No	Nil	Nil	Nil
Mr. Vijay Dhar	5	Yes	7	Nil	Nil
Mr. Francis X. Frantz	Nil	No	12	Nil	Nil
Mr. Pradeep Kaul	1	No	2	Nil	Nil
Mr. James Lucchese	1	No	2	2	Nil
Mr. V. K. Mittal	1	No	9	Nil	Nil
Mr. Vivek Sett <sup>##</sup>	3	No	8	3	1
Mr. Jack Shaw	1	No	4	2	Nil
Mr. Partho Banerjee (Alternate to Mr. Pradeep Kaul)	5	No	Nil	Nil	Nil
Mr. Paul W. Cheng (Alternate to Mr. Jaykumar Dehejia)	2	No	Nil	Nil	Nil
Mr. Sanjay Chaudhary (Alternate to Mr. Francis X. Frantz)	4	Yes	1	Nil	Nil
Mr. Arun Kumar (Alternate to Mr. Jack Shaw)	1	No	4	1	Nil
Mr. John-Michael Lind (Alternate to Mr. Pramod Mittal)	3	No	Nil	2	Nil
Mr. Pranav Roach (Alternate to Mr. James Lucchese)	5	Yes	4	Nil	Nil
Mr. Deepak Dutt <sup>%</sup> (Alternate Director to Mr. Pradman Kaul)	1	No	Nil	Nil	Nil
Mr. Kanchan Murarka <sup>%</sup> (Alternate Director to Mr. V. K. Mittal)	1	No	Nil	Nil	Nil
Mr. Madhav Joshi <sup>5</sup> (Alternate to Mr. Pradman Kaul)	1	No	Nil	Nil	Nil
Mr. Madhav Joshi <sup>%</sup> (Alternate to Mr. Jack Shaw)	1	No	Nil	Nil	Nil

# TATA TELESERVICES (MAHARASHTRA)

8<sup>th</sup> Annual Report 2002-2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

Director	Participation of Directors		Interests of Directors		
	Board Meetings <sup>#</sup>	Last AGM	Other Directorships <sup>@</sup>	Committee Memberships	Committee Chairmanships
<b>New Board of Directors (w.e.f. December 6, 2002)</b>					
Dr. J. J. Irani	5	NA	15 (4)	9	1
Mr. S. Ramakrishnan	5	NA	11	4	Nil
Mr. Ishaat Hussain	3	NA	15 (2)	9	4
Mr. R. Gopalakrishnan	4	NA	12 (2)	10	1
Mr. Kishor A. Chaukar	5	NA	14	10	4
Mr. F. A. Vandrevala	3	NA	10	3	Nil
Mr. N. S. Ramachandran	4	NA	1	1	1
Mr. Pradman Kaul	1	NA	4	2	Nil

**Note:** Figures mentioned in the brackets indicates the no. of companies in which each director is the Chairperson

# The figures given above depict the physical attendance of the Directors. In the event that Directors are unable to attend meetings physically, they participate through a teleconference and/or the meeting is attended by the Alternate Director.

@ Includes directorships in private companies.

\* Mr. Alok Gupta resigned w.e.f. April 3, 2002 and Mr. Jaykumar Dehejia was appointed w.e.f. April 11, 2002 to fill the casual vacancy caused due to resignation of Mr. Alok Gupta.

§ Resigned as Alternate Director w.e.f. April 25, 2002

## Resigned w.e.f. June 21, 2002

% Appointed as an Alternate Director for the one Board Meeting held on June 21, 2002

None of the Directors is a member in more than 10 committees and acts as a Chairman in more than 5 committees across all companies in which he is a director.

## AUDIT COMMITTEE

The Board of Directors of your Company has, at its meeting held on December 6, 2002 constituted the Audit Committee in compliance of the Corporate Governance requirements consequent upon the changes in the Board of Directors in accordance with the Share Purchase Agreement.

### Composition

The Audit Committee of the Board of your Company presently comprises of 4 members all of whom are Non-Executive Directors and out of which 2 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 Convenor to the Committee. The composition of the Committee is as follows:

Name of Member	Category / Position
Mr. N. S. Ramachandran	Independent Director / Chairman
Mr. Pradman Kaul	Independent Director / Member
Mr. F. A. Vandrevala	Non-Executive Director / Member
Mr. Kishor A. Chaukar*	Non-Executive Director / Member
Proposed ICICI/Fin. Institutions' Nominee	Independent Director / Member
Mr. Madhav Joshi	Convenor

\* Mr. Kishor Chaukar, who is a member of the Committee, has financial and accounting knowledge and possesses an 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 your 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 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 your 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.
- 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 your 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 half-yearly and annual financial statements before submission to the Board of Directors

### Committee Meetings

7 meetings of the Committee have been held since the commencement of the financial year 2002-2003 till the date of this report. The details of the same are as follows:

Date	Venue
April 11, 2002	Mumbai
May 28, 2002	New Delhi
July 16, 2002	U.S.A.
October 16, 2002	Mumbai
January 6, 2003	Mumbai
April 3, 2003	Mumbai
May 5, 2003	Mumbai

## TATA TELESERVICES (MAHARASHTRA)

8<sup>th</sup> Annual Report 2002-2003

### TATA TELESERVICES (MAHARASHTRA) LIMITED (Formerly Hughes Tele.com (India) Limited)

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

Member	Committee Meetings	
	Held	Attended
Mr. Vijay Dhar	4	4
Mr. Vivek Sett	2	2
Mr. Jaykumar Dehejia	4	1
Mr. Paul W. Cheng (Alternate to Mr. Jaykumar Dehejia)	3	2
Mr. James Lucchese	4	1
<b>New Committee (w.e.f. December 6, 2002)</b>		
Mr. N. S. Ramachandran	3	3
Mr. Pradman Kaul	3	1
Mr. F. A. Vandrevala	3	2
Mr. Kishor A. Chaukar	3	3

#### REMUNERATION COMMITTEE

Your Company has not constituted such a Remuneration Committee since your Company has not paid any remuneration to any of the Directors except sitting fees to non-executive directors and reimbursement of out of pocket expenses in connection with attending Board Meetings and Committee Meetings.

#### INVESTORS' GRIEVANCES COMMITTEE

##### Composition

The Board of Directors of your Company has, at its meeting held on December 6, 2002 re-constituted the Investors' Grievances Committee which now comprises of Dr. J. J. Irani and the Company Secretary. The Committee functions under the chairmanship of Dr. J. J. Irani.

##### Terms of Reference

The Committee would 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 & complaints, etc.

##### Compliance Officer

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

##### Summary of Investors Complaints

The status of Investor Complaints as on March 31, 2003 was as follows:

Number of aggregate Complaints received (cum.) : 832

Number of Complaints not solved to the

satisfaction of shareholders : Nil

Number of pending share transfers : Nil

## GENERAL BODY MEETINGS

Your Company's statutory meeting was held on April 24, 1995. Further, till date, your Company has held 7 Annual General Meetings (AGM) and 10 Extra Ordinary General Meetings of shareholders. The details of the last 3 AGMs are as under:

Particulars	Date	Venue
5 <sup>th</sup> Annual General Meeting	May 30, 2000	Mumbai
6 <sup>th</sup> Annual General Meeting	August 28, 2001	Mumbai
7 <sup>th</sup> Annual General Meeting	September 27, 2002	Mumbai

No special resolutions have been put through postal ballot at any of the General Meetings and all the resolutions at these meetings have been passed with the requisite majority. No resolutions are proposed to be passed by the postal ballot at the ensuing Annual General Meeting.

## 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 your Company at large except as disclosed under Note No. 20 in Schedule (15) of the financial statements.

## COMPLIANCE WITH LAWS

Your 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 your Company on any matter related to capital markets, during the last three years nor have any penalties or strictures been imposed on your Company in this respect.

## FINANCIAL RESULTS

Your Company approved its unaudited financial results for the quarter ended December 31, 2002 at the meeting of the Board of Directors held on January 6, 2003. The same were published in the 'Free Press Journal' in English and in 'Navshakti' in Marathi on January 8, 2003. The financial results as well as all other official news releases issued by your Company are displayed on its web site [www.tataindicom.com](http://www.tataindicom.com). Presentations to institutional investors or analysts whenever made, would be displayed on the web site.

## CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

In compliance with the Securities & Exchange Board of India (Prevention of Insider Trading) Regulations, 1992, your Company has framed a Code of Conduct for prevention of insider trading by Company insiders. Your 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.

## MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis is attached and forms part of this Annual Report.

## GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

The ensuing Eighth Annual General Meeting is scheduled to be held on Wednesday, August 6, 2003 at 1530 hours at Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Fort, Mumbai – 400 001.

### Financial Calendar

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

### Date of Book Closure

The share transfer books & the members register will be closed between July 15, 2003 and August 6, 2003 (both days inclusive) for the purposes of the Eighth Annual General Meeting.

## TATA TELESERVICES (MAHARASHTRA)

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**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

### Listing on Stock Exchanges

Your 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, 5<sup>th</sup> floor  
Plot No. C/1, 'G' Block,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai - 400 051.

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

### Stock Code

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

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

The Stock Code of your Company's shares on the NSE is HUGHESTELE, Series BT.

### Market Price Data

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

Month	BSE		NSE	
	High	Low	High	Low
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
April 2002	7.80	6.40	8.00	6.35
May 2002	7.00	5.70	7.95	5.75
June 2002	8.75	6.25	8.90	6.25
July 2002	6.80	6.45	6.95	5.90
August 2002	6.75	6.45	6.75	6.50
September 2002	6.85	6.05	6.85	6.30
October 2002	6.50	5.40	6.50	5.45
November 2002	6.45	5.60	6.75	5.60
December 2002	6.80	5.75	6.85	5.70
January 2003	6.60	5.75	6.80	5.80
February 2003	6.20	5.00	6.30	5.05
March 2003	5.65	4.20	6.30	4.25

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

The performance of your Company's Share Price vis-à-vis the broad based BSE and NSE Indices during the financial year 2002-2003 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, 2002	6.95	3500.18	6.90	1138.95
As on April 1, 2003	4.55	3080.95	4.45	984.30
% Change	-34.53	-11.98	-35.51	-13.58

### Registrar & Share Transfer Agents

Your Company has appointed Tata Share Registry Limited as its Registrar & Share Transfer Agents in the place of MCS Limited vide resolution passed at the meeting of your Board held on April 3, 2003. Shareholders are advised to approach Tata Share Registry Limited on the following address for any share & 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 8494  
E-mail: [csg-unit@tatashare.com](mailto:csg-unit@tatashare.com)  
Website: [www.tatashare.com](http://www.tatashare.com)

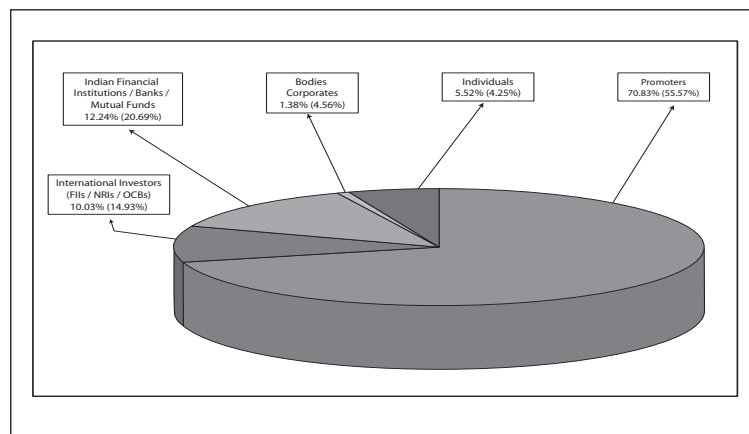
### Share Transfer System

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 your Company as on March 31, 2003 was as follows:



Note: Figures in brackets depict the position as on March 31, 2002

## **TATA TELESERVICES (MAHARASHTRA)**

8<sup>th</sup> Annual Report 2002-2003

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**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
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### **Dematerialization of Shares & Liquidity**

Approximately 99.50% of the shares issued by your Company have been dematerialised as on date. The trading in your Company's shares is compulsorily in dematerialized form. In order to afford full liquidity and efficient transfer mechanisms to the investor community, your 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,**

Your 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 your Company on payment by the employees of the Exercise Prices stipulated for the particular options. No shares have so far been issued against such options. Please refer Annexure II of the Report of the Board of Directors for further details.

### **Telephone Exchange/Services Locations**

Your Company provides services through its telephone exchanges located at Turbhe (Navi Mumbai), Worli (Mumbai), Nariman Point (Mumbai), Marol (Mumbai), Pune, Nasik, Panaji, Nagpur, Kolhapur, Aurangabad, Ahmednagar and Sangli.

### **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 your 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 5, 2003 issued by M/s Delloite Haskins & Sells, Chartered Accountants, Statutory Auditors on compliance of the Corporate Governance requirements by your Company is annexed to the Directors' Report.

## MANAGEMENT'S DISCUSSION AND 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.

### A. Change in Control

The management of the Company has undergone a change in control. With effect from December 6, 2002, the Tata Group has acquired 70.83% stake in the Company. Of this, 50.83% has been acquired by Tata Teleservices Limited (TTSL) from the erstwhile promoters (the Hughes Group, USA, Alltel Corporation, USA, Ispat group and their affiliates). The balance 20% has been acquired by The Tata Power Co. Ltd. (11.50%) and Tata Sons Ltd. (8.50%) pursuant to an open offer made by the Tata Group.

Consequently, the Board of Directors of the Company has been reconstituted with effect from December 6, 2002 and the name of the Company has been changed from Hughes Tele.com (India) Ltd. to Tata Teleservices (Maharashtra) Limited, with effect from February 13, 2003.

The takeover by the Tata Group offers the Company wider opportunities given that the Tata Group is establishing a wider geographic presence across the telecom value chain.

The Company will leverage its synergy with the other Tata Group companies operating in the telecom sector (such as VSNL, TTSL, Tata Internet Services Ltd., and the broadband division of the Tata Power Co. Ltd) and is now poised to offer integrated, end-to-end telecommunication services under a common brand name: 'Tata Indicom'.

### B. 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 the takeover, the Company has been renamed Tata Teleservices (Maharashtra) Limited.

The Company is licenced to provide basic telecommunication services in Maharashtra (including Mumbai and Goa) and Internet services in India. The Company currently operates in 10 large cities, viz., Mumbai, Navi Mumbai, Pune, Nasik, Nagpur, Panaji, Ahmednager, Kolhapur, Sangli and Aurangabad. These cities are fully interconnected on a backbone comprising the Company's own fiber optic network and some leased lines from other service providers.

The Company has emerged as the premier access provider in the Maharashtra Telecom Circle and ended the financial year with about 2,32,000 lines, an increase of about 72,000 lines over the previous year. The Company has also provided village public telephones in 2,019 villages in rural and remote areas of Maharashtra.

### C. Industry structure and developments

The Indian Telecommunication sector has witnessed a sea change since the announcement of the New Telecom Policy in 1999. The sector is broadly divided into the following segments:

- Basic services, (wireline and WLL based wireless-both fixed, and with limited mobility)
- Cellular mobile services (GSM)
- Long Distance services (National and International)
- Internet Services
- Internet Telephony services
- Data communication services

India has been divided into a number of telecommunication circles, mostly contiguous with the state boundaries.

## **TATA TELESERVICES (MAHARASHTRA)**

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### **TATA TELESERVICES (MAHARASHTRA) LIMITED** (Formerly Hughes Tele.com (India) Limited)

The Company operates in the basic telecommunication and Internet services space. The Company is awaiting a licence for providing internet telephony services. The Company currently competes with MTNL in Mumbai and with BSNL in the rest of Maharashtra and Goa. Further, Reliance Infocomm, which also holds a licence for the Maharashtra Telecom Circle, is currently rolling out WLL (limited mobility) services and is also expected to commence the roll-out of its wireline network in the near future.

The Company is also expected to launch its WLL based limited mobility services in next few months. Thus, the Company would operate under increased competition not only from the incumbent operators and new competitors in basic services, but also from competitive cellular service providers.

The basic service providers and the cellular service providers are currently involved in a legal battle over the right of the basic service providers to provide limited mobility services. Separately, the Telecom Regulatory Authority of India has also introduced the Interconnect Usage Charges (IUC) regime, which seeks to identify costs involved in origination, carriage, and termination of calls, and provides for payment to respective operators. The exact impact of IUC on the Company is currently not ascertainable, since the same would depend on the calling patterns, which may undergo a change upon introduction of the IUC. (Please refer to the Regulatory Environment section in the Directors' Report for more details.)

#### **D. Opportunities and Threats**

The current telecom scenario in which the Company operates is very dynamic and challenging. The limited mobility services are expected to contribute significantly to the growth in the teledensity in the country. The Company is in the advanced stages of launching this service in Maharashtra. The Management believes that it can leverage its existing customer relations for this new offering. Given the presence of the Tata Group in the entire spectrum of telecom services spread across key telecom circles, the Company believes it is uniquely poised to offer and meet the ever increasing customer needs.

It may however be appreciated that increased competition and consequent drastic reductions in tariffs have become the order of the day. Further, certain regulatory issues, mainly the obligations for Village Public Telephones, level playing field vis-à-vis new entrants in the basic telecommunication business still persist.

#### **E. Product –wise performance**

The Company offers a variety of telecommunication services, including certain value added services. These are discussed under the Results of Operations section further in this report.

#### **F. Outlook**

As mentioned earlier, the Company is in an advanced stage of readiness to launch the limited mobility services. The main network elements are being commissioned shortly, and many back-up processes such as distribution channels and back-end services are being put in place.

A dedicated team has been formed to develop value added services. Earlier, the Company launched its video conferencing facilities for its customers. This has also has fueled the demand for ISDN lines, thereby increasing the usage of these lines.

Furthermore, the Company is getting ready to expand its audio-conferencing facility to subscribers in other circles in which TTSL operates, thereby expanding the customer base for these services. The Company continues to focus on the "last mile broadband" connections for meeting a wide range of telecommunication needs, such as high-speed data and internet services, enhanced value added services, data application services including VPN, web hosting and voice messaging services.

#### **G. Risks and Concerns**

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

##### **1. Risk of Reducing tariffs & Business risks**

The revenues of the Company are significantly dependent on the tariffs as also on the overall economic scenario. Reduction in tariffs and a weak economic scenario would hamper revenue growth.

## **2. Regulatory Risks**

The Indian telecommunication industry is extensively regulated by the Government of India. Some of the current regulations have been challenged in the court 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.

## **3. Increased Competition**

The Company faces competition from incumbent basic telecommunication service operators who have significant financial resources, well-established brand names, and a large customer base. Further, there are new entrants in the wireless mobile business (both basic as well as cellular operators) and the Company's soon-to-be-launched limited mobility would face serious competition from these players.

The Company's Internet access service faces significant competition from other ISPs including the incumbent MTNL/BSNL.

The Company also faces competition from Internet Telephony services. However, the management is confident of meeting such 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 capital expenditure and working capital. A substantial part of the capital expenditure is being funded by way of debt, currently being tied up with Financial Institutions and Banks. 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 the network and equipment. The Company has constructed a state-of-the-art broadband communications network that enables it to counter increasing competition.

## **H. 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 Auditor's Reports dealing with Internal Control Systems are considered by the Audit Committee and appropriate actions are taken, wherever deemed necessary.

The Company has an adequate internal control system in place. The internal audit function has been recently restructured by appointing an independent firm of reputed Chartered Accountants to conduct a review & evaluation and to present its Report to the Audit Committee and the management.

## **I. Financial Performance**

### **a) Financial Condition**

In view of the rapidly changing telecommunication technology resulting in early obsolescence and emerging trends in accounting practices, the Company has decided to review the estimated useful life of its fixed assets and its norms for provisioning of doubtful debtors, treatment of its deferred expenses, etc. Further, as a part of the takeover of the Company, certain payables to an erstwhile promoter, and also to an equipment vendor, have been restructured. Details are discussed in the section on 'Restructuring of Liabilities' below. The Board believes that such a review and restructuring has resulted in a significant strengthening of the Company's financial position.

Except for the above, there are no departures from the prescribed principles applied for the preparation of the financial statements for the year under consideration and from those applied during the previous years.

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)**1. Share Capital, Reserves & Surplus**

There were no significant changes during the year in the Share Capital, Reserves & Surplus of the Company.

**2. Secured and Unsecured Loans**

Secured Loans availed of by the Company are higher at Rs. 476.15 crores as compared to Rs. 272.03 crores during the previous year. This increase is on account of short term loans from the Banks availed during the year for meeting capital expenditure commitments.

Unsecured loans have increased from Rs 79.51 crores as at the end of previous year to Rs 234.92 crores as at the end of current year. The increase is consequent to restructuring of liabilities to a vendor, as elaborated in para 7 below.

**3. Fixed Assets**

The Company continues to grow its network in Mumbai and other cities in Maharashtra. The year end gross block (excluding decapitalisation) increased by 8% to Rs. 2,332.32 crores (previous year Rs. 2,151.39 crores). The major increase in the Gross Block was on account of additions of Rs. 179.53 crores in Company's telecom network which comprises switching equipment, access equipment, transmission and other related equipment. Deletions from Gross Block (excluding decapitalisation) were Rs. 1.81 crores (previous year Rs 1.10 crores).

During the year, the Company restructured liabilities due to an erstwhile sponsor, Hughes Network Systems, USA (HNS) and also to a major equipment vendor, Lucent Technologies Hindustan Ltd (Lucent). Reduction in the liabilities aggregating to Rs 174.14 crores has been decapitalised from the cost of such assets supplied by these parties. (please refer para 7 below)

Year-end Net Block has reduced from Rs 1,863.16 crores to Rs. 1,664.94 crores, on account of decapitalisation as mentioned above and on account of additional depreciation caused by a revision of useful lives of the fixed assets. Year-end Capital Work-In-Progress is higher at Rs 240.91 crores (previous year Rs. 133.38 crores) mainly on account of ongoing roll-out of CDMA limited mobility network.

**4. Investments**

The Company invests its short-term funds surplus in 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. Year-end Investments increased to Rs. 56.76 crores (previous year Rs. 11.60 crores).

**5. Sundry Debtors**

Sundry Debtors, as a percentage of telecom service revenues, decreased to 13% (previous year 14%).

Separately, during the year the Company adopted a more conservative provisioning policy resulting in a higher provision for doubtful debts at Rs. 3.05 crores as against Rs. 1.37 crores as at the end of previous year.

**6. Loans & Advances**

Year-end Loans & Advances decreased substantially by 43% to Rs. 30.48 crores (previous year Rs. 53.57 crores) on account of liquidation of some of the Inter Corporate Deposits made in the previous year and the deployment of those funds in the network rollout.

**7. Current Liabilities and Provisions**

Consequent to the restructuring of certain liabilities as mentioned in item 2 above. Current Liabilities and Provisions decreased by 19% to Rs. 825.67 crores (previous year Rs. 1,016.35 crores). The reduction is mainly on account of reduction in Sundry Creditors' balance from Rs. 955.45 crores as at the end of previous year to Rs 693.70 crores as at the end of current year.

Provision for Contingencies increased from Rs. 52.00 crores at the end of previous year to Rs 101.15 crores as at the end of current year. This increase was on account of a credit of Rs. 85.97 crores on restructuring of a liability due to HNS, combined with a write-back of Rs 35.00 crores, being the release of a provision made in a prior period towards interest payable to HNS.

## 8. Restructuring of liabilities

Pursuant to change in management control, the liability due to one of the erstwhile promoters viz. HNS, aggregating approx. USD 85 million ( Rs. 411.71 crores), was restructured as follows:

Particulars	(Rs. crores)	(US \$ MM)
Total Amount Due	411.71	85
Settled as follows:		
Cash Paid	(48.64)	(10)
Assigned to TTSL (payable without interest after 3 years)	(121.04)	(25)
Written off/Adjusted	(42.16)	( 9)
Converted to 15 years Long-Term loan of Rs 113.90 crores with simple interest @7.5% p.a. payable on maturity.	(199.87)	(41)

During the year, the Company also reached a settlement on certain disputed liabilities with one of its major vendors viz. Lucent. This settlement has resulted in a reduction in the Company's liability by Rs 131.98 crores; a similar amount has been correspondingly reduced from the cost of the assets supplied by the vendor.

## b) Results of Operations

During the year, the Company's Operating profit (EBITDA) excluding Other Income increased by Rs. 49.96 crores to Rs. 63.35 crores as compared to an Operating profit of Rs. 13.51 crores during the previous year. Significant increase in revenues has led to a significant increase in margins.

### 1. Total Income

Total income comprises revenues from Telecommunication Services and Other Income. Total income increased by 34% to Rs. 369.64 crores for the financial year ended March 31, 2003 (previous year Rs. 276.50 crores). The break up of total income is depicted in the table below:

Income	Rs. crores		Change %
	Year ending March 31, 2003	Year ending March 31, 2002	
Telecommunication Services	359.59	252.50	+42%
Other Income	10.05	24.00	-58%
Total Income	369.64	276.50	+34%

### 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 calls from mobile phones and incoming international calls,
- monthly rentals on lines - voice, leased data, and DSL,
- usage charges for internet access and audio conferencing services and
- installation charges for new subscribers, leased and DSL lines.

### TATA TELESERVICES (MAHARASHTRA) LIMITED (Formerly Hughes Tele.com (India) Limited)

During the year, revenues from telecommunication services increased by 42% to Rs. 359.59 crores (previous year Rs. 252.50 crores). This revenue growth was largely driven by the 46% increase in the number of subscriber lines to 2,32,100 at the end of March 2003 (previous year 1,59,500 subscriber lines). The revenue growth is consistent with the growth in subscriber base.

#### 3. Other Income

Other Income decreased by 58% to Rs. 10.05 crores (previous year Rs. 24.00 crores). The decrease in Other Income was due to withdrawal of short-term surplus funds invested in liquid debt mutual funds, term deposits, etc. and its deployment in the network build out.

#### 4. Operating Expenses

The major operating expenses comprise:

- (1) Network Operation Costs (incl. Interconnection and other access costs),
- (2) Operation Support System (OSS) fees,
- (3) License fees payable to Department of Telecommunications (DoT),
- (4) Employee related expenses, and
- (5) Administration and other expenses.

While the telecom revenues increased by 42%, the operating expenses increased by 24% to Rs. 296.24 crores (previous year Rs. 238.99 crores). The increase in margins was largely due to continued cost control efforts made during the year, as well on account of the benefits of higher operating leverage, with some expenses increasing at a rate lower than the increase in revenues.

##### i) Network Operation costs

These are costs incurred to operate and maintain the Company's networks- Interconnect and other access costs, fees to the Department of Telecommunication (DoT), repairs & maintenance, power, etc. During the year, Network Operation expenses increased by 26% to Rs. 188.84 crores (previous year Rs.150.34 crores).

This increase was driven by an expansion of the network within the cities and together with the increase in villages covered during the year. In addition to 10 cities covered, the Company also expanded its network to more than 2,000 villages at the end of current year, as against 185 villages as at the end of previous year. Increase in DoT fees due to increased telecom revenue and higher OSS expenses due to increased subscriber base have also resulted in increase in the Network Operation Costs. However, the rate of increase in network operation costs has been lower than the rate of increase in revenues, resulting in network operation expenses (as a percentage of telecom service revenues) decreasing by a significant 7% to 53% (previous year 60%).

Interconnection and other access costs include the share of long distance telephony revenues paid out to Domestic Long Distance (DLD) operators (40% of DLD charges billed) and International Long Distance (ILD) operators (55% of ILD charges billed). Also included in this, is a License Fee, for use of wireless spectrum, of 2% of wireless phones (WILL) 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 by 8% to 32% (previous year 40%). The Company expanded its inter-city connectivity with a combination of its own fibre optic network and leased lines from other service providers, leading to some savings in interconnect charges during part of the year.

The Company is required to pay a License Fee to Department of Telecommunications of 12% of the net revenues, after deduction of long distance Interconnect charges and service tax. This fee increased by 59% to Rs. 32.03 crores (previous year Rs. 20.12 crores).

OSS expenses increased by 73% which works out to 6% of telecom service revenues as against 5% in the previous year. These expenses include a fixed component and are partly dependent on the total number of subscriber lines.

**ii) Employee related expenses**

Employee related expenses of Rs. 38.92 crores (previous year Rs. 33.46 crores) as a percentage of telecom service revenues, decreased to 11% (previous year 13%), which contributed to the increase in operating margins.

The increase in costs is due to the increase in number of employees from 832 at the end of previous year to 863 as at the end of current year as well as higher average number of employees employed with the Company during the year compared to the previous year.

Expenses have also increased as the Company follows a policy of offering a compensation package, which would ensure that it attracts and retains the highest quality of employees available within the industry. The telecom industry has been witnessing high attrition rates due to the entry of many players into the industry. These incremental employees have been deployed primarily to meet the additional requirements in network operations, customer service consequent to the significant growth in operations of the Company and also for the proposed CDMA project.

**iii) Administrative and other expenses**

The major expenses are in the nature of rents, insurance, repair and maintenance of buildings, communications, electricity, travel and conveyance, legal and professional services, advertisement and business promotion, miscellaneous expenses, bad/ doubtful debts and advances and contractual claims and liabilities including contingencies. These expenses increased by 24% to Rs. 68.48 crores for the year (previous year Rs. 55.19 crores). During the year, the Company had incurred expenses on advertisement and brand promotion for the launch of the "Tata Indicom" brand. As a percentage of telecom service revenues, these expenses decreased to 19% (previous year 22%) largely due to efforts made during the year to control the costs as well as the benefits of operating leverage. The Company's administrative infrastructure is substantially in place and hence, going forward, administrative expenses are not expected to rise proportionately to the revenues. The Company has not made any additional provision for contingencies during the year.

**5. Finance and Treasury Charges**

Finance and Treasury charges include interest paid on loans, expenses for loan arrangement, bank charges etc. and loss on foreign exchange fluctuations.

On a net basis, the charge to the profit and loss account towards interest decreased by 16% to Rs. 55.98 crores (previous year Rs. 66.36 crores), mainly on account of repayment of certain short term loans. Expenses on loan arrangement and bank charges declined by 10% to Rs. 5 crores (previous year Rs. 5.54 crores). The loss on foreign exchange fluctuations decreased to Rs. 0.12 crores (previous year Rs. 0.39 crores) mainly due to favourable movement of the exchange rates. As a percentage of telecom service revenues, these expenses decreased to 17% (previous year 29%)

**6. Depreciation and amortization of fixed assets**

Depreciation on tangible and fixed assets other than leasehold assets is provided for on Straight Line basis at the rates on estimated useful lives of the assets. Total depreciation charges increased by 91% to Rs. 217.30 crores (previous year Rs. 113.71 crores). As a percentage of telecom service revenues, these expenses increased to 60% (previous year 45%).

Depreciation for the year includes impact of the following transactions during the year:

The Company has revised the useful lives of various categories of assets. In terms of provisions of Accounting Standard 6 issued by the Institute of Chartered Accountants of India, any additional depreciation so arising, needs to be provided prospectively over the remaining useful lives of the assets. Accordingly, the net block of

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

the assets from the start of the year under consideration (as on April 1, 2002) is being depreciated on a Straight Line basis over the revised balance useful lives of the said assets. Further, any assets added during the year are being depreciated on Straight Line basis over the revised useful lives. The depreciation charge for the year, on account of the aforesaid adjustment, is higher by Rs. 105.67 crores.

As mentioned, the Company has de-capitalised some amounts from its assets on account of settlement and consequent waiver of the liability to one of the promoters and a major vendor. This has resulted in the depreciation charge during the year being lower by Rs. 19.28 crores. Further, as a prudent policy, the Company has charged off certain miscellaneous expenditure, which was hitherto being amortised over a period, resulting in an additional charge of Rs. 5.97 crores for the year.

Leasehold land and premises are amortized over the period of lease. The fixed license fees of Rs. 532.55 crores paid for the period upto July 31, 1999 are amortized equally (i.e. Rs. 26.63 crores each year) over the license period of 20 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 by 38% to Rs. 205.00 crores for the year (previous year Rs. 148.49 crores). This was caused mainly on account of additional depreciation and write-offs as mentioned in para 6 above. Generally, it is not uncommon for large greenfield infrastructure telecom projects to incur losses during the initial few years of the project implementation, and is in line with the revised Business Plan of the Company.

**9. Liquidity and Capital Resources**

At the end of the financial year 2002-03, the Company's cash and cash equivalent balance (including investments) increased to Rs. 179.01 crores (previous year Rs. 100.50 crores) on account of draw down of loans to be used for network roll-out.

**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF TATA TELESERVICES (MAHARASHTRA) LIMITED**

1. We have audited the attached Balance Sheet of Tata Teleservices (Maharashtra) Limited (formerly known as Hughes Tele.com (India) Limited), as at 31 March, 2003 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to 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 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, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March, 2003 from being appointed as a director 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 the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company, as at 31 March, 2003;
    - (ii) in the case of the 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**

*Mumbai, dated : May 5, 2003*

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

## **ANNEXURE TO THE AUDITORS' REPORT**

### **Referred to in Paragraph 3 of our report of even date**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regards to the size of the Company and the nature of its assets. Accordingly, the physical verification of fixed assets has been carried out by the management during the year. We are informed that no material discrepancies were noticed on such verification as compared with the records of fixed assets.
2. The fixed assets have not been revalued during the year.
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, items (iii), (iv), (v), (vi) and (xii) of clause A of paragraph 4 of the Order are not applicable to the Company.
4. The Company has taken an unsecured interest free loan from a Company under the same management as defined under Section 370 (1B) of the Companies Act, 1956, the terms and conditions of which are, in our opinion, prima facie not prejudicial to the interests of the Company. The Company has not taken any loan from any other party under Section 370(1B) or under Section 301 of the Companies Act, 1956.
5. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to companies under the same management as this Company within the meaning of section 370 (1B) of the Companies Act, 1956.
6. In respect of interest free loans to employees, where the principal amounts have fallen due for repayment during the year, the employees have repaid the loans as stipulated.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant and machinery, equipment and other assets.
8. According to the information and explanations given to us, there are no transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
9. The Company has not accepted any deposits from the public.
10. The Company does not generate any disposable by product or scrap.
11. In our opinion the internal audit system of the Company is commensurate with the size and nature of its business.
12. The maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for the business carried on by the Company.

13. The Company has regularly deposited Provident Fund and Employees State Insurance dues with the appropriate authorities.
14. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding for a period of more than six months as at 31 March, 2003 from the date they became payable.
15. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations, or in accordance with generally accepted business practice.
16. The Company is not a sick industrial company within the meaning of Clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
17. The nature of the service activities carried on by the Company does not require a system of recording receipts, issues and consumption of materials and stores and allocating materials consumed and labour to jobs. Further, the question of having a system of authorisation and internal control on issue of stores and allocation of stores and labour to jobs does not arise.

**For Deloitte Haskins & Sells**  
**Chartered Accountants**

**P. B. Pardiwalla**  
**Partner**

*Mumbai, dated: May 5, 2003*

# TATA TELESERVICES (MAHARASHTRA)

8<sup>th</sup> Annual Report 2002-2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

## BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedule	As at 31st March, 2003 Rs. in Lakhs	As at 31st March, 2002 Rs. in Lakhs
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	14,05,33	14,05,33
Reserves and Surplus	2	1,14,71	1,14,71
		<u>15,20,04</u>	<u>15,20,04</u>
<b>Loan Funds</b>			
Secured Loans	3	4,76,15	2,72,03
Unsecured Loans	4	2,34,92	79,51
		<u>7,11,07</u>	<u>3,51,54</u>
<b>Total</b>		<u><u>22,31,11</u></u>	<u><u>18,71,58</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block (at cost)	5	21,58,18	21,51,39
Less: Accumulated Depreciation		4,93,24	2,88,23
Net Block		<u>16,64,94</u>	<u>18,63,16</u>
Capital Work-in-Progress		2,40,91	1,33,38
		<u>19,05,85</u>	<u>19,96,54</u>
<b>Investments</b>	6	56,76	11,60
<b>Current Assets, Loans and Advances</b>			
Cash and Bank Balances	7	1,22,46	89,64
Sundry Debtors	8	46,41	34,83
Loans and Advances	9	30,48	53,57
		<u>1,99,35</u>	<u>1,78,04</u>
<b>Less: Current Liabilities &amp; Provisions</b>	10	8,25,67	10,16,35
<b>Net Current Liabilities</b>		<u>(6,26,32)</u>	<u>(8,38,31)</u>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	11	—	11,94
<b>Profit and Loss Account</b>		<u>8,94,81</u>	<u>6,89,81</u>
<b>Total</b>		<u><u>22,31,11</u></u>	<u><u>18,71,58</u></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*

Mumbai  
May 5, 2003

**For and on behalf of the Board**

**Dr. J. J. Irani**  
(Chairman)

**Vivek Sett**  
(Chief Financial Officer)

**S. Ramakrishnan**  
(Managing Director)

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

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule	2002-03 Rs. in Lakhs	2001-02 Rs. in Lakhs
<b>Income</b>			
Telecommunication Services		3,59,59	2,52,50
Other Income	12	10,05	24,00
<b>Total</b>		<b>3,69,64</b>	<b>2,76,50</b>
<b>Expenditure</b>			
Operation and Other Expenses	13	2,96,24	2,38,99
Finance and Treasury Charges	14	61,10	72,29
Depreciation and Miscellaneous Expenditure amortised or written off (Depreciation for the year includes Rs. 1,05,67 lakhs on revision of useful lives of assets. Refer Note 7, of Schedule 15)		2,17,30	1,13,71
<b>Total</b>		<b>5,74,64</b>	<b>4,24,99</b>
<b>Loss before Tax</b>		<b>(2,05,00)</b>	<b>(1,48,49)</b>
Provision for Wealth Tax		—	—
Current year Rs. 3,56,84 (Previous year Rs. 2,74,11)			
<b>Loss after tax</b>		<b>(2,05,00)</b>	<b>(1,48,49)</b>
Balance at commencement		<b>(6,89,81)</b>	<b>(5,41,32)</b>
<b>Balance carried to Balance Sheet</b>		<b>(8,94,81)</b>	<b>(6,89,81)</b>
Earnings Per Share - Basic and Diluted (Rs.)		<b>(1.46)</b>	(1.06)
Par Value (Rs.)		<b>10.00</b>	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**

Mumbai  
May 5, 2003

**For and on behalf of the Board**

**Dr. J. J. Irani**  
(Chairman)

**Vivek Sett**  
(Chief Financial Officer)

**S. Ramakrishnan**  
(Managing Director)

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

# TATA TELESERVICES (MAHARASHTRA)

8<sup>th</sup> Annual Report 2002-2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

	As at 31st March, 2003 Rs. in Lakhs	As at 31st March, 2002 Rs. in Lakhs
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
Authorised 1,60,00,00,000 Equity Shares of Rs. 10 each	16,00,00	16,00,00
	<u>16,00,00</u>	<u>16,00,00</u>
Issued and Subscribed 1,40,53,26,661 Equity Shares of Rs. 10 each fully paid up	14,05,33	14,05,33
	<u>14,05,33</u>	<u>14,05,33</u>
<b>Note :</b> Of the above, 71,43,17,891 (Previous year Nil) shares are held by the Holding Company (See Note 1 of Schedule 15)		
<b>SCHEDULE - 2 : RESERVES AND SURPLUS</b>		
Securities premium account	1,14,71	1,14,71
	<u>1,14,71</u>	<u>1,14,71</u>
<b>SCHEDULE - 3 : SECURED LOANS</b>		
From Banks (Refer Note 1 below)		
Term Loans	4,55,00	2,70,00
Interest Accrued and due thereon	19,27	3
Cash Credit Account	1,75	1,90
	<u>4,76,02</u>	<u>2,71,93</u>
Deferred payment credits (Refer Note 2 below)	13	10
	<u>4,76,15</u>	<u>2,72,03</u>
<b>Notes:</b>		
1. Secured/to be secured by first mortgage of all movable assets, both present and future, of the Company and, where applicable, of immoveable properties subject to pari passu charge on moveable properties in favour of Industrial Development Bank of India (IDBI) for guarantee assistance of Rs 75,00 lakhs. To be further secured by assignment of the telecom license and proceeds on sale of network, in the event of cancellation of licensee, in favour of the Institution and first mortgage of all immoveable properties of the Company. Term Loan of Rs 60,00 lakhs from UTI Bank is further secured by way of letter of comfort issued by Tata Teleservices Limited, the Holding Company		
2. Secured by hypothecation of Vehicles acquired out of the Loans.		
<b>SCHEDULE - 4 : UNSECURED LOANS</b>		
79,51,000, 12.75% floating rate Non-Convertible Debentures of Rs. 100/- each redeemable on the expiry of 61 days from the date of allotment, i.e. 31st January, 2002	—	79,51
Loans — Other than banks	2,34,92	—
	<u>2,34,92</u>	<u>79,51</u>

**Note:**

Loans - other than banks include Rs. 46,96 lakhs 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.

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

### SCHEDULE - 5 : FIXED ASSETS

Rs. in Lakhs

PARTICULARS	Notes	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 1st April, 2002	Additions during the Year	Deletions during the Year	As at 31st March, 2003	Upto 1st April, 2002	For the Year	Deletions during the Year	Upto 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
<b>Tangible Assets</b>											
Leasehold assets											
Land		6,38	—	—	6,38	47	10	—	57	5,81	5,91
Office premises		6,86	—	—	6,86	44	13	—	57	6,29	6,42
Buildings		2,42	—	—	2,42	22	6	—	28	2,14	2,20
Plant & Machinery	( a )	15,44,75	1,79,53	1,74,93	15,49,35	1,51,60	1,54,01	9,99	2,95,62	12,53,73	13,93,15
Furniture, Fixtures & Office Equipment											
Own		39,71	82	52	40,01	12,33	22,93	25	35,01	500	27,38
Acquired under finance lease		99	1,46	—	2,45	13	93	—	1,06	1,39	86
Vehicles	( b )	1,43	10	50	1,03	19	25	10	34	69	1,24
<b>Intangible Assets</b>											
Licence		5,32,55	—	—	5,32,55	1,19,85	26,63	—	1,46,48	3,86,07	4,12,70
Computer Software		16,30	83	—	17,13	3,00	10,31	—	13,31	3,82	13,30
<b>Total</b>		<b>21,51,39</b>	<b>1,82,74</b>	<b>1,75,95</b>	<b>21,58,18</b>	<b>2,88,23</b>	<b>2,15,35</b>	<b>10,34</b>	<b>4,93,24</b>	<b>16,64,94</b>	<b>18,63,16</b>
Previous year		16,25,72	5,26,81	1,13	21,51,39	1,80,77	1,07,74	27	2,88,23	18,63,16	
<b>Capital Work-In-Progress:</b>	(c), (e)										
Capital advances										2,80	18,10
Capital inventory										2,07,53	1,02,38
Work-In-Progress										30,58	12,90
										<b>2,40,91</b>	<b>1,33,38</b>

**Notes:**

- (a) Additions during the year include net exchange differences of Rs. 40 lakhs (Previous year Rs. 16,28 lakhs ) adjusted in the carrying values of the assets.  
(b) Includes Rs. 90 lakhs (Previous year Rs. 11,77 lakhs) for vehicles acquired on hire purchase basis. Rs.40 lakhs (Previous year Rs. 49 lakhs) has been paid by the Company till date.  
(c) Capital Work -In-Progress includes net exchange difference of Rs. Nil (Previous year Rs. 80 lakhs)  
(d) Deletions include Rs. 1,74,14 lakhs reduced from the Gross Block and Rs. 9,99 lakhs from accumulated depreciation pursuant to restructuring of Vendor agreements  
(e) Refer Note 21 of Schedule 15  
(f) Depreciation for the previous year includes prior period expenditure of Rs 3,96 lakhs

**As at**                      **As at**  
**31st March,**            **31st March,**  
**2003**                      **2002**  
**Rs. in Lakhs**        **Rs. in Lakhs**

### SCHEDULE - 6 : INVESTMENTS

Unquoted, Other than trade  
Current investments  
(at lower of cost and fair value)  
In units of Mutual Funds

	<b>As at</b>	<b>As at</b>		
	<b>31st March,</b>	31st March,		
	<b>2003</b>	2002		
	<b>No. of units</b>	No. of units		
Prudential ICICI Liquid Plan-Growth	<b>9590152.39</b>	1148485.99	<b>14,26</b>	1,60
HDFC Liquid Fund-Growth	<b>8315109.38</b>	998627.34	<b>10,00</b>	1,13
Alliance Cash Manager -Growth	—	5367.64	—	75
IDBI Principal Cash Management Fund-Growth	—	2509148.63	—	2,80
DSP Merrill Lynch Mutual Fund-Growth	<b>6795324.82</b>	214721.59	<b>10,00</b>	30
Grindlays Super Saver Income Fund	—	456380.81	—	48
Zurich India Liquid Fund Savings Plan-Growth	<b>5986590.04</b>	3872011.76	<b>7,50</b>	4,54
Tata Liquid High Investment Fund-Growth	<b>9949159.79</b>	—	<b>10,00</b>	—
Kotak Mahindra Liquid Institutional Plan - Growth	<b>4136059.82</b>	—	<b>5,00</b>	—
			<b>56,76</b>	<b>11,60</b>

Balance of unutilised monies raised by issue of shares Rs Nil (Previous year Rs 7,10 lakhs)

# TATA TELESERVICES (MAHARASHTRA)

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**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

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

	2002-2003 Number of units		2001-2002 Number of units	
	Purchased during the year	Sold the during the year	Purchased during the year	Sold during the year
Prudential ICICI Liquid Plan - Growth option	85515894.81	77074228.41	94683140.05	93534654.06
Prudential ICICI Liquid Plan - Dividend option	18629363.01	18629363.01	—	—
Zurich India Liquid Fund Savings Plan - Growth	120408235.30	118293657.02	191039225.95	187167214.20
Zurich India Liquid Fund Savings Plan - Dividend	9105681.05	9105681.05	—	—
HDFC Liquid Fund - Growth	84198611.70	76882129.66	129607327.50	128608700.16
HDFC Liquid Fund - Dividend	20409379.64	20409379.64	—	—
Alliance Cash Manager - Growth	1811.58	7179.22	155669.25	150301.61
Alliance Cash Manager - Dividend	2547.65	2547.65	—	—
IDBI Principal Asset Management Co.Ltd- Growth	740005.82	3249154.45	35869530.33	33360381.70
IDBI Principal Asset Management Co.Ltd- Dividend	832107.79	832107.79	—	—
Grindlays Super saver Income Fund - Growth	17614075.92	18070456.73	25040281.46	24583900.64
Grindlays Super saver Income Fund - Dividend	4743450.17	4743450.17	—	—
DSP Merrill Lynch Liquid Fund - Growth	23532004.30	16951401.07	7313476.67	7098755.08
DSP Merrill Lynch Liquid Fund -Dividend	5222543.34	5222543.34	—	—
Tata Income Plus Fund-Growth	9999950.59	9999950.59	—	—
Tata Income Plus Fund-Dividend	4999901.38	4999901.38	—	—
Tata Liquid High Investment Fund-Growth	9949159.79	—	—	—
Kotak Mahindra Liquid Scheme - Growth	3195247.94	3195247.94	—	—
Kotak Mahindra Liquid Institutional Plan - Growth	6218855.57	2082795.75	—	—

As at  
**31st March, 2003**  
Rs. in Lakhs

As at  
31st March,  
2002  
Rs. in Lakhs

### SCHEDULE - 7 : CASH AND BANK BALANCES

Cash on hand	80	65
(including cheques on hand Rs. 74 lakhs, Previous year Rs.61 lakhs)		
Balance with Scheduled Banks in		
— Current Accounts	79,24	8,11
— Term Deposit Accounts (including accrued interest Rs. 21 lakhs, Previous year Rs.67 lakhs)	42,42	80,88
	<b>1,22,46</b>	<b>89,64</b>

### SCHEDULE - 8 : SUNDRY DEBTORS

(Unsecured)		
Outstanding for a period exceeding six months	67	1,37
Others	48,79	34,83
	<b>49,46</b>	<b>36,20</b>
Less: Provision	3,05	1,37
	<b>46,41</b>	<b>34,83</b>

#### Notes :

1. Considered good **46,41** 34,83  
Considered Doubtful **3,05** 1,37
2. Sundry Debtors comprise of billed trade receivables Rs. 34,25 lakhs (Previous year Rs 24,78 lakhs) and unbilled trade receivables, not due Rs. 15,21 lakhs (Previous year Rs 11,41 lakhs)

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

	As at 31st March, 2003 Rs. in Lakhs	As at 31st March, 2002 Rs. in Lakhs
<b>SCHEDULE - 9 : LOANS AND ADVANCES</b>		
(Unsecured)		
Inter corporate deposits	—	30,50
Advances recoverable in cash or in kind or for value to be received		
Staff Loans	59	1,11
[Includes Rs. 18 lakhs ( Previous year Rs. 18 lakhs ) due from an officer of the Company. Maximum amount outstanding at any time during the year Rs. 18 lakhs, Previous year Rs. 18 lakhs]		
Advances to Suppliers	11,10	3,47
Premises and other deposits	9,29	11,04
Prepayments and Others	10,40	8,03
Tax paid (less Provision)	2	21
	<u>31,40</u>	<u>54,36</u>
Less : Provision for doubtful advances	92	79
	<u>30,48</u>	<u>53,57</u>
<b>Note :</b>		
Considered good	30,48	53,57
Considered doubtful	92	79

	As at 31st March, 2003 Rs. in Lakhs	As at 31st March, 2002 Rs. in Lakhs
<b>SCHEDULE - 10 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Acceptances etc.	13,75	—
Sundry Creditors (other than small scale industrial undertakings) (See note below)	6,93,70	9,55,45
Deposits from Customers	12,35	7,96
Interest accrued but not due on loans	3,81	28
<b>Provisions</b>		
For contingencies and other contractual claims/liabilities/commitments	1,01,15	52,00
For retirement benefits	91	66
	<u>8,25,67</u>	<u>10,16,35</u>

**Notes :**

- (a) Sundry Creditors includes liabilities of Rs. 25 lakhs (Previous Year Rs. 52,80 lakhs) that are due for payment after a period of 12 months.
- (b) Sundry Creditors include vendor balances with extended periods of interest bearing credit.

**SCHEDULE - 11 : MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)		
Preliminary expenses (Current year Rs. NIL, Previous year Rs. 44,763/-)	—	—
Business process engineering expenses	—	11,94
	<u>—</u>	<u>11,94</u>

# TATA TELESERVICES (MAHARASHTRA)

8<sup>th</sup> Annual Report 2002-2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	2002-03 Rs. in Lakhs	2001-02 Rs. in Lakhs
<b>SCHEDULE - 12 : OTHER INCOME</b>		
Interest received (Gross)		
— Deposits (Tax deducted at Source Rs. 58,480/-, Previous year Rs. Nil)	3,69	18,93
— Others	4	—
Profit on redemption of Units	2,23	5,01
Gain on foreign exchange fluctuations (Previous year Rs. 25,448/-)	2,65	—
Miscellaneous Receipts	54	3
Provision no longer required	90	3
	<u>10,05</u>	<u>24,00</u>
<b>SCHEDULE - 13 : OPERATION AND OTHER EXPENSES</b>		
<b>Network Operation costs</b>		
Interconnection and other access costs	1,14,95	99,78
Fee payable to Department of Telecommunication	32,03	20,12
Operations Support System costs	22,65	13,12
Repairs and Maintenance - Plant and Machinery (including capital inventory consumed/written off Rs. 2,26 lakhs, (Previous year Rs. 3,05 lakhs)	10,77	9,95
Power	8,06	6,92
Others	38	45
	<u>1,88,84</u>	<u>1,50,34</u>
<b>Payments to and Provisions for Employees</b>		
Salaries and Bonus	34,12	28,43
Contribution to Provident and other Funds	1,73	1,84
Staff Welfare	3,07	3,19
	<u>38,92</u>	<u>33,46</u>
<b>Administration and Other expenses</b>		
Rent	18,13	16,62
Rates and Taxes	2,68	1,87
Insurance Charges	1,14	1,07
Repairs and Maintenance		
Buildings	5	60
Other	4,93	3,57
	<u>4,98</u>	<u>4,17</u>
Communication costs	1,97	1,94
Electricity	1,95	1,78
Travel and conveyance expenses	4,13	3,90
Legal and professional charges	6,69	5,44
Advertisement and business promotion expenses	8,82	5,56
Miscellaneous expenses	10,71	8,16
Bad/Doubtful debts and advances	6,17	2,39
Loss on disposal of fixed assets (net)	1,12	29
Contingencies and other Contractual claims/liabilities/commitments	—	2,00
	<u>2,96,24</u>	<u>2,38,99</u>
<b>SCHEDULE - 14 : FINANCE AND TREASURY CHARGES</b>		
Interest		
On Fixed Term Loans	51,66	58,88
Others	41,14	7,48
Less: Provision for contingencies and contractual commitments released	36,82	—
	<u>55,98</u>	<u>66,36</u>
Expenses for loan arrangement, bank charges etc.	5,00	5,54
Loss on Foreign exchange fluctuations	12	39
	<u>61,10</u>	<u>72,29</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"), formerly known as Hughes Tele.com (India) Limited was incorporated on 13<sup>th</sup> March 1995 under the name Hughes Ispat Limited. The Company changed its name to the present on 13<sup>th</sup> February 2003.

The Company is licensed to provide basic telecommunication services in the Maharashtra Telecom Circle (i.e. the states of Maharashtra and Goa). Presently it has 10 exchanges in operation and has plans to progressively cover other areas within the Circle. The Company is also licensed to provide Internet services and has during the previous year, commenced commercial operations of these services.

During the year the Company has commenced building infrastructure for its Code Division Multiple Access (CDMA) project. The Company expects to commence commercial operations during the coming financial year.

On 6<sup>th</sup> December 2002, Tata Teleservices Limited (TTSL) acquired 50.83% of the paid-up equity capital of the Company from the Company's erstwhile promoters. Also, pursuant to an open offer by TTSL, Tata Sons Limited and The Tata Power Company Limited together acquired 20% of the paid-up equity capital of the Company. Consequently, the new promoters have assumed management control of the Company.

Pursuant to a change in the management control certain trade liabilities due to an erstwhile promoter have been restructured by mutual agreement after receiving (where applicable) requisite regulatory approvals.

The Company has also renegotiated trade liabilities due to a major vendor, as a result of which the fixed assets and payables at year end have reduced by Rs 1,31,98 lakhs. The formal agreement between the Company and the vendor is however, presently in the process of being completed.

#### 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.

##### 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 cellsites 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.

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)**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)
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	3-12
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 life, whichever is shorter. Accordingly, computers acquired under finance lease have been uniformly depreciated over the lease term of 30 months.
- iii) Depreciation on License fees is provided for, uniformly over the license period.
- iv) Depreciation on additions and deletions to assets during the year is charged pro rata to the period of their use.

**e) Investments**

All investments held by 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 value.
- 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 under Other Income/ Finance and Treasury Charges, respectively, except those relating to the acquisition of 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). Annual contributions are made to the scheme on the basis of intimations received from LIC.

Leave encashment benefit payable to employees is provided for in accordance with Company rules.

**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.

**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.

**k) Income taxes**

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

**l) 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 year by the weighted average number of Equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

**m) 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.

**n) Contingent liabilities**

These are disclosed by way of notes to the accounts. Provision is made in the books for those liabilities which are likely to materialise after the year end, till the finalisation of accounts and those contractual claims / liabilities which may crystallise after negotiations with the concerned parties, and which have material effect on the position stated in the balance sheet. Release of provision, where liabilities subsequently crystallise, is deducted from the relevant expenditure.

**o) 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.

# TATA TELESERVICES (MAHARASHTRA)

8<sup>th</sup> Annual Report 2002-2003

## TATA TELESERVICES (MAHARASHTRA) LIMITED (Formerly Hughes Tele.com (India) Limited)

	<b>As at 31st March, 2003 Rs. in Lakhs</b>	As at 31st March, 2002 Rs. in Lakhs
<b>3.</b> Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	<b>2,11,87</b>	1,02,50
<b>4.</b> Counter guarantees given by the Company to Banks	<b>1,42,00</b>	57,60
<b>5.</b> Contingent liabilities :		
i. Claims etc. against the Company not acknowledged as debts	<b>1,29,45</b>	3,37,09
ii. Disputed Tax demands in Appeals:		
Income Tax	<b>9,35</b>	9,35
Sales Tax	<b>5,16</b>	—
iii. The Company had paid during an earlier year (under protest), a sum of Rs. 7,20 Lakhs 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 a show cause notice from the authorities for Rs. 21,48 lakhs. The Company will be contesting this demand once it receives the relevant documents. This amount is also included under Note 5 (i) above.		
<b>6.</b> Previously the Company amortised Preliminary Expenses and Expenditure on Business Processes over a period of 10 years and 5 years respectively. The Company has, during the year, decided to expense to the Profit and Loss account, the balance of unamortised expenditure aggregating to Rs. 5,97 Lakhs as at March 31, 2003 as in its view this will result in a more appropriate presentation of the financial statements. Consequently, the loss for the year is higher by Rs. 5,97 Lakhs.		
<b>7.</b> Considering the nature of the telecommunication industry and the related technology, the Company has revised the useful lives of the majority of its fixed assets which previously were depreciated at the SLM rates specified in Schedule XIV to the Companies Act, 1956. Since the revision has resulted in shorter useful lives, the unamortised depreciable amount of such assets will be expensed to revenue over their remaining revised useful lives as laid out in the Accounting Standard 6 on Depreciation Accounting. Consequently, the loss for the year is higher by Rs 1,05,67 lakhs and the net block of fixed assets is lower by the like amount.		
<b>8.</b> Payments to Auditors (excluding service tax) :		
i. Audit fees	<b>13</b>	13
ii. Tax Audit fees	<b>4</b>	8
iii. Other matters (certification work, etc.)	<b>7</b>	29
iv. Out of pocket expenses(Current year Rs. 16,792/- Previous year Rs. 15,093/-)		
<b>9.</b> From August 1, 1999, the Company has been providing for fees payable to the Department of Telecommunications (DoT), calculated at 12% of gross revenues from its basic 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 terms of license agreement that will be finalised by DoT in accordance with the terms of Migration Package under NTP 1999.		

The Company has received a demand from DoT for payment of Rs. 42,89 lakhs towards revenue share on non-telecom income, penalty and interest, for the period 1999-2000 to 2001-2002. The Company has contested the demand. The amount is included in para 5 (i) above

The Company had on April 15, 2002 filed a petition with the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) for recovery of excess amount of interest and penalty recovered by DoT. The Company has claimed in its petition a refund of Rs 1,04,33 lakhs based on its estimate of the excess paid. On March 17, 2003 the TDSAT disposed the petition in favour of the Company and DoT will now be required to modify its demand for interest and penalty

under the Migration Package. Since DoT, as of date, has not intimated a revised calculation and still has time to go in appeal against the TDSAT order, no credit has been taken in the accounts.

## 10. 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, 120 Lakh 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 240,000 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:

	<b>As at 31st March, 2003 Rs. in Lakhs (Nos.)</b>	As at 31st March, 2002 Rs. in Lakhs (Nos.)
Opening Balance (cumulative)	<b>33,59,981</b>	15,56,850
Issued during the year	—	20,30,800
Forfeited (cumulative)	<b>10,65,957</b>	2,27,669
Exercised	—	—
Closing Balance (cumulative)	<b>22,94,024</b>	33,59,981

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

## 11. Segment Reporting

The Company operates in a single business and geographical segment.

## 12. Finance lease

The Company has acquired computers under a finance lease.

The total of minimum lease payments and their present values are as follows:

	<b>As at 31<sup>st</sup> March, 2003</b>		As at 31 <sup>st</sup> March, 2002	
	<b>Minimum Lease Payments (Rs. in Lakhs)</b>	<b>Present value of minimum lease payments (Rs. in Lakhs)</b>	Minimum Lease Payments (Rs. in Lakhs)	Present value of minimum lease payments (Rs. in Lakhs)
Due not later than one year	<b>1,11</b>	<b>94</b>	85	81
Due later than one year and not later than five years	<b>47</b>	<b>37</b>	1,14	94
Total	<u><b>1,58</b></u>	<u><b>1,31</b></u>	<u>1,99</u>	<u>1,75</u>

# TATA TELESERVICES (MAHARASHTRA)

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## TATA TELESERVICES (MAHARASHTRA) LIMITED (Formerly Hughes Tele.com (India) Limited)

### 13. Operating Lease:

Operating lease rentals charged to revenue during the period for lease agreements entered from 1<sup>st</sup> April, 2001 :

	2002-03 Rs. in Lakhs	2001-02 Rs. in Lakhs
Residential Flats for accommodation of employees	11	60
Switch and Other Sites	2,13	20

#### Future Minimum Lease Payments under Non-Cancellable Operating Lease:

	2002-03	2001-02
Due not later than one year	3,43	1,40
Due later than one year and not later than five years	9,10	2,90
Due later than five years	10,27	1,30

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.

### 14. 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".

### 15. Value of imports on CIF basis in respect of :

	2002-03	2001-02
Capital goods	10,93	51,44
Others	—	24
	<u>10,93</u>	<u>51,68</u>

### 16. Expenditure in foreign currency on account of :

	2002-03	2001-02
Interest	34,42	66
Others	70	26
	<u>35,12</u>	<u>92</u>

### 17. Earnings in foreign currency on account of Customer Billing revenues

3,22,180 —

### 18. Value of Capital Inventory consumed during the year :

	2002-03		2001-02	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Indigenous	41	17	55	19
Imported	1,87	83	2,50	81
	<u>2,28</u>	<u>100</u>	<u>3,05</u>	<u>100</u>

### 19. Related Party disclosures

(In terms of Accounting Standard – 18)

Nature of Transactions	Type of Related Party				Total
	Erstwhile Promoters	Holding Company	Associates	Key Management Personnel	
Purchase of Equipment	3,31,25	61	8,11	—	3,39,97
Pre-operative expenses	11	—	—	—	11
Licence fees	4,71	—	5	—	4,76
Operation Support Services Fees	—	—	14,54	—	14,54
Remuneration	—	—	—	80	80
Rent	—	—	—	6	6
Loan	—	—	—	30	30
Reimbursement:					
— Expenses	49	9	13	*	71
— Salary Cost	—	19	—	—	19

	Type of Related Party				Rs. in Lakhs
	Erstwhile Promoters	Holding Company	Associates	Key Management Personnel	Total
— Interest	—	12	27	—	39
— Lease Line Charges	—	—	43	—	43
Rendering Telecom services	12	**	15	—	27
<b>Outstanding as at 31<sup>st</sup> March 2003 :</b>					
Sundry Debtors	***	****	19	—	19
Sundry Creditors	(47,83)	(70)	(1,11,27)	—	(1,59,80)
Other Receivables	—	—	—	30	30
<b>Finance</b>					
Unsecured Loan	—	1,21,03	—	—	1,21,03
Acceptance of Inter-corporate Deposit	—	14,15	—	—	14,15
Repayment of Inter-corporate Deposit	—	14,15	—	—	14,15

**Name of related parties and description of relationship :**

(including before change in management control)

Erstwhile Promoters	Hughes Network Systems, USA, Ispat Industries Ltd.
Holding Company	Tata Teleservices Ltd.
Associates	Hughes Escorts Communications Ltd., Hughes Software Systems Ltd., The Tata Power Company Ltd., Tata Sons Ltd., Tata Industries Ltd., Hughes Network Systems (I) Pvt. Ltd., Alltel Information (India) Pvt. Ltd.
Key Management Personnel	Prakash Bajpai, George Varghese, Vivek Sett- Former CEOs, S.Ramakrishnan- Managing Director, Ajay Pandey-Chief Operating Officer

\* Rs. 12,483/-

\*\* Rs. 12,277/-

\*\*\* Rs. 48,984/-

\*\*\*\* Rs. 10,437/-

	As at 31 <sup>st</sup> March, 2003	As at 31 <sup>st</sup> March, 2002
--	---------------------------------------	---------------------------------------

**20. Earnings Per Share Data**

A. Loss during the year (Rs. in Lakhs)	<b>2,05,02</b>	1,48,47
B. Basic earnings per equity share – Weighted average number of equity shares outstanding excluding unallocated shares of ESOP	<b>1,40,53,26,661</b>	1,40,53,26,661
Effects of Dilutive Potential Equity Share equivalents (Stock options)	<b>12,46,528</b>	6,61,985
Diluted earnings per equity share – Weighted average number of equity shares and potential equity share equivalents outstanding	<b>1,40,65,73,189</b>	1,40,59,88,646
C. Nominal value of Equity Shares (Rs.)	<b>10</b>	10
Basic & Diluted Earnings per Share (Rs.)	<b>(1.46)</b>	(1.06)
In calculating the Earnings Per Share the effect of dilution is ignored since results are anti-dilutive.		

## **TATA TELESERVICES (MAHARASHTRA)**

8<sup>th</sup> Annual Report 2002-2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

**21. Capital work in progress includes the following incidental expenditure incurred during the construction period on the CDMA project:-**

	<b>Amount Rs. in Lakhs</b>
Salaries and Bonus	1,08
Power	51
Rent	45
Professional Charges	48
Travel	17
Hiring Charges	10
Bank Charges	1,09
Rates and Taxes	2,88
Others	2
<b>Total</b>	<b>6,78</b>

**22. Figures of the previous year have been 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**

Mumbai  
Dated : May 5, 2003

**For and on behalf of the Board**

**Dr. J. J. Irani**  
(Chairman)

**Vivek Sett**  
(Chief Financial Officer)

**S. Ramakrishnan**  
(Managing Director)

**Madhav J. Joshi**  
(Chief Legal Officer &  
Company Secretary)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2003**

	<b>As at 31st March, 2003 Rs. in Lakhs</b>	As at 31st March, 2002 Rs. in Lakhs
<b>A Cash flow from operating activities</b>		
Net loss before tax	(2,05,00)	(1,48,50)
Adjustments for :		
Depreciation & Miscellaneous Expenditure Amortized or written off	2,17,30	1,13,70
Loss on Disposal of fixed assets (net)	2,72	30
Provision for Contingencies	(36,82)	2,00
Income from Investments	(2,23)	(5,00)
Interest received	(3,69)	(18,90)
Finance and Treasury charges	97,92	72,30
	<b>2,75,20</b>	<b>1,64,40</b>
<b>Operating profit before working capital changes</b>	<b>70,20</b>	<b>15,90</b>
(Increase)/Decrease in Sundry Debtors	(11,61)	(11,00)
(Increase)/Decrease in Prepayments and Other Receivables	(7,66)	5,20
Increase/ (Decrease) in Current liabilities	12,62	(5,10)
<b>Cash Generated from Operations</b>	<b>63,55</b>	<b>5,00</b>
Direct tax refunds/ payments (net)	20	—
<b>Net Cash from Operating Activities</b>	<b>63,75</b>	<b>5,00</b>
<b>B Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(52,65)	(1,85,60)
Proceeds from Sale of Fixed assets	30	50
Intercompany deposits placed and withdrawn	30,50	2,34,50
Income from Investments	2,23	5,00
Interest received	4,15	21,40
<b>Net Cash from Investing activities</b>	<b>(15,48)</b>	<b>75,80</b>
<b>C Cash from Financing activities</b>		
Net Proceeds from long term borrowings	2,25,19	23,90
Repayment of long term borrowings	(94,82)	(25,80)
Assignment of Long Term Borrowings	(25,00)	—
Finance and Treasury charges paid	(75,14)	(77,90)
<b>Net cash used in financing activities</b>	<b>30,23</b>	<b>(79,80)</b>
<b>Net increase in cash or cash equivalents</b>	<b>78,51</b>	<b>1,00</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,00,50</b>	<b>99,50</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,79,01</b>	<b>1,00,50</b>
	<b>78,51</b>	<b>1,00</b>

## **TATA TELESERVICES (MAHARASHTRA)**

8<sup>th</sup> Annual Report 2002-2003

**TATA TELESERVICES (MAHARASHTRA) LIMITED**  
(Formerly Hughes Tele.com (India) Limited)

### **CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2003 (Cont.)**

#### **Notes to Cash Flow Statement**

1. Components of Cash and Cash Equivalents includes Cash, Cheques on hand, Bank balances in Current and Term Deposit Accounts and Investments in Liquid Schemes of Mutual Funds (Refer Schedules 6 and 7 to the Balance Sheet)
2. Proceeds from long term borrowings is net of debt arrangement expenses.
3. Purchase of Fixed Assets are inclusive of movements in Capital Work-in-Progress between the commencement and end of the year.
4. The conversion of Rs. 2,34,92 lakhs of trade liabilities to long term debt pursuant to the restructuring arrangement referred to in Note no. 1 of Schedule 15 being a non-cash transaction, has been excluded from the cash flow statement.
5. Pursuant to Restructuring of vendor agreements, the fixed assets have been decapitalised to the extent of Rs. 1,74,14 lakhs. This is adjusted from purchase of fixed assets.

Mumbai  
May 5, 2003

#### **For and on behalf of the Board**

**Dr. J. J. Irani**  
(Chairman)

**Vivek Sett**  
(Chief Financial Officer)

**S. Ramakrishnan**  
(Managing Director)

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

### **AUDITORS' CERTIFICATE**

The Board of Directors,  
Tata Teleservices (Maharashtra) Limited.

We have examined the attached Cash Flow Statement of Tata Teleservices (Maharashtra) Limited (formerly known as Hughes Tele.com (India) Limited), for the year ended 31 March, 2003. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreements with stock exchanges and is based on and is in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report of May 5, 2003 to the members of the Company.

For **Deloitte Haskins & Sells**  
**Chartered Accountants**

Mumbai  
May 5, 2003.

**P.B.PARDIWALLA**  
*Partner*

**BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE**
**I. Registration details**

Registration No.	11-86354	State code	11
Balance-sheet date	31-Mar-03		

**II. Capital raised during the year (Rs.in lakhs)**

Public Issue (including share premium)	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

**III. Position of Mobilization & Deployment of Funds (Rs. in lakhs)**

Sources of Funds	Total Liabilities	22,31,11	Total Assets	22,31,11
	Paid up Capital	14,05,33	Reserves and Surplus	1,14,71
	Secured loans	4,76,15	Unsecured loans	2,34,92
Application of Funds	Net Fixed Assets (including Capital Work-in-Progress)	19,05,85	Investments	56,76
	Net Current Assets	(6,26,32)	Misc.Expenditure (to the extent not amortised)	—
	Accumulated Losses	8,94,81		

**IV. Performance of company (Rs. in lakhs)**

Turnover	3,59,59	Expenditure	5,74,64
Profit/(Loss) before tax	(2,05,00)	Profit/(Loss) after tax	(2,05,00)
Earnings per share	(1.46)	Dividend rate	—

**V. Generic Names of Three Principal Products/Services of Company**

Item Code No. (ITC) Code	NOT APPLICABLE
Product Description	BASIC TELECOM SERVICES

**For and on behalf of the Board**
**Dr. J. J. Irani**  
(Chairman)

**S. Ramakrishnan**  
(Managing Director)

**Vivek Sett**  
(Chief Financial Officer)

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

Mumbai  
May 5, 2003

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# TATA TELESERVICES (MAHARASHTRA) LIMITED

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

## ATTENDANCE SLIP

I hereby record my presence at the Eighth Annual General Meeting of the Company at Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Fort, Mumbai - 1 at 1530 Hours on Wednesday, August 6, 2003.

.....  
Full name of the Member (in block letters) ..... Signature

Folio No. .... DP ID No.\* ..... Client ID No.\*  
.....

\*Applicable if shares are held in electronic form

.....  
Full name of the Proxy (in block letters) ..... Signature

- NOTES:** 1. Member/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance of the meeting hall.  
2. Members/Proxyholders desiring to attend the meeting should bring this copy of the Annual Report for reference at the meeting.

# TATA TELESERVICES (MAHARASHTRA) LIMITED

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

## Proxy

I/We .....  
of ..... in the district of .....  
being a member/members of **TATA TELESERVICES (MAHARASHTRA) LIMITED** 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 EIGHTH ANNUAL GENERAL MEETING of the Company to be held on Wednesday, August 6, 2003, and at any adjournment thereof.

Signed this ..... day of ....., 2003.

Folio No. .... DP ID No.\* ..... Client ID No.\*  
.....

Affix a 30  
Paise  
Revenue  
Stamp

\*Applicable if shares are held in electronic form

No. of Shares ..... Signature .....

This form is to be used     \*\* in favour of     the resolution. Unless otherwise instructed, the Proxy will act as he thinks fit.  
    \*\* against    

\*\* Strike out whichever is not desired.

**NOTES:**(i) The Proxy must be returned so as to reach the Registered Office of the Company, Ispat House, B. G. Kher Marg, Worli, Mumbai - 400 018, not less than FORTY-EIGHT HOURS before the commencement of the meeting.



TEAR HERE

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.