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15th ANNUAL REPORT 2009 - 2010

TATA TELESERVICES (MAHARASHTRA) LIMITED



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in a row

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PREPAID MOBILE SERVICES

The plan is available for new Prepaid mobile subscribers across Maharashtra and Goa at MRP of Rs. 199. Customer enjoys night calls at 10p/min to local Tata phones, 20p/min to other local phones & free SMS (local handset). In addition 10% night discount on data usage (up to 120MB) every period. After 120 calls at Rs. 10/min. Day usage with attractive day rates of 20p/min to local Tata phones, 50p/min to other local phones & 20p/min. Validity 5 years and initial balance of Rs. 10. Daily usage of Rs. 1 applicable. T&C apply for further details visit www.tataindicomletsrock.com to avoid unwanted international calls, register your telephone number in NSDC registry. Call 1966 or send SMS "STMT 0107" on 1966.

 **TATA**
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Tata Indicom

BOARD OF DIRECTORS

Mr. Kishor A. Chaukar (*Chairman*)

Mr. Amal Ganguli

Mr. Nadir Godrej

Prof. Ashok Jhunjhunwala

Mr. D. T. Joseph

Mr. N. S. Ramachandran

Mr. S. Ramadorai

Mr. Koichi Takahara

Dr. Mukund Rajan
(*Managing Director upto May 20, 2010*)

Mr. Anil Kumar Sardana
(*Managing Director w.e.f. May 20, 2010*)

COMPLIANCE OFFICER

Mr. Madhav Joshi
Chief Legal Officer & Company Secretary

INVESTOR SERVICES

Mr. Hiten Koradia
Deputy Manager - Investor Relations
Tel: 91 22 6661 5445
E-mail: investor.relations@tatatel.co.in

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells
Chartered Accountants
12, Dr. Annie Besant Road,
Opp. Shiv Sagar Estate,
Worli, Mumbai - 400 018.

REGISTRARS & SHARE TRANSFER AGENTS

TSR Darashaw Limited
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road,
Near Famous Studio, Mahalaxmi,
Mumbai - 400 011.
Tel: 91 22 6656 8484
Fax: 91 22 6656 8494 / 6656 8496
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

REGISTERED OFFICE

Voltas Premises, T. B. Kadam Marg,
Chinchpokli, Mumbai - 400 033.
Tel: 91 22 6661 5445
Fax: 91 22 6660 5516 / 5517
e-mail: investor.relations@tatatel.co.in
Website: www.tatateleservices.com

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010**

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NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of Tata Teleservices (Maharashtra) Limited will be held on **Monday, August 9, 2010 at 1500 hours at Kamalnarayan Bajaj Hall & Art Gallery, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021** - to transact the following business:

ORDINARY BUSINESS

1. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an Ordinary Resolution:
"RESOLVED that the Company's audited Balance Sheet as at March 31, 2010, the audited Profit and Loss Account and the audited Cash Flow Statement for the financial year ended on that date together with Directors' and Auditors' Report thereon be and are hereby approved and adopted."
2. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an Ordinary Resolution:
"RESOLVED THAT M/s Deloitte Haskins & Sells, Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on remuneration to be decided by the Board of Directors."
3. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an Ordinary Resolution:
"RESOLVED THAT Mr. Nadir Godrej, who retires from the office of Director by rotation in this Annual General Meeting and being eligible offers himself for re-election, be and is hereby re-elected a Director of the Company, whose office shall be liable to retirement by rotation."
4. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an Ordinary Resolution:
"RESOLVED THAT Mr. S. Ramadorai, who retires from the office of Director by rotation in this Annual General Meeting and being eligible offers himself for re-election, be and is hereby re-elected a Director of the Company, whose office shall be liable to retirement by rotation."
5. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an Ordinary Resolution:
"RESOLVED THAT Mr. Anil Sardana, who retires from the office of Director by rotation in this Annual General Meeting and being eligible offers himself for re-election, be and is hereby re-elected a Director of the Company, whose office shall be liable to retirement by rotation."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as a Special Resolution:
"RESOLVED THAT consent of the Company be and is hereby accorded pursuant to the provisions of Sections 198, 269, 309 and 316 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII to the Act, and any other applicable laws and regulations, to the appointment of Mr. Anil Kumar Sardana ("the Appointee" or "Mr. Sardana"), who is also Managing Director of Tata Teleservices Limited ("TTSL") as the Managing Director of the Company for a period of 3 years w.e.f. May 20, 2010 ("the Proposed Term").
RESOLVED FURTHER THAT pursuant to Sections 198, 269, 309 and 316 and other applicable provisions, if any, of the Act, read with Schedule XIII to the Act, and any other applicable laws and regulations, subject to the approval of the Central Government, the Board (which expression shall include Remuneration Committee and any other duly constituted committee of the Board) be and is hereby authorized to finalize from time to time the details and the amount of the remuneration to be paid to the Appointee not exceeding Rs. 90 lakhs for the period of 316 days in the financial year 2010-11, Rs. 110 lakhs for the financial year 2011-12, Rs. 135 lakhs for the financial year 2012-13 and Rs. 20 lakhs for the period of 49 days till May 19, 2013 in the financial year 2013-14 ("Managerial Remuneration") and that the amount of Managerial Remuneration may be varied/enhanced and/or the terms and conditions of the appointment be varied from time to time by the Board, as it may, in its discretion deem fit, irrespective of the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard in such manner as may be agreed to between the Board and the Appointee, subject to such approvals as may be required.
RESOLVED FURTHER THAT if the Managerial Remuneration as approved by the Board from time-to-time is not drawn by the Appointee from the Company but is drawn from TTSL, the Board shall be entitled to reimburse it to TTSL, subject to receipt of requisite approvals (if any).
RESOLVED FURTHER THAT notwithstanding anything herein contained, where in any financial year during the currency of the Appointee's tenure, the Company has no profits or the profits are inadequate, the Company shall pay/reimburse the Managerial Remuneration as the minimum remuneration.
RESOLVED FURTHER THAT subject to superintendence, control and direction of the Board, the Appointee shall perform such duties and functions as may be commensurate with his position as Managing Director of the Company, and as may be delegated by the Board from time to time.
RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

TATA TELESERVICES (MAHARASHTRA) LIMITED

15th Annual Report 2009-2010

7. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution:
“RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company, the existing Article 91, be substituted with the following:

‘COMMON SEAL AND EXECUTION OF DOCUMENTS

The Board shall provide a Common Seal for the purposes of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being, and the Seal shall never be used except under authority of the Board or Committee of the Board.”

Registered Office:

Voltas Premises,
T. B. Kadam Marg,
Chinchpokli,
Mumbai - 400 033.

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

Mumbai,
June 23, 2010

Madhav Joshi
Chief Legal Officer & Company Secretary

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.** A proxy, in order to be effective, should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the business under Item Nos. 6 to 7 above are annexed hereto and forms part of this Notice. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking re-appointment as Directors are also annexed.
3. The Register of Directors' Shareholding, Register of Proxies and Statutory Auditors' Certificate on Employee Stock Option Plan would be available for inspection by the Members, at the Meeting. All documents referred to in the accompanying Notice and Explanatory Statement are also open for inspection by the Members at the Registered Office of the Company on any day between 10.00 a.m. to 12.00 p.m. except Saturday, Sunday and Public Holiday up to the date of Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **Monday, July 26, 2010 to Monday, August 9, 2010** (both days inclusive).
5. Members/proxies should bring duly filled Attendance Slips to attend the Meeting.
6. A circular on the Nomination facility is available on the Company's web-site viz. www.tatateleservices.com under the link "TTML" under the "About Us" link. The shareholders holding shares in physical mode only are requested to go through the circular and appoint nominee/s, if any, in respect of their physical shareholdings at the earliest.
7. Members whose shareholding is in electronic mode are requested to direct change of address notifications to their respective Depository Participants.

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

Item No. 6 - Appointment of Mr. Anil Kumar Sardana as the Managing Director

The Board of Directors ("Board") has appointed Mr. Anil Kumar Sardana ("the Appointee" or "Mr. Sardana") as the Managing Director of the Company w.e.f. May 20, 2010. Mr. Sardana is also Managing Director of Tata Teleservices Limited ("TTSL") and hence the appointment was made in compliance with the provisions of Section 316 of the Companies Act, 1956 ("Act").

The Company and TTSL (which holds 37.65% of the total equity share capital of the Company) are working towards better operational and functional integration so as to take full advantage of operational synergies and to present a unified pan-India entity especially in reference to the common brands being used by each of these two entities. Similarly, the discerning enterprise customers across India must see the services as seamless without any issue with regard to the entities being legally distinct. The synergy in operations of the Company and TTSL could be achieved more efficaciously now that both the Companies have a common Managing Director.

Mr. Sardana aged 51 years, is an Electrical Engineer from Delhi University College of Engineering and a Post Graduate in Cost Accountancy (ICWAI). Mr. Sardana also has a Post Graduate Diploma in Management from Delhi apart from having attended the Top Management Programme from Indian Institute of Management, Ahmedabad.

Before joining TTSL in August 2007 as the Managing Director, Mr. Sardana was the Executive Director of the Tata Power

Company Limited.

In accordance with the provisions of Sections 198, 269, 309, 316 and Schedule XIII of the Act, the particulars as prescribed therein are enclosed and the approval of the shareholders is sought for the appointment of Mr. Sardana as the Managing Director and payment of remuneration for a period of 3 years from the date of appointment to the office of Managing Director i.e. from May 20, 2010 upto May 19, 2013.

The Remuneration Committee of the Board, subject to approval of the shareholders and the Central Government has approved the limits as mentioned in the Resolution No. 6, within which the Managerial Remuneration may be paid to Mr. Sardana. The Managerial Remuneration may comprise of salary, performance incentive bonus, housing, allowances, perquisites, social security and other benefits etc., as may be decided between the Board and Mr. Sardana from time-to-time. Mr. Sardana is paid remuneration by TTSL also and the Managerial Remuneration proposed by the Company is about 30% of the combined remuneration. If the amount of Managerial Remuneration as approved by the Board from time to time (or any portion thereof) is not drawn by Mr. Sardana from the Company but is drawn from TTSL, the Board would be authorised to reimburse such amount to TTSL subject to receipt of requisite approvals (if any).

The appointment of Mr. Sardana is by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1) (I) of the Act. The terms and conditions of the appointment of Mr. Sardana also include provisions pertaining to adherence with the Tata Code of Conduct, intellectual property, non-competition, avoidance of conflict of interest with the Company and maintaining of confidentiality. The appointment may be terminated by either party by giving to the other party six months' notice of such termination or by the Company paying six months' Managerial Remuneration in lieu of such Notice.

Upon the termination of the appointment, for any reason, whatsoever:

- (i) the Appointee shall immediately tender his resignation from offices held by him in any subsidiaries and associated companies (excluding TTSL which has a separate agreement with Mr. Sardana) without claim for compensation for loss of office;
- (ii) the Appointee shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries and associated companies.

The draft of the Agreement proposed to be signed between the Company and Mr. Sardana is available for inspection at the Registered Office of the Company between 10.00 a.m. to 12.00 p.m. on any day except Saturday, Sunday and Public Holiday. The Company will apply to Government of India, Ministry of Corporate Affairs to seek its approval for payment of Managerial Remuneration to Mr. Sardana in terms of the accompanying Resolution No. 6.

Mr. Sardana is a member of the Finance Committee, Executive Committee, Investors' Grievance Committee, and Securities Committee of the Company. He does not hold any equity shares or any other securities in the Company as of date.

The Board considers that the Company would be benefited immensely from Mr. Sardana's appointment and therefore recommends the passing of this resolution.

None of the Directors of the Company except Mr. Sardana is in any way concerned or interested in this resolution.

Resolution No. 6 read with this explanatory statement should be treated as an abstract of the terms of the appointment and payment of Managerial Remuneration to Mr. Sardana as the Managing Director as required under Section 302 of the Act.

Item No. 7

The Article 91 of Articles of Association of the Company provides for affixation of the Common Seal under authority of the Board (including any duly constituted committee thereof) in the presence of two Directors or one Director along with the Company Secretary or Company Secretary and any person authorized by the Board.

It is proposed to amend Article 91 to simplify its provisions by authorizing the Board of Directors/Committee of the Board to decide from time to time how the seal will be affixed.

A copy of the Memorandum & Articles of Association of the Company together with the proposed alteration will be available for inspection by the Members at the Registered Office of the Company during office hours on any day between 10.00 a.m. to 12.00 p.m. except Saturday, Sunday and Public Holiday.

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

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

Registered Office:

Voltas Premises,
T. B. Kadam Marg,
Chinchpokli,
Mumbai - 400 033.

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

Mumbai,
June 23, 2010

Madhav Joshi
Chief Legal Officer & Company Secretary

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****Disclosures Pursuant to sub-clause (iv) under the proviso to sub-paragraph (C) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956**

Nature of industry	<p>The Company operates in the Telecommunication Services Industry. Due to very high degree of competition with the presence of 10-12 operators the tariffs are falling continuously and are the lowest in the world.</p> <p>India today has the second largest telecom network in the world after China. As of April 30, 2010, there were more than 638 million telephone connections in the country of which 601 million were wireless connections. Approximately 15 million mobile connections are being added every month.</p> <p>There are two types of technologies i.e. GSM and CDMA being used for mobile telephony. GSM technology based operators are offering mobile service in India since 1995, while CDMA operators were allowed to offer full mobility since November 2003. The Company has created wireline base in initial years in cities like Mumbai and Pune. Incumbent operators i.e. BSNL and MTNL have dominant market share in wireline segment. The Company provides fixed wireless service by using CDMA technology. It is market leader in this segment. The Company provides mobility services in CDMA since later half of 2003 and has established itself in the market. The Company has recently successfully launched GSM services under Tata Docomo brand.</p> <p>The Company has also recently succeeded in winning the bid for 3G spectrum in Maharashtra circle (excluding Mumbai but including Goa) by paying Rs. 1,257.82 Crores.</p>														
Date or expected date of commencement of commercial production	December 18, 1998														
Consolidated Financial performance based on given indicators during the financial year ended March 31, 2010	<p style="text-align: right;">(Rs. in Crores)</p> <table> <tr> <td>Total Income</td><td>2,309.45</td></tr> <tr> <td>Expenses</td><td>2,627.44</td></tr> <tr> <td>Loss</td><td>(317.99)</td></tr> <tr> <td>EPS</td><td>(1.68)</td></tr> <tr> <td>P/E Ratio</td><td>-</td></tr> <tr> <td>Total Assets</td><td>3,243.30</td></tr> <tr> <td>Accumulated Losses</td><td>3,177.02</td></tr> </table>	Total Income	2,309.45	Expenses	2,627.44	Loss	(317.99)	EPS	(1.68)	P/E Ratio	-	Total Assets	3,243.30	Accumulated Losses	3,177.02
Total Income	2,309.45														
Expenses	2,627.44														
Loss	(317.99)														
EPS	(1.68)														
P/E Ratio	-														
Total Assets	3,243.30														
Accumulated Losses	3,177.02														
Export performance and net foreign exchange collaborations	The Company is licensed to offer CDMA and GSM services in the states of Maharashtra and Goa. The incoming foreign calls are received through international long distance operators who receive the foreign exchange. The Company thus has made no direct exports till date. The Company had foreign exchange outgo of Rs. 595.12 Crores during the financial year 2009-10 primarily on account of purchase of capital equipment.														
Foreign investments or collaborators, if any	As on March 31, 2010, the Tata Companies own 65.60% of the paid-up equity share capital of the Company. Foreign equity holdings by NTT Docomo Inc., part of the Promoter Group constitute 12.12% of the paid-up equity share capital of the Company.														

Information about Mr. Anil Kumar Sardana, Managing Director

Background details	<p>Mr. Anil Kumar Sardana was appointed as a Director of the Company w.e.f. March 12, 2008 and as Managing Director of the Company w.e.f. May 20, 2010. Approval for his appointment as Managing Director and payment of remuneration for a period of 3 years is now sought from the shareholders.</p> <p>Further details are as set out in the Explanatory Statement to Item No. 6 of the accompanying notice.</p>
Gross Annual remuneration with last employer	Mr. Sardana continues to be the Managing Director of Tata Teleservices Limited and his remuneration during the year 2009-10 was approximately Rs. 2.20 Crores.
Recognition or awards	Mr. Sardana has received the Best CEO Award in 2006 and 2007 from two key South Asian Energy Sector Associations. Mr. Sardana has also made significant contributions as Chairman of CII's sub-committee on Energy, as Chairman of Tata Group's Northern Regional Forum and in the area of Corporate Social Responsibility.
Comparative remuneration profile with respect to industry, size of the company, profile of the company, profile of the position and person (in case of expatriates, the relevant details would be w.r.t. the country of origin)	<p>Comparative remuneration profile with respect to industry & size of the Company: Information about remuneration of managing directors of telecom companies of comparable size and business profile is not available in public domain. The proposed remuneration is commensurate with his qualifications, experience and challenges confronting the telecom sector in general and the Company in particular. The Company has recently successfully launched GSM services under Tata Docomo brand. The Company today has one of the most complete portfolios of telecom services in the country, including landline, wireline, voice, data and broadband services. The Company has also recently succeeded in winning the bid for 3G spectrum in Maharashtra circle (excluding Mumbai but including Goa) by paying Rs. 1,257.82 Crores.</p> <p>Profile of the Position: As set out above.</p> <p>Profile of the Person: His detailed profile appears in the explanatory statement to Item No. 6 of the accompanying notice.</p>
Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	Apart from holding the offices of Director and Managing Director of the Company, Mr. Sardana has no pecuniary relationship with the Company. The Company has not appointed any managerial personnel except Mr. Sardana (except for one day i.e. May 20, 2010 when Dr. Mukund Rajan was also the Managing Director).

Other Information

Reasons of loss or inadequate profits	The Company's losses can be attributed to two major cost elements namely depreciation and finance charges. The reasons for the huge depreciation are the large investments made in creating the physical infrastructure in the form of telephone exchanges, wired network and customer premise equipment which are subject to obsolescence due to rapid technology strides currently being witnessed in the telecom equipment sector. The reason for the high financial charges is due to availment of substantial loans by the Company to part-finance its capital investments. The Company has recently launched GSM services in addition to CDMA services. The Company has been making cash profits since FY 2006-07 and is improving its financial performance from quarter to quarter.
Steps taken on proposed to be taken for improvement	The Company is consolidating its position in the market by increasing its share of new additions in the wireless market (i.e. fixed wireless and mobile). The Company has reduced substantially its per subscriber cost which has resulted in lower operating losses. The Company markets its services under the "Tata Indicom" brand for CDMA services and "Tata Docomo" brand for its GSM service, which are the most trusted brands in India and it is also providing services under 'Virgin Mobile' brand to make focused efforts to attract youth segment.
Expected increase in productivity and profits in measurable terms	As the Company is continuously rolling its telecom network, it is not possible to predict increase in productivity and profits for the future years in measurable terms.

TATA TELESERVICES (MAHARASHTRA) LIMITED

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Details of Directors Seeking Re-appointment at the Annual General Meeting ("AGM")

Particulars	Mr. Nadir Godrej	Mr. S. Ramadorai	Mr. Anil Sardana
Date of Birth	August 26, 1951	October 6, 1944	April 16, 1959
Date of Appointment	March 12, 2008 (Appointed by shareholders at the AGM held on August 12, 2008)	August 10, 2006 (Last re-appointment was by shareholders at the AGM held on August 12, 2008)	March 12, 2008 (Appointed by shareholders at the AGM held on August 12, 2008)
Qualifications	B.S. (Chem. Eng.) from the Massachusetts Institute of Technology, USA, M. S. (Chem. Eng.) from Stanford University, USA and MBA from Harvard Business School	Bachelor's degree in Physics from Delhi University, Bachelor of engineering degree in electronics & telecommunications from Indian Institute of Science, Bangalore and Master's degree in Computer science from the University of California (UCLA), USA	Electrical Engineer from Delhi University, Post Graduate from ICWAI, Post Graduate diploma in Management from Delhi and attended Top Management programme from IIM, Ahmedabad
Expertise in specific functional area	Rich experience in FMCG industry	Rich experience in IT	Rich experience in Telecom & Power
Number of shares held in the Company (Including held by dependents)	Nil	Nil	Nil
Directorships held in other Public Companies#	<ul style="list-style-type: none"> • Godrej Industries Ltd. • Godrej Agrovet Ltd. • Godrej Tyson Foods Ltd. • Godrej Oil Palm Ltd. • Godrej & Boyce Mfg. Co. Ltd. • Godrej Properties Ltd. • Godrej Consumer Products Ltd. • Mahindra & Mahindra Ltd. • Godrej Sara Lee Ltd. • KarROX Technologies Ltd. • Godrej Gold Coin Aquafeed Ltd. • The Indian Hotels Co. Ltd. • Cauvery Palm Oil Ltd. • Godrej Nigeria Ltd. 	<ul style="list-style-type: none"> • Tata Industries Ltd. • Tata Consultancy Services Ltd. • Tata Elxsi Ltd. • Tata Technologies Ltd. • CMC Ltd. • Hindustan Unilever Ltd. • Piramal Healthcare Ltd. • Tata Communications Ltd. • Computational Research Laboratories Ltd. • Tata Advanced Systems Ltd. • Asian Paints Ltd. • Bombay Stock Exchange Ltd. 	<ul style="list-style-type: none"> • Tata Teleservices Ltd. • Coastal Gujarat Power Ltd. • Wireless - TT Info Services Ltd. • Emco Ltd.
Memberships / Chairmanships of Committees** of other Public Companies#	Audit Committee <ul style="list-style-type: none"> • Godrej Sara Lee Ltd. • Mahindra & Mahindra Ltd. Investor Grievance Committee <ul style="list-style-type: none"> • Godrej Consumer Products Ltd.* 	Audit Committee <ul style="list-style-type: none"> • Tata Technologies Ltd.* • Tata Advanced Systems Ltd.* • Computational Research Laboratories Ltd.* • Tata Elxsi Ltd. • Hindustan Unilever Ltd. Investor Grievance Committee <ul style="list-style-type: none"> • Tata Consultancy Services Ltd. 	Audit Committee <ul style="list-style-type: none"> • Coastal Gujarat Power Ltd.

Public Companies excluding Foreign Companies and Section 25 Companies

* Chairmanship of the Committee

** Includes only Audit Committee and Shareholders / Investors Grievance Committee

DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting the 15th Annual Report together with the audited financial statements of the Company for the year ended March 31, 2010 and other accompanying reports, notes and certificates.

Financial Results

The financial results of the Company's operations during the year are given below:

(Rs. in Crores)

Particulars	2009 - 10	2008 - 09
Telecom Revenue	2,069.10	1,941.68
Other Income	208.71	112.28
Total Income	2,277.81	2,053.96
Expenditure	1,737.30	1,460.78
Earnings Before Interest, Depreciation, Tax and Amortisation ("EBIDTA")	540.51	593.18
Finance & Treasury Charges (Net)	317.62	304.78
Depreciation	520.89	446.79
Loss before tax	298.00	158.39
Wealth tax & Fringe Benefit tax	0.01	1.21
Loss after tax	298.01	159.60

The total revenue grew by 10.90% to Rs. 2,277.81 Crores. During the year, the Company consolidated its position in the market by increasing its share of new additions in the wireless market (i.e. fixed wireless and mobile). The subscriber base grew by 73% to cross 13 million, mainly through the very successful launch of GSM services by the Company. The change in interconnect regime with reduced termination charges and competitive pressures which pulled down the tariffs resulted in lower Average Revenue per User ("ARPU") compared to the previous year. Operating expenses increased by 18.93%, mainly due to costs associated with the launch and operations of GSM services. The Company has acquired more than 4 million GSM subscribers who are serviced through 4,000 plus Base Transceiver Station ("BTSS") across Mumbai & Maharashtra. The Company reported a positive EBIDTA of Rs. 540.51 Crores, as compared to the previous year's EBIDTA of Rs. 593.18 Crores, despite the costs associated with the launch of GSM services.

India today has the second largest telecom network in the world after China. As of April 2010, there were more than 638 million telephone connections in the country of which 601 million were wireless connections. Approximately 15 million mobile connections are being added every month. The national mobile tele-density is around 54 per hundred.

Products and Services

The Company holds two Unified Access (basic + cellular) Service Licences ("UASL"), one for Mumbai Metro and the other for Maharashtra circle i.e. Rest of Maharashtra and Goa. The current subscriber base of more than 13 millions consists of CDMA wireless subscribers, GSM wireless subscribers and wireline subscribers.

During the year, the Company focused on increasing its retail presence to achieve a better market penetration for its various products and services. The extremely successful launch of GSM services under TATA Docomo brand has given a significant boost to subscriber additions. The Company's total subscriber base as on March 31, 2010 stood at 13 million, an increase of 73.5% over the previous year. The Company's wireless subscriber base in Rest of Maharashtra circle crossed 7.8 million, and the Company is now the 2nd largest telecom operator in this geography. The Company's wireless subscriber base in Mumbai circle crossed 4.4 million subscribers and the Company is now the 3rd largest telecom operator in this geography. During the year, the Company registered highest incremental wireless subscriber additions of 28% and end of period market share of 17.6%.

Total number of BTSSs as on March 31, 2010 were 7,645, an increase of 185% over previous year primarily on account of roll out of more than 4,000 BTSSs for GSM services.

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CDMA & Wireline Services

During the year, the Company increased its focus on CDMA's inherent data capabilities to offer high speed data services to subscribers. The Company offers High Speed Internet Access ("HSIA") service under the Tata Photon⁺ brand across Mumbai and major towns in Maharashtra and Goa. The Company has also made significant investments in the Enterprise business segment. The Company further expanded its wireline presence in Mumbai, Maharashtra & Goa, launched HSIA data cards and allied products & services to become a one stop shop for all enterprise needs.

The Company has laid over 1,662 kms of buried fibre across Mumbai and already connects over 20,000 buildings with broadband services. To expand the network further at optimal cost, the Company has entered into co-build agreement with other operators. The Company would continue to make investments to strengthen its Digital Mumbai offerings and would increase voice and data penetration in already wired buildings, besides enhancing the customer value proposition with initiatives like combo offers of voice and broadband, partnerships with content providers, and brand promotion through a Digital MumbaiTM portal.

The Company is a Category A (National) ISP Licensee and offers a broad range of Internet-related services including Digital Subscriber Lines ("DSL"), leased lines and dial-up internet access. The Company, along with Tata Teleservices Limited ("TTSL"), has a national footprint for its popular Tata Indicom conference call service, with 15 Points of Presence across the country for providing local access to conference bridges.

The Company continued to focus on value added service offerings. The Company introduced several attractive product and service propositions that addressed specific customer needs, including:

- Photon⁺ wireless broadband service, offering speeds upto 3.1 Mbps, 20 times faster than other wireless technology, in prepaid.
- Photon TV an application which enables the consumer to watch live TV through Photon⁺ data connection.
- Innovative Value Added Services such as welcome tunes, English Seekho and Live chatting.
- The Company also entered into partnership with Microsoft X-Box, offering combo plans of its Power Launcher product which offers ultra high speed broadband with the Microsoft X-box Gaming Console.

Recognition of Customer Service and Network quality

The Company has been rated as the No. 1 wireless telecom service provider in terms of overall customer satisfaction across the Mumbai and Maharashtra Circles in independent studies commissioned by Telecom Regulatory Authority of India ("TRAI"). The Company's network has also been rated as the only congestion free network in six consecutive quarterly reports published by TRAI.

GSM Services

The Company launched its GSM services in Mumbai and across Maharashtra in August 2009 under the brand 'Tata Docomo'.

Tata Docomo offers innovative tariff options and introduced the 'Pay-per-use' advantage. The 'Pay-per-use' model represents a paradigm shift in the overall telecom experience. It allows the consumer to pay only for the seconds utilized, heralding another revolution in the mobile telecommunications industry in India.

Tata Docomo offers Lifetime @ 1 paise/second for all calls across India. Consumers can also avail of 'Pay-for-Three and get 100 SMS Free' offer every day. For the first time, International Calling was also available on a per-second billing model.

"Daily Plans" proposition provides flexibility and caters to the diverse needs of subscribers and gives them the power to select a different plan everyday that best suits their need for the day.

A variety of postpaid plans designed for a range of consumer requirements are also available on this revolutionary per-second billing model.

Network Rollout

During the year, the Company successfully launched GSM wireless services under 'Tata Docomo' brand in 859 new towns in Maharashtra and Goa. The GSM network rollout by the Company is one of the fastest by any standards with integration of more than 4,000 BTSs, 8 Mobile Switching Center ("MSC") / Media Gateway ("MGW") & 45 Base Station Controllers ("BSC") in a record time.

The Company also rolled out CDMA wireless services in 33 new towns in Maharashtra and Goa. It now offers CDMA services in 1,181 towns.

The Company has also entered into International bi-lateral agreement with more than 40 operators across different countries

to offer seamless international roaming facility to Tata Docomo subscribers.

During the year, the Company has focused on operational efficiency and quality control measures with a constant endeavor to further improve its network quality. The Company has also successfully unlocked the bandwidth potential in its existing transmission network and offered transmission bandwidth to the new operators.

3G Spectrum

The bidding for 3G spectrum concluded on May 19, 2010. The Company has succeeded in winning the bid for 3G spectrum in Rest of Maharashtra (including Goa) Circle and has paid Rs. 1,257.82 Crores. This win gives the Company access to the 3G spectrum for the next 20 years across a region of over 100 million people. TTSL has won 3G spectrum primarily in the western belt of India, including Punjab, Haryana, UP (west), Rajasthan, Gujarat, Madhya Pradesh, Kerala and Karnataka. TTSL has paid Rs. 4,606 Crores to Department of Telecommunications ("DoT") giving the Company and TTSL access to the 3G spectrum covering an aggregate population of 500 million people. The Company, along with TTSL, is exploring options to enter into roaming agreements with other successful bidders to provide seamless 3G services to its subscribers across the entire country. The Company did not pursue its bid for spectrum in Mumbai due to unreasonably high bids. The Company would however continue to address the market requirements through Photon[®] high speed internet service which is gaining popularity and has recently been made available on select range of mobile handsets.

Quality and Processes

The Company has undertaken ISO 9001:2008 certification to demonstrate its capability to consistently provide services that enhance customer satisfaction through effective deployment of a quality management system. The Company was the first basic telecommunication provider to get the coveted ISO 9001:2000 certification in August 2002. In the recent transition audit from ISO 9001:2000 to ISO 9001:2008 conducted by TUV India in January 2010, the Company was awarded a Certificate of Transition and Continuation for ISO 9001:2008 with 'Nil' Non-Conformance.

The Company is also taking active part in the Tata Business Excellence Model ("TBEM") process, with knowledge sharing and appropriate support being extended by Tata Quality Management Services ("TQMS"), a division of Tata Sons Limited.

The model enables the leadership to set direction of the organization based on its Vision, Mission and Values and to strategize its business priorities based on a variety of environmental factors like competition, industry, technology and regulatory changes as well as internal capabilities.

In the year 2010-11, the Company would participate in the External assessment for the TBEM process.

Human Resources

The Company assigns the highest degree of importance to its human resources which are very critical for a service organization like ours. The Human Resources (HR) function of the Company constantly strives to achieve the mission of the Company by creating a favorable work environment and by institutionalizing a performance oriented work culture. The financial year 2009-10 has been a very successful year for the HR function, meeting the challenges effectively including the following:

- **Institution Building:** One of the major challenges for the Company was to create a sustainable organization for GSM services at a point in time where multiple service providers were inundating the job market with excessive offers. The Tata Docomo organization was created in a record time of less than six months, for which best in class talent was recruited across levels and businesses and was provided an empowered platform to perform to the best of its abilities. This has definitely yielded exemplary results as visible from the stupendous kick start to the GSM business.
- **Performance Culture:** *myPMS* was redesigned to enhance objectivity of assessment in line with business expectations. Employee "Career Development Process" was also integrated with *myPMS* process to capture employee career aspirations. *myPMS* is also aligned with Tata Leadership Practices for potential assessment.
- **HR-Excellence & Employee Engagement:** The year saw many initiatives in HR in the area of workforce management leading to remarkable achievement in the TBEM scores in employees and HR results categories.

The employees are actively engaged in various programs through Cross Function Teams such as DHOOM, Team Josh, PRAYAS etc. The Company also conducted Gallup Employee Engagement Survey for getting candid and honest feedback from employees. 97% of the employees participated in the survey and the overall grand mean score for the Company was 4.24 (out of 5) with engaged to dis-engaged employees ratio of 10:1, which is far above the world class benchmark, 5.3:1. The attrition rate also reduced significantly to 13.08% from 16.64% in the previous year.

Another major step forward was Information Technology ("IT") enablement of a majority of HR processes. With

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implementation of several IT solutions for routine HR services, there is a reduced dependency of employees for transactional HR and this has further enabled HR team to invest quality time in employee related assignments.

Regulatory Developments and Important Litigation

- a) There have been many regulatory changes, prominent amongst which are:
- i. The DoT has announced that Mobile Number Portability ("MNP") will be implemented across India now by September 30, 2010. It has divided the country into 2 zones and has signed licence agreements with two clearing/porting agencies.
 - ii. Long awaited auction of 3G spectrum started on April 9, 2010 and closed on May 19, 2010 after 183 rounds of bidding. The DoT received upfront payment aggregating Rs. 67,719 Crores from the bidders and BSNL and MTNL who were already pre-allocated spectrum without participation in the bidding process. None of the bidders has got spectrum in more than 13 (out of 22) circles and hence roaming alliances with other winning operators and BSNL and MTNL will be crucial. The 3G spectrum auction was followed by auction of spectrum for wireless broadband services in which the Company or TTSL did not participate.
 - iii. TRAI had submitted on May 11, 2010, its much awaited recommendations on 'Spectrum Management and Licensing framework' wherein it has made recommendations to DoT on allocation and pricing of 2G spectrum, new licences, licence fee and mergers and acquisition. TRAI is expected to submit by July 15, 2010, its further recommendations on determination based on 3G results of 'Current Price' for allocation of spectrum in 1,800 MHz band. DoT may take decision on the recommendations after receiving these further recommendations.
- b) The Company has also been a party to some important litigations like those pertaining to Fixed Wireless Access Deficit Charges ("ADC") demands of BSNL of 2004-05, DoT's attempt to lodge a counter-claim on the Company for not signing in 1997 the licence agreement for basic services in the Karnataka circle, penalty imposed by the DoT for the launch of innovative Push-to-Talk services, industry litigation on exclusion of revenues unrelated to licensed activities for determining licence fee liability and method of calculation of microwave charges payable to DoT.

Information on the regulatory developments and important litigation has been provided in the report on Management Discussion & Analysis of Financial Condition and Results of Operations which forms part of this Annual Report.

Subsidiary

The Company had a Wholly Owned Subsidiary i.e. 21st Century Infra Tele Limited ("CITL") as on March 31, 2010. During the financial year ended March 31, 2010, CITL recorded revenues of Rs. 102 Crores, Cash Profit of Rs. 33 Crores and net loss of Rs. 10 Crores.

The Company has agreed to sell its 100% stake in CITL to Wireless - TT Info Services Limited ("WTTIL"), the passive infrastructure subsidiary of TTSL, for net consideration of approximately Rs. 945 Crores and has entered into a Share Purchase Agreement. The transaction was subjected to certain conditions precedents which were not completed as on March 31, 2010. The conditions precedents have subsequently been met in May 2010 and the Company has transferred the shares and has received first installment of the Rs. 400 Crores. Second instalment of Rs. 150 Crores is due in June 2010 and the balance amount is receivable by September 2010.

The Company had applied to the Central Government seeking exemption from attaching the documents referred to in Section 212(1) of the Companies Act, 1956 ("Act"). In terms of the approval granted by the Central Government under Section 212(8) of the Act, a copy of the Balance Sheet, Profit & Loss Account, Reports of the Board of Directors and Auditors of the CITL for year ended March 31, 2010 have not been attached with the financial statements of your Company. However, the annual accounts of the CITL will be made available to the shareholders of the Company or CITL, who seek such information and these are also open for inspection by any such shareholder at the Registered Office of the Company and of the subsidiary company. The statement on financials of CITL pursuant to the approval under Section 212(8) of the Act, forms part of the Annual Report.

Directors

Effective May 20, 2010, Dr. Mukund Rajan who was the Managing Director of the Company, resigned from the Board of Directors of the Company ("Board") to take up a position in another Tata company. The Board and the Company record its sincere appreciation of the valuable services rendered and contribution by Dr. Mukund Rajan especially in increasing revenue market share of the Company and successful launch of GSM services by the Company. The Board has appointed Mr. Anil Kumar Sardana, who is a Director of the Company and the Managing Director of TTSL, as the Managing Director of the Company w.e.f. May 20, 2010. The resolution for appointment of Mr. Anil Kumar Sardana as the Managing Director of the

Company is included in the Notice convening Annual General Meeting of the Company. The Board recommends this resolution for your approval.

In accordance with the provisions of Article 71 and 72 of the Articles of Association of the Company, Mr. Nadir Godrej, Mr. S. Ramadorai and Mr. Anil Kumar Sardana retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-election. The Board recommends their re-election.

Dividend & Appropriations

In view of the losses, the Directors regret their inability to recommend any dividend for the year under consideration. No appropriations are proposed to be made for the year under consideration.

Internal Auditors

The Board has re-appointed M/s. Axis Risk Consulting Services Private Limited as the Internal Auditors, effective April 1, 2010.

Statutory Auditors

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

Statutory Disclosures

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Act, 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 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 judgments 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 Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

They have prepared the annual accounts on a going concern basis.

Auditors' Observations

Attention is invited to the following paragraphs in the Annexure to the Auditors' Report wherein they have observed as follows:

- xi) The accumulated losses of the Company at the end of the financial year are more than fifty percent of its net worth and the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xvi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have been used during the year for long-term investment to the extent of Rs.1,960.90 Crores.

Directors Comments on Auditors' Observations:

- a) With regard to Auditors' observation in paragraph (xi) in the annexure to the Auditors' Report, while the accumulated losses of the Company at the close of the year have exceeded its paid up capital and reserves, this is not uncommon for telecommunication service providers, due to high operation costs and on account of the industry being inherently capital intensive. The Company is consistently making operating cash profits over the past few years.

The subscriber base of the Company has further increased with the launch of services using GSM technology during the current year. The Company has also received sanctions from banks for additional long term funds for future expansion. The Company participated in 3G spectrum auction and won spectrum for Maharashtra circle and paid Rs.1,257.82 Crores for it.

Based on the aforesaid considerations, the Company is confident of its ability to continue in business as a going concern and the accounts have been prepared on that basis.

- b) With regard to Auditors' observation in paragraph (xvi) in the annexure to the Auditors' Report, while the Company had

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availed of short term loans for its expansion plan, the Company has got its Business Plan appraised by IDBI Bank Limited and has signed the new long term loan agreements with the banks and the short term loans would be replaced by long term loans. The Company also divested its wholly owned subsidiary and the proceeds would also help in reducing the short term loans.

Fixed Deposits

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

Balance Sheet Abstract and General Business Profile

Information pursuant to Department of Company Affairs' notification dated May 15, 1995, relating to the Balance Sheet Abstract and General Business Profile of the Company 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:
 - a. Electricity is used for the working of the Company's telephone exchanges and other network infrastructure equipment. The Company regularly reviews power consumption patterns across its network and implements requisite improvements/changes in the network or processes in order to optimize power consumption and thereby achieve cost savings.
 - b. Reduction of Diesel Generator ("DG") running during power cuts through DG on delay Management system.
 - c. Periodic energy audit and implementation of audit recommendations.
- (ii) Technology Absorption: The Company has not imported any technology. The Company has not yet established separate Research & Development facilities.
- (iii) Foreign Exchange Earnings and Outgo:

(Rs. in Crores)

Particulars	2009-10	2008-09
Earnings	NIL	NIL
Outgo	17.61	22.99
Capital Goods	577.51	364.39

Particulars of Employees and Stock Options

The particulars of employees as required under Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, in pursuance of Section 219(1)(b)(iv) of the Act, this report is being sent to the shareholders of the Company excluding the aforesaid information. Any Member interested in obtaining a copy of such information may write to the Company Secretary at the registered office of the Company.

The Company had issued stock options during the period 1999-2001. 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 annexed to this Directors' Report as Annexure I and forms part of this report.

A certificate from DHS, Statutory Auditors, with regard to the implementation of the Company's Employees' Stock Option Plan, would be open for inspection in the ensuing Annual General Meeting.

Corporate Governance

A report on Corporate Governance appears after this report. A certificate from DHS with regard to compliance with the corporate governance code by the Company is annexed hereto as Annexure II and forms part of this report.

The Company has fully complied with all mandatory requirements prescribed under Clause 49 of the listing agreements with the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The Company has also implemented some of the non-mandatory provisions.

Corporate Sustainability

The contribution of the Tata group towards nation building has been far-reaching. As is the ethos of large Tata conglomerate, the Company too, has made small but significant contributions to this holistic canopy of corporate sustainability.

The Company has always promoted the highest standards of corporate ethics and compliance in dealing and conduct of its operations. The Company is committed to pursuing initiatives relating to environmental preservation, management of natural resources, philanthropy, community health, education, empowerment of children and more.

In keeping with the Tata Climate Change policy, the Company seek to continuously find ways to reduce carbon footprint and leverage telecommunications reach for initiatives aimed at the benefit of society and the environment including sharing of tower infrastructure resulting in substantial reductions in energy consumption, encouraging use of audio and video conference instead of travel for reduction of carbon dioxide emissions, mountain greening, introduction of highly efficient power sources and air-conditioning equipment at its network centers, encouraging customers to switch to an e-bill instead of receiving printed bills, statements and receipts, encouraging employees to re-use stationery, introduction of print manager to discourage wasteful paper usage.

The Company generates awareness about various NGOs and their area of work, the Company inserts ad campaigns of the NGO in the monthly bills sent out to its customers. The initiative was launched to encourage people from different walks of life to engage in acts of giving-be it in cash, time, skills or simple acts of kindness. Prior to the general elections, the Company launched a campaign urging voters to cast their votes after making an informed choice. The Company uses its wide subscriber network to create awareness through alerts say high-tide timings during the monsoon via SMS alerts, and public services issues like Swine Flu prevention.

Unemployed youth from under-privileged families in rural areas, across various districts of Maharashtra, are chosen to undergo training to become electrical and telecom wiremen in a training program designed and supported by the Company. The telecom wiremen's training was conducted by the Company's engineers and managers. All the trainees were thereafter referred to franchisees/contractors in Company's areas of operations, and the Company also helped them get suitable jobs in their respective talukas.

The Company provided USB cards at subsidized rates to non-government organizations working to provide quality education to the under privileged children of India and internet connectivity to rural school which allows more than 20,000 children to learn and enhance their skills.

The Company has in place a Safety Policy. The Safety Policy aims at ensuring zero harm to employees and material within and outside the office premises. The initiatives taken by the Company included:

- Safety sessions for all employees;
- Fire Mock drill once in every 6 month;
- Percolation of Safety Guidelines and Knowledge Management on Health and Safety through mailers (Do's & Don'ts during emergency, Ergonomic, Road Safety, articles related to health, Safety during Fire, Flood and Earthquake etc.).

Acknowledgements

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

For and on behalf of the Board of Directors

Mumbai,
June 14, 2010

Kishor A. Chaukar
Chairman

ANNEXURE I**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 2009-10	Nil
Pricing formula	Not Applicable
Options vested (cum.)	25,13,630
Options exercised (cum.)	24,61,205
Options lapsed (cum.)	12,72,345
Total number of shares arising as a result of exercise of options (cum.)	24,61,205
Variation of terms of options	Not varied
Money realised by exercise of options (cum.) (Rs.)	2,46,12,050
Total number of options in force	NIL
Options granted to senior managerial personnel during year 2009-2010:	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)	
- with extra ordinary item (Rs.)	(1.57)
- without extra ordinary item (Rs.)	(1.57)
Number of employees to whom options have been granted:	
(i) Cumulative* till March 31, 2010	349
(ii) During FY 2009-10	Nil

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

ANNEXURE II**AUDITORS' CERTIFICATE**

**To the members of
Tata Teleservices (Maharashtra) Limited**

We have examined the compliance of conditions of Corporate Governance by Tata Teleservices (Maharashtra) Limited for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement 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 aspects with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company, based on the records maintained by the Investors Services Department and as certified by the Compliance Officer of the Company.

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
(Registration No. 117366W)

A. B. Jani
Partner

Membership No: 46488

Mumbai, Dated: April 30, 2010

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-10

STATEMENT OF COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes in the highest standards of good and ethical corporate governance practices. The Company's Board of Directors ("the Board") has adopted the Tata Code of Conduct for its employees including its senior management and the Managing Director. The Company has also adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the website of the Company i.e. www.tatateleservices.com. The Company's corporate governance philosophy has been further strengthened through the Tata Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices.

TATA CODE OF CONDUCT

The Tata Code of Conduct governs:

- (a) Conduct of business in consonance with national interest;
- (b) Fair and accurate presentation of financial statements;
- (c) Being an Equal Opportunities employer;
- (d) Prohibition of taking gifts and donations, which can be perceived to be intended to obtain business or uncompetitive favours;
- (e) Practicing political non-alignment;
- (f) Maintaining quality of products and services;
- (g) Being a good Corporate Citizen;
- (h) Ethical conduct; and
- (i) Commitment to enhancement of shareholder value.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

In compliance with the Securities & Exchange Board of India (Prevention of Insider Trading) Regulations, 1992 ("Regulations"), the Company had framed a Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices ("Code") in line with other Tata Companies for prevention of insider trading and ensuring timely disclosures of all material price sensitive information in a transparent manner. The above Code had been adopted by the Board at its meeting held on July 19, 2004. Consequent to the recent amendments in Regulations, the Company has adopted a revised Code with effect from May 11, 2009. In terms of the Code, specified persons (Directors/Officers/ Designated Employees) of the Company are prohibited from dealing in the securities of the Company during the period when the Trading Window is closed. The Trading Window for dealing in securities of the Company is closed for the following purposes, namely (a) declaration of financial results (quarterly, half-yearly and annual), (b) declaration of dividends (interim and final), (c) issue of securities by way of public/rights/bonus issue etc., (d) any major expansion plans or execution of new projects, (e) amalgamation, mergers, takeovers and buy-back, (f) disposal of whole or substantially whole of the undertaking, and (g) any significant changes in policies, plans or operations of the Company. In respect of declaration of financial results, the Trading Window remains closed from the end of the respective quarter, half-year or financial year, as the case may be. As regards declaration of interim dividend and other matters referred to in (c) to (g) above, the Managing Director/Chief Executive Officer is required, well before initiation of such activity/project, to form a core team of Designated Employees and/or Designated Group Persons who would work on such assignment. The Managing Director/Chief Executive Officer is also required to designate a senior employee who would be in-charge of the project. Such team members are required to execute an undertaking not to deal in the securities of the Company till the Price Sensitive Information regarding the activity/project is made public or the activity/project is abandoned and the Trading Window would be regarded as closed for them. The Trading Window is opened 24 (twenty-four) hours after the information referred to above is made public.

WHISTLE BLOWER POLICY

The Company has adopted a Whistle Blower Policy, which affords protection and confidentiality to whistle blowers. The Audit Committee Chairman is authorized to receive from whistle blowers Protected Disclosures under this policy. The Audit Committee is also authorized to supervise the conduct of investigations of any disclosures made by whistle blowers in accordance with the policy.

No class of personnel has been denied access to the Audit Committee.

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Code of Conduct

All Directors and senior management personnel have affirmed compliance with the respective Codes for the financial year ended March 31, 2010. The declaration by the Managing Director in this respect appears elsewhere in this Annual Report.

BOARD OF DIRECTORS

Composition

As on March 31, 2010, the Company had 10 Directors with a Non-Executive Chairman. 9 (90%) Directors were Non-Executive, and 5 (50%) of them were Independent Directors. The Company is managed by the Managing Director under the supervision and control of the Board. The Managing Director is assisted by a team of highly qualified and experienced professionals.

The Board has agreed that Non-Executive Directors are not and shall not be responsible for the day-to-day affairs of the Company.

None of the Directors is a member in more than 10 mandatory committees nor acts as a Chairman in more than 5 mandatory committees across all public companies in which they are Directors.

The Board composition, and the number of Chairmanships/Directorships of the Board and Chairmanships/Memberships of the Committees of the Board held by each of the Directors as on March 31, 2010 is given below. Directorships do not include alternate Directorships, Directorships of private limited companies, Section 25 companies and bodies corporate incorporated outside India, but include Directorship of the Company. Chairmanships/Memberships of Board Committees cover only Audit and Shareholders/Investors' Grievance Committees across all public limited companies (listed as well as unlisted) including those of the Company.

Name of the Director	Category	Number of Shares held in Company including shares held by dependents	Relationship with other Directors	No. of Directorships in all Public Companies		No. of Committee Positions held in all Public Companies	
				Chairman	Member	Chairman	Member
Mr. Kishor A. Chaukar (Chairman)	Non-Executive Director (NED)	-	None	4	11	1	4
Mr. Amal Ganguli	Independent NED	-	None	-	12	5	5
Mr. Nadir Godrej	Independent NED	-	None	3	12	1	2
Prof. Ashok Jhunjhunwala	Independent NED	3,700	None	-	8	1	5
Mr. D. T. Joseph*	Independent NED	-	None	1	8	1	4
Mr. N. S. Ramachandran	Independent NED	-	None	-	2	1	2
Mr. S. Ramadorai	NED	-	None	6	7	3	4
Mr. Anil Sardana	NED	-	None	-	5	-	1
Mr. Kochi Takahara**	NED	-	None	-	1	-	1
Dr. Mukund Rajan (Managing Director)	Executive Director	-	None	-	2	-	1

* Appointed as Additional Director w.e.f. May 8, 2009

** Appointed as Additional Director w.e.f. July 1, 2009

Board Meetings and General Meeting

The Board met at least once in each quarter and the maximum time gap between two Board meetings did not exceed the limit prescribed in Clause 49 of the listing agreement. Eight meetings of the Board were held during the financial year ended on March 31, 2010. The meetings of the Board were held on May 11, 2009, July 27, 2009, October 29, 2009, January 8, 2010, January 25, 2010, February 4, 2010, March 17, 2010 and March 24, 2010. The Annual General Meeting ("AGM") was held on August 13, 2009 and Extraordinary General Meeting ("EGM") was held on March 13, 2010. The details of participation of the Directors of the Company during the financial year ended March 31, 2010 in Board Meetings and AGM of the Company is as under:

Name of the Director	No. of Meetings during 2009-10		Attendance at Last AGM
	Held	Attended	
Mr. Kishor A. Chaukar	8	8	Yes
Mr. Amal Ganguli	8	6 [@]	No
Mr. Nadir Godrej	8	6	Yes
Mr. Ashok Jhunjhunwala	8	7	Yes
Mr. D. T. Joseph ^{*#}	8	8	Yes
Mr. N. S. Ramachandran	8	7 [@]	No
Mr. S. Ramadorai	8	7	Yes
Mr. Anil Sardana	8	6	Yes
Mr. Kochi Takahara ^{**#}	7	6 [@]	Yes
Dr. Mukund Rajan	8	8	Yes

* Appointed as Additional Director w.e.f. May 8, 2009

** Appointed as Additional Director w.e.f. July 1, 2009

Details provided from the date of appointment

@ In addition to attending the meetings, also participated in one meeting over teleconference. However, no sitting fees was paid for participation over teleconference.

Directors' Remuneration

None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company.

Independent Directors: Sitting fees of Rs. 15,000/- per head per meeting was paid to the Independent Directors for attending meetings of the Board, Audit and Remuneration Committees and Rs. 5,000/- per head per meeting for other Committee meetings.

Non-Executive Non-Independent Directors: No sitting fees is paid to Non-Executive Non-Independent Directors.

The Company also reimburses out-of-pocket expenses incurred by the Directors for attending Meetings and for business of the Company.

The Company pays remuneration by way of salary, allowances, retiral benefits, perquisites, and performance pay to its Managing Director. Increments are decided by the Remuneration Committee within the salary scale approved by the Members and the limits approved by the Central Government. The contract with the Managing Director may be terminated by either party by giving six months notice or the Company paying six months salary in lieu thereof. There is no separate provision for payment of severance fees.

None of the Directors has been issued any stock options by the Company during the year or anytime in the past.

The details of remuneration paid by the Company to its Directors during the financial year 2009-10 are as follows:

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****A) Non-Executive Directors**

Name of the Director	Sitting Fees (Rs.)
Mr. Kishor A. Chaukar	-
Mr. Amal Ganguli	90,000
Mr. Nadir Godrej	90,000
Prof. Ashok Jhunjunwala	1,95,000
Mr. D. T. Joseph*	1,20,000
Mr. N. S. Ramachandran	2,00,000
Mr. S. Ramadorai	-
Mr. Anil Sardana	-
Mr. Koichi Takahara**	-

* Appointed as Additional Director w.e.f. May 8, 2009

** Appointed as Additional Director w.e.f. July 1, 2009

B) Managing Director

(in Rs.)

Name of the Director	Salary	Allowances	Retirals & Perquisites	Performance Pay*	Total
Dr. Mukund Rajan	25,20,000	15,75,000	72,12,900	49,53,535 [#]	1,62,61,435

* Performance Pay for FY 2009-10 would be decided by the Remuneration Committee of the Company in due course.

Performance Pay for FY 2007-08 & FY 2008-09 was paid in FY 2009-10.

Information placed before the Board of Directors

All information required to be placed before the Board of Directors under Clause 49 of the listing agreements has been duly placed.

AUDIT COMMITTEE**Composition**

The Audit Committee of the Board of the Company has been constituted in compliance with the provisions of Clause 49 of the listing agreement read with Section 292A of the Companies Act, 1956 ("Act") and comprises 3 members. All of them are Non-Executive Directors and 2 of them are Independent Directors. The Committee functions under the Chairmanship of Prof. Ashok Jhunjunwala. The Audit Committee meetings are also attended by the Managing Director, Chief Financial Officer, Statutory Auditors and Internal Auditors. The functional heads are also invited as and when required. The Company Secretary acts as the Secretary to the Committee. The composition of the Committee is as follows:

Name of Member	Category	No. of Meetings during 2009-10	
		Held	Attended
Prof. Ashok Jhunjunwala, Chairman	Independent Non-Executive Director	5	5
Mr. N. S. Ramachandran	Independent Non-Executive Director	5	5
Mr. S. Ramadorai	Non-Executive Director	5	5

The Audit Committee met at least once in each quarter and the maximum time gap between two Audit Committee meetings did not exceed the limit prescribed in Clause 49 of the listing agreement. Five Audit Committee meetings were held during the financial year ended on March 31, 2010. The meetings were held on May 11, 2009, July 27, 2009, October 29, 2009, January 25, 2010 and March 24, 2010.

Terms of Reference

The terms of reference for the Audit Committee are broadly as under:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval of payment for any other services.
- Reviewing the quarterly, half yearly and annual financial statements before submission to the Board, focusing primarily on any related party transactions as per Accounting Standard 18.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems and ensuring compliance therewith.
- Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, and coverage and frequency of internal audit.
- Discussing with internal auditors any significant findings and follow up thereon.
- 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 these matters to the Board.
- Discussing with external auditors before the commencement of the audit about the nature and scope of audit as well as having post-audit discussions to ascertain any areas of concern.
- Reviewing the Company's financial and risk management policies.
- Looking into reasons for any substantial defaults in payment to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Reviewing the functioning of the Whistle Blower Policy adopted by the Company.
- Reviewing the report on Management Discussion & Analysis of Financial Condition and Results of Operations, to be included in the Company's Annual Report to its shareholders.

Management Discussion & Analysis of Financial Condition and Results of Operations, statements of related party transactions, internal audit reports, fraud-related reports, quarterly results, management letters from auditors, proposals and terms of appointment of internal auditors have been regularly placed before the Audit Committee for review during the financial year 2009-10.

INVESTORS' GRIEVANCE COMMITTEE

Composition & Terms of Reference

The Investors' Grievance Committee of the Board looks into redressal of the shareholders' complaints in respect of any matter including transfer of shares, non-receipt of annual report, non-receipt of declared dividends, dematerialization of shares, issue of duplicates and renewed share certificates, etc. During the financial year 2009-10, the committee met once on July 27, 2009. The Committee is authorized to delegate its powers to officers and employees of the Company and/or of the Company's Registrar and Share Transfer Agent. The delegates regularly attend to share transfer formalities at least once every 15 days. The Composition of the Committee is as follows:

Name of Member	Category	No. of Meetings during 2009-10	
		Held	Attended
Mr. N. S. Ramachandran, Chairman	Independent Non-Executive Director	1	1
Dr. Mukund Rajan	Executive Director	1	1

Mr. Madhav Joshi, Chief Legal Officer & Company Secretary, is the Compliance Officer of the Company.

The details of complaints received and redressed during the year is as follows:

Opening Balance	Received during the year	Resolved during the year	Closing Balance
5	378	383	0

The status of complaints is reported to the Board on a quarterly basis.

TATA TELESERVICES (MAHARASHTRA) LIMITED

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REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee for the purpose of approving from time to time, the remuneration payable to the Managing Director and Executive Director/s and to discharge any other duties and functions as may be specified under the law, or to perform such task/s as may be entrusted by the Board from time to time. During the financial year 2009-10, the Committee met once on July 27, 2009. The Company's Remuneration Committee comprises 3 Directors, all of whom are Non-Executive Directors and two are Independent Directors. The Committee's composition is as under:

Name of Member	Category	No. of Meetings during 2009-10	
		Held	Attended
Mr. N. S. Ramachandran, Chairman	Independent Non-Executive Director	1	1
Prof. Ashok Jhunjunwala	Independent Non-Executive Director	1	1
Mr. Kishor A. Chaukar	Non-Executive Director	1	1

The Board has also constituted other Committees i.e. Ethics and Compliance Committee to consider matters relating to Insider Trading Code, Nominations Committee to make recommendations regarding the composition of the Board and identification of Independent Directors to be inducted on the Board and take steps to refresh the composition of the Board from time to time, and Executive Committee to review business and strategy.

RISK MANAGEMENT

The Company has devised a formal Risk Management Framework for risk assessment and minimisation. Further, the Company assesses the risk management framework every year. The scope of the Audit Committee includes review of the Company's financial and risk management policies.

GENERAL BODY MEETINGS

The Company's first statutory meeting was held on April 24, 1995. Till date, the Company has held 14 Annual General Meetings (AGMs) and 13 Extra Ordinary General Meetings of the shareholders. The details of the last 3 AGMs are as under:

Particulars	Date	Venue
12 th Annual General Meeting	August 24, 2007	Mumbai
13 th Annual General Meeting	August 12, 2008	Mumbai
14 th Annual General Meeting	August 13, 2009	Mumbai

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

Particulars of the AGM	Section under which special resolution was passed	Purpose
12 th AGM held on August 24, 2007	Section 163 of the Companies Act, 1956	Keeping of statutory records at the office of the Company's Registrars & Share Transfer Agents.
	Section 31 of the Companies Act, 1956	Amendment of Articles of Association to allow conduct of any business through Postal Ballot.
	Section 198, 269, 309, 310, 314, 316, 317 of the Companies Act, 1956	Re-appointment of Mr. Charles Antony as Managing Director and the remuneration to be paid for a period of 3 years from the date of his re-appointment as Managing Director of the Company.
	Section 269, 310, 311 of the Companies Act, 1956	Increase in remuneration payable to Mr. Charles Antony, Managing Director for FY 2006-07.
	Section 81 of the Companies Act, 1956	Consent for issue of Foreign Currency Convertible Bonds.

POSTAL BALLOT

A Special Resolution for obtaining approval of the Members under section 81 of the Act, for Foreign Currency Convertible Bonds / American Depository Receipts / Global Depository Receipts upto an aggregate principal amount of US\$ 250,000,000 (USD Two Hundred Fifty Million Only) was obtained through Postal Ballot and results whereof were announced on November 3, 2009. Mr. Makrand M. Joshi, Practicing Company Secretary was appointed as the Scrutinizer for overseeing the Postal Ballot process. The above said resolution was passed with the requisite majority, with 99.99% votes cast in favour of the resolution.

The Company had complied with the procedure as specified by Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 and amendments thereto. The Board has not recommended any Special Resolution for approval of the Members by Postal Ballot at the ensuing 15th Annual General Meeting.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting was held on March 13, 2010 for obtaining approval of Members under section 293 (1) (a) and 293 (1) (d) of the Act, for increasing the limits for borrowings and creation of security upto a sum of Rs. 8500,00,00,000/- (Rupees Eight Thousand Five Hundred Crores Only).

RELATED PARTY TRANSACTIONS

There were no materially significant related party transactions during the year, which in the opinion of the Board may have potential conflicts with the larger interests of the Company. Apart from paying sitting fees, there was no pecuniary transaction undertaken by the Company with the independent/non-executive directors during the year ended March 31, 2010. Transactions with related parties are disclosed in Note No. 15 of Schedule 17 to the Accounts in the Annual Report.

COMPLIANCE WITH CAPITAL MARKET LAWS

There has neither been any non-compliance on the part of the Company on any matter related to capital markets during the last three years, nor have any penalties or strictures been imposed on the Company in this respect.

As required under Clause 49 of the listing agreement, for the financial year 2009-10, the Company has submitted to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, quarterly compliance reports signed by the Compliance Officer of the Company, confirming compliance with the mandatory requirements of the said Clause.

MEANS OF COMMUNICATION

The quarterly, half yearly and annual results are published in Marathi and English Newspapers. The financial results, shareholding patterns, press releases, and presentations made to institutional investors and analysts are also available on the website of the Company i.e. www.tatateleservices.com.

CERTIFICATION WITH RESPECT TO FINANCIAL STATEMENTS

The certificate as required under Clause 49 of the listing agreement is furnished by the Managing Director and the Chief Financial Officer of the Company to the Board of Directors of the Company with respect to accuracy of financial statements and adequacy of internal controls.

IMPLEMENTATION OF NON-MANDATORY CORPORATE GOVERNANCE REQUIREMENTS

The Company has implemented the nonmandatory corporate governance requirements prescribed under Clause 49 of the listing agreement with respect to Remuneration Committee and Whistle Blower Policy.

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 Fifteenth Annual General Meeting is scheduled to be held on Monday, August 9, 2010 at 1500 hours at Kamalnayan Bajaj Hall & Art Gallery, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021.

Financial Year

The Company follows the April-March, financial year. The financial results for first, second (half yearly) and third quarters are generally published in July, October and January respectively. Annual audited financial results are generally published in May/June. The financial results are uploaded on the Company's website.

The same are also uploaded on the website of the Corporate Filing and Dissemination System viz. www.corpfiling.co.in and are available for public viewing effective from April 1, 2010 as Securities and Exchange Board of India ("SEBI") has discontinued Electronic Data Information Filing and Retrieval System ("EDIFAR") site w.e.f April 1, 2010.

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Date of Book Closure

The share transfer books & the Members' register will be closed between Monday, July 26, 2010 to Monday, August 9, 2010 (both days inclusive) for the purposes of the Fifteenth Annual General Meeting.

Listing on the Stock Exchanges

The Company's equity shares are listed on the following exchanges:

- | | |
|--|---|
| 1 Bombay Stock Exchange Limited ("BSE")
P.J. Towers
Dalal Street
Mumbai - 400 023. | 2 The National Stock Exchange of India Limited ("NSE")
Exchange Plaza, 5 th floor,
Plot No. C/1, 'G' Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051. |
|--|---|

The Company has paid annual listing fees to both the stock exchanges within the stipulated time.

Stock Code

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

BSE	532371
NSE	TTML

Market Price Data

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

(Amount in Rupees)

Month	BSE		NSE	
	High	Low	High	Low
April 2009	26.70	23.05	26.80	23.15
May 2009	33.55	23.20	33.65	23.15
June 2009	40.30	33.00	40.40	33.10
July 2009	37.30	30.70	37.25	30.80
August 2009	35.70	32.50	35.75	32.50
September 2009	36.30	32.55	36.35	32.55
October 2009	35.75	26.55	35.70	26.45
November 2009	27.40	24.85	27.45	24.85
December 2009	28.05	25.75	28.05	25.75
January 2010	29.85	25.05	29.95	25.00
February 2010	25.75	22.90	25.75	22.75
March 2010	24.70	23.20	24.70	23.20

Performance of the Company's Share Price in comparison to BSE and NSE indices

The performance of TTML's Share Price vis-à-vis the broad based BSE and NSE indices during the financial year 2009-10 is as under:

Particulars	TTML Share Price v/s BSE		TTML Share Price v/s NSE	
	TTML Share Price (Rs.)	BSE Sensex	TTML Share Price (Rs.)	NIFTY
As on April 1, 2009	23.05	9,901.99	23.15	3,060.35
As on March 31, 2010	23.65	17,527.77	23.65	5,249.10
Change (%)	2.60%	77.01%	2.16%	71.52%

Registrar and Share Transfer Agents

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

TSR Darashaw Limited

6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Near Famous Studio,
Mahalaxmi, Mumbai 400 011.
Tel.: 91 22 6656 8484
Fax: 91 22 6656 8496
E-mail: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

Share Transfer System

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

Distribution of Shareholding

The broad shareholding distribution of the Company as on March 31, 2010 with respect to categories of investors was as follows:

Category of Investors		Percentage of Shareholding	
		As on March 31, 2010	As on March 31, 2009
Promoters & Promoter Group Companies	Indian	65.60*	65.64**
	Foreign	12.12	12.12
International Investors (FIIs / NRIs / OCBs / Foreign Banks / Foreign Corporate Bodies)		1.49	0.56
Indian Financial Institutions / Banks / Mutual Funds		0.76	0.31
Private Bodies Corporate		2.60	2.18
Individuals		17.43	19.19
TOTAL		100.00	100.00

* As on March 31, 2010, Tata Teleservices Limited (Promoter) has pledged their shareholding equivalent to 26% of the Company's total paid-up capital to secure the term loans/facilities availed by the Company.

** The share pledge by the Promoters as on March 31, 2009 was equivalent to 49.70% of the Company's total paid-up capital to secure the term loans/facilities availed by the Company.

The broad shareholding distribution of the Company as on March 31, 2010 with respect to size of holdings was as follows:

Range (No. of Shares)	% of Paid-up Capital	% of Total No. of Shareholders
1 to 500	4.43	76.04
501 to 1000	3.23	13.39
1001 to 2000	2.64	5.97
2001 to 3000	1.33	1.80
3001 to 4000	0.79	0.76
4001 to 5000	0.87	0.64
5001 to 10000	1.85	0.87
10001 to above	84.86	0.53
Total	100.00	100.00

TATA TELESERVICES (MAHARASHTRA) LIMITED

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The Company had a total of 5,36,233 shareholders as on March 31, 2010.

The quarterly shareholding patterns filed with the stock exchanges are also uploaded on the website of the Company and the same are also uploaded on the website of the Corporate Filing and Dissemination System viz. www.corpfiling.co.in and are available for public viewing effective from April 1, 2010 as SEBI has discontinued EDIFAR site w.e.f. April 1, 2010.

Dematerialization of Shares & Liquidity

As of March 31, 2010, 99.83% of the total equity shares issued by the Company have been dematerialised. The equity shares of the Company are under compulsory dematerialized form. The equity shares of the Company are available for dematerialisation with both the depositories in India i.e. National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL").

Outstanding Employee Stock Options, GDRs, ADRs, etc.

The Company has not issued any GDRs/ADRs/Warrants. The Company had issued Employee Stock Options. These options were convertible into equity shares of the Company on payment by the option holders of the stipulated conversion price of Rs.10 per share. Please refer Annexure I of the Report of the Board of Directors for further details regarding the Employee Stock Options. Currently, no Employee Stock Options are outstanding.

In June 2004, the Company issued Foreign Currency Convertible Bonds ("FCCBs") aggregating US\$ 125 million to foreign investors convertible at Rs. 24.96 per share (including a premium of Rs. 14.96 per share). Post Rights Issue of equity shares of the Company, the conversion price was adjusted to Rs. 24.49 per equity share w.e.f. October 28, 2006. FCCBs with aggregate principal value of US\$ 13.241 million were redeemed on June 2, 2009. Currently, no FCCBs are outstanding.

Where we offer service

The Company currently provides services in about 1,181 towns in the States of Maharashtra and Goa through its telephone exchanges located at Turbhe (Navi Mumbai), Nariman Point (Mumbai), Marol (Mumbai), Andheri (Mumbai), Pune, Nasik, Panjim, Nagpur, and Kolhapur.

Address for correspondence

Shareholders are requested to direct all equity share related correspondence /queries to TSR and only the non-share related correspondence and complaints regarding TSR should be addressed to the Compliance Officer at the registered office of the Company. Shareholders holding shares in electronic mode (dematerialized) should address all shares-related correspondence to their respective Depository Participants only.

Auditors' Certificate

The certificate dated April 30, 2010 issued by M/s. Deloitte Haskins & Sells, Statutory Auditors on compliance with the Corporate Governance requirements by the Company is annexed to the Directors' Report.

MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian telecom services sector has witnessed tremendous growth in the recent past, primarily driven by intense competition, entry of new operators and falling tariffs.

India today has the second largest telecom network in the world after China. As of April 30, 2010, there were more than 638 million telephone connections in the country of which 601 million were wireless connections. Approximately 15 million mobile connections are being added every month.

With much of the recent growth coming in rural areas, Indian telecom companies have been expanding their networks and are significantly increasing their geographical coverage in rural India.

In India, there are various kinds of telecom service licences, including access licences, i.e. basic/fixed service, cellular, Unified Access (basic + cellular) service; carrier licences, i.e. national long distance and international long distance; licences for internet services; VSAT licences; and IP-1 registration for passive infrastructure (towers, ducts, fibre). Unified Access Service Licence ("UASL") operators like the Company can provide, besides fixed & mobile services, internet, internet telephony and broadband services under their UASL licence. Unrestricted competition is allowed in all the categories.

REGULATORY DEVELOPMENTS

Details of major developments on the regulatory front are as under:

- **Access Deficit Charges**

The Telecom Regulatory Authority of India ("TRAI") had abolished Access Deficit Charges ("ADC"), a levy paid by private telecom operators to Bharat Sanchar Nigam Limited ("BSNL") for meeting the cost of unprofitable operations in rural areas, w.e.f. April 1, 2008. The ADC component on the international incoming calls was fixed at a reduced rate of Rs. 0.50 per minute for the period from April 1, 2008 to September 30, 2008 after which this component of ADC was also eliminated. Now all domestic and international calls are free from the incidence of ADC.

BSNL challenged these ADC amendments before the Telecom Disputes Settlement and Appellate Tribunal ("TDSAT") for the financial years 2006-07, 2007-08 and 2008-09. The TDSAT has dismissed all the appeals. Appeals have been filed by BSNL before Supreme Court against these orders of the TDSAT. Being statutory appeals these have been admitted by Supreme Court. However, no stay of TDSAT order has been granted.

- **Telecommunication Interconnection Usage Charges Regulation, 2003**

The TRAI amended Telecommunication Interconnection Usage Charges Regulation, 2003 vide Telecommunication Interconnection Usage Charges (Tenth Amendment) Regulations, 2009 which effective April 1, 2009 reduced termination charges for all types of domestic calls viz. fixed to fixed, fixed to mobile, mobile to fixed and mobile to mobile to 20 paise per minute from 30 paise per minute, and increased termination charges for incoming international calls to 40 paise per minute from 30 paise per minute. This change has been challenged by incumbent operators before the TDSAT. The Company, Tata Teleservices Limited ("TTSL") and Association of Unified Service Providers of India ("AUSPI") have filed an appeal demanding a 'Bill & Keep' arrangement. Arguments in all these appeals have been concluded in March 2010. The final judgment is awaited.

- **Mobile Number Portability**

Mobile Number Portability ("MNP") is a service that allows end-users of telecommunication services to retain their current mobile telephone number when they switch from one operator to another. In November 2007, the Department of Telecommunications ("DoT"), accepted TRAI's recommendations of March 2006, on MNP.

DoT has divided the country into two MNP Service Zones and has signed licence agreements with two companies to set-up and operate MNP. According to DoT, MNP is expected to be launched across India by September 30, 2010.

- **Spectrum**

- (a) **Allocation of 3G Spectrum**

DoT had issued Notice Inviting Application (NIA) on February 25, 2010, kick starting the auction process. Auction process started on April 9, 2010 for 3 slots in 17 circles and 4 slots in 5 circles. Reserve price for all 22 circles (one slot of 2x5 MHz per operator) was Rs. 3,500 Crores. Nine service operators participated in the 3G spectrum

auction which ended on May 19, 2010.

The Company has succeeded in winning the bid for 3G spectrum in Maharashtra circle (excluding Mumbai but including Goa) with a bid value of Rs. 1,257.82 Crores.

(b) Guidelines for allocation of additional Spectrum

Based on TRAI recommendations (which discriminate between GSM and CDMA operators by allotting spectrum in a 2:1 ratio based on the unsubstantiated presumption that CDMA technology is significantly more spectrum efficient), DoT issued fresh spectrum allocation guidelines in January 2008, increasing substantially the subscriber number thresholds, making it more difficult for established service providers to acquire more spectrum and improve their quality of service to subscribers. DoT had set up a committee on June 16, 2008 to review the spectrum allocation criteria. TDSAT, in a recent judgment, has held that the TRAI recommendations were made in a non-transparent manner and has advised DoT to issue fresh guidelines after getting the Second Spectrum Committee report. Second Committee submitted its report on May 13, 2009 recommending auction of 2G spectrum beyond initial allotment of spectrum of 4.4 MHz. Report had been referred by DoT to TRAI. TRAI has submitted its recommendation on Spectrum Management and Licencing Framework on May 11, 2010.

In its recommendation of May 11, 2010, TRAI has capped the spectrum allotment to GSM and CDMA. It has recommended that committed spectrum is 6.2 MHz for GSM and 5 MHz in respect of CDMA. 'Prescribed limit' of spectrum i.e. the amount of spectrum that can be assigned by the Government would be 8 MHz/5 MHz (GSM/CDMA) in the whole of the country except in the metro service areas of Delhi and Mumbai it would be 10 MHz/6.25 MHz. However, spectrum assigned beyond committed amount of 6.2/5 Mhz (GSM/CDMA) will be paid for at the 'Current Price' which is to be a price linked to 3G price derived through bidding. TRAI will submit by July 15, 2010 supplementary recommendations on Current Price for 1,800 MHz spectrum. TRAI has also recommended licence fees to be brought down to 6% over the next four years and has made recommendations for facilitating Mergers & Acquisitions. DoT is expected to take decision on these recommendations after receiving supplementary recommendations.

• **Use of Alternate Technology**

DoT had issued on October 19, 2007, a press release permitting the use of alternate wireless technologies by UAS Licensees. UAS Licensees who were using CDMA technology for wireless access are now permitted to use GSM technology and vice-versa. In August 2008, the Hon'ble Delhi High Court upheld the Government's decision. On March 31, 2009, TDSAT dismissed a petition filed by the Cellular Operators Association of India ("COAI") and other GSM operators against the Government's decision to allow dual technology. TDSAT also directed DoT to immediately review the subscriber base of BSNL and Mahanagar Telephone Nigam Limited ("MTNL") in all the circles and withdraw the spectrum allocated beyond the criteria laid down by DoT. The Hon'ble Supreme Court on appeals by BSNL and MTNL has for the time being, stayed such requirement to surrender the spectrum.

The AUSPI has made several representations to DoT and suggested that the validity of dual technology (GSM spectrum) should be 20 years from the date of amendment of the license or if the validity cannot be increased to 20 years and the excess amount cannot be refunded, same may be adjusted against future license fee and spectrum charges payable against the licensed operations. The Government has not responded to these suggestions by AUSPI and TRAI also has not addressed this issue in its recommendation dated May 11, 2010.

• **Security Clearance Before Purchase of Equipment**

DoT vide letter dated December 3, 2009 has amended the UASL agreement asking all the service providers to take security clearance from DoT before placing purchase orders. On the representation by industry, different format was issued for submission of the request, last being on February 25, 2010. On March 18, 2010, DoT issued further clarification stating that service providers need not seek approval of passive and indigenous equipment. This created a situation where Licensees have not been able to import network equipment since December 3, 2009. On March 26, 2010, the Company received a DoT letter informing that import of equipment from M/s. ZTE, Huawei, Tong Yu Hong Kong Co. Ltd. from China, ECI Telecom, Israel is not permitted. For other equipment, DoT has now sought an undertaking alongwith each application undertaking to pay to DoT Rs. 50 Crores if any of the equipment purchased vide that purchase order on security inspection were found to be dangerous to national security because of some malware or bug etc. DoT has also mandated that the purchase order should stipulate a clause for compulsory technology transfer within 3 years from purchase. Failure may lead to DoT taking criminal action against Licensee. COAI and AUSPI have requested DoT to reconsider such arbitrary and unreasonable requirements. It has been pointed out that ban on these Chinese vendors virtually means end of future path for CDMA technology as there are no other vendors with end to end equipment solutions.

- **Re-verification of Mobile Subscribers**

DoT vide their letter dated September 30, 2009 has allowed all the operators to re-verify the subscriber from October 1, 2009 till October 31, 2010 to avoid penalty.

- **Quality of Service (QoS)**

- For customer complaints, service requests, Value Added Service ("VAS") deactivation and service termination toll free number 198 has been activated. This will be a common number for all service providers for all products.
- Performance parameters of Network, Billing and Customer Care are required to be published on the website each quarter. An online Telecom Consumers Grievance Monitoring System is likely to be introduced.

- **Efficient Utilisation of Numbering Resources**

The availability of new numbers is under severe pressure in view of the rapid growth of mobile connections. The TRAI has initiated discussions to review the current method of allocation and sought suggestions for making more numbers available in the 10 digit format. They are also considering for the long term the feasibility of using 11 digit format. The possibility of re-allocation of levels now allotted for fixed line numbers to mobile is high.

OPPORTUNITIES AND THREATS

The Company offers CDMA and GSM telecom services in Mumbai and Maharashtra (comprising Maharashtra and Goa states) telecom circles. It had successfully launched GSM services in August 2009, as a result of which it today has one of the most complete portfolios of telecom services in the country, including landline, wireless, voice, data and broadband services.

Winning the bid for 3G Spectrum in Rest of Maharashtra (including Goa) Circle gives the Company access to the 3G spectrum for the next 20 years. The Company believes that this region of over 100 million people comprising of rapidly growing cities such as Pune, Nasik, Aurangabad, Vasai and Nagpur has high growth potential and would help Company in further strengthening its market positioning.

In Mumbai, which in comparison has a significantly smaller population of around 20 million people, the Company already has multiple telecommunication assets including its EDGE enabled GSM platform, a substantial wireline broadband access infrastructure and extremely successful wireless broadband services offered on the CDMA platform through the Photon⁺ offerings, all of which the Company will continue to leverage effectively.

The year witnessed the launch of new Value Added Services (VAS), revenues from which are expected to bolster the Company's revenues significantly in the coming years.

Information on important litigation concerning the Company is as under:

- **Spectrum**

The Company and TTSL filed in December 2007, a petition before TDSAT:

- challenging allocation of spectrum beyond the contracted amount to GSM operators;
- querying the pricing of spectrum beyond the contracted amount and recommending, if necessary, withdrawal of excess spectrum allocated to GSM operators;
- seeking release of the 3rd and 4th CDMA carriers (within the contracted amount of 5+5 MHz) against its pending applications;
- seeking upfront allotment of the contracted 5+5 MHz spectrum to CDMA operators, as was done in the case of GSM operators; and
- demanding technology neutrality.

DoT assured TDSAT that spectrum would be allocated against the pending applications. However, without allocating spectrum against pending applications, DoT enhanced substantially the subscriber number requirement for spectrum allocation eligibility in January 2008. The TDSAT was waiting the recommendation of TRAI on the report of the Expert committee. TRAI has made its recommendations on May 11, 2010. The petition would now be heard on July 12, 2010.

- **Push-to-Talk**

The Company, after holding discussions with TRAI, launched in November 2004, the innovative Push-To-Talk ("PTT") service on a non-chargeable basis. PTT enables subscribers to form groups and instantly connect with multiple persons

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across the country who require short bursts of information, thus increasing productivity and efficiency while simultaneously reducing costs. Commencing January 2005, DoT and TRAI sought some information, which was furnished, after which they directed the Company in February 2005, to discontinue the service, which was done. DoT thereafter levied a penalty of Rs. 50 Crores on the Company in February 2006, for alleged violation of ISP license conditions; this was challenged by the Company before the Hon'ble TDSAT. The TDSAT vide its judgment dated December 18, 2009 allowed the Petition filed by us and set aside the penalty imposed by DoT. The DoT subsequently preferred an appeal before the Hon'ble Supreme Court (SC) against the TDSAT judgment which has been dismissed by SC.

- **Computation of Licence Fee**

TDSAT in its judgement of July 2006, had laid down the principle that revenues accruing from non-licensed activities should not attract licence fee and directed TRAI to prepare a list of items to be included and excluded from Adjusted Gross Revenue ("AGR") which attracts licence fee.

The matter was decided in 2007 by TDSAT, which based on TRAI recommendations identified various items to be excluded from AGR. The order would be effective from the date of filing of petitions in TDSAT. DoT has filed an appeal in the Hon'ble Supreme Court challenging the whole order, while the Company and TTSL have filed an appeal seeking implementation of the order from the first demand for the year 1999-00, raised by DoT in May 2003.

- **Fulfillment of Roll-out Obligations**

As a UAS Licensee, the Company was required to complete certain rollout obligations within 1st and 3rd years from the effective date of its license(s). The coverage had to be certified by the Telecommunication Engineering Center ("TEC"). Due to reasons not in the control of any of the UASL operators, the first year norms could not be met by any of them.

Despite various representations from the industry and the Company, DoT on June 4, 2007, issued show cause notices to the Company and other operators alleging non-fulfillment of the stipulated rollout obligations at the end of the first year. The notices required the Company to explain to DoT, why liquidated damages of Rs. 14 Crores (i.e. Rs. 7 Crores each for Mumbai and Maharashtra circle) should not be recovered from the Company for the alleged failure. The Company has replied to the notices. The Company has received legal opinion that the demands are invalid under law.

- **Special Audit by DoT**

DoT appointed a firm of chartered accountants as special auditor to conduct audit of licence fee payments during the FY 2006-07 and 2007-08. The report of the special auditor has been submitted to DoT in last week of May 2010.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company is in the business of providing a wide range of telephony products in Mumbai Service Area and Maharashtra (including Goa) Service Area.

Details of various products and services are provided in the Directors' Report.

OUTLOOK

The outlook for the Company appears bright on a long-term basis. It successfully launched GSM services under Tata Docomo brand in Mumbai and Maharashtra circles in August 2009. It has been successful in winning 3G spectrum for Maharashtra circle (which includes Goa). The Company has been making cash profits in last 17 quarters.

The Company will also benefit from its association with TTSL, which has licences to provide telecom services in 20 circles across India. TTSL has also been permitted by DoT to use GSM Technology in 17 Circles and has been allocated GSM spectrum in 16 circles. It has also won 3G spectrum in 8 circles, primarily in the western belt of the Company.

The national teledensity is around 54% mark and considering the teledensity of other regions and countries in Asia, there is a vast market in India waiting to be tapped and the Company will take all the necessary initiatives to become a major player in its chosen areas of operation.

The Company expanded its network throughout the States of Maharashtra and Goa and covered 1,181 towns by the end of the financial year 2009-10.

The Company has been late entrant in CDMA and GSM 2G services, but it now has an opportunity to be on par with other operators as for providing 3G services. The Company's Photon* high speed internet services alongwith some other strategies will enable it to compete in Mumbai, where it did not pursue bid for 3G spectrum due to exorbitantly high bid price.

RISKS AND CONCERNS

As is the case with any infrastructure project, the Company is exposed to a number of risks. The Company assesses the risks every year and presents them to the Audit Committee in line with Clause 49 of the listing agreements executed with the stock exchanges. The key risks include:

Regulatory Risks

The Indian telecommunications industry is subject to extensive Government regulation, especially as regards allocation of spectrum and introduction of new services. However, the industry is being liberalised and the Company would continue its endeavour to take advantage of the new opportunities offered by regulatory changes. These include, use of alternate technology, new platforms and the proposed introduction of 3G services, which could allow the Company to provide all types of high speed communication and convergence services.

The Company's telecommunications licenses, provide broad discretion to the Government to influence the conduct of the Company's businesses by giving it the right to modify, at any time, the terms and conditions of the licenses and take over the entire services, equipment and networks or terminate or suspend the licenses, if necessary or expedient, in the public interest or in the interest of national security or in the event of a national emergency, war or similar situation.

The Company's licenses are for fixed periods and are renewable for additional terms at the discretion of the Government. There can be no assurance that any of the Company's licenses will be renewed at all or renewed on the same or better terms.

The recent amendment to licenses requiring prior approval of Licensor before placing purchase orders for imported 'active' equipment and software and current embargo on Chinese vendors may adversely affect the Company in short term and may impose additional costs.

The Company may be required to obtain additional 2G spectrum in the future on payment basis which may impose additional financial burden on the Company.

Delay in receipt of contracted spectrum of 6.2 MHz may create quality of service issues and may result in customer dissatisfaction. To address this, the Company may be required to roll out more cellsites, thereby substantially increasing the operating expenditure. Not winning 3G spectrum in Mumbai may result in some GSM customers churning out to competitors.

Technological Risks

Changes in technology may render the Company's current technologies obsolete or require it to make substantial capital investments for upgradation. The telecommunication industry has seen rapid changes in technology. Although the Company strives to keep its technology up to date in accordance with the latest international technological standards, the technology currently employed by it may become obsolete or subject to competition from new technologies in the future.

Financing Risks

The Company is a telecommunication service provider and requires significant funding on an ongoing basis for expanding telecom infrastructure including services to be offered using GSM technology. Approximately half of the project cost is funded by way of debt that is subject to a number of terms and conditions including periodic review of the business plan. Besides, the Company has also borrowed additional funds for making 3G spectrum payment of Rs. 1,257.82 Crores. Implementation of the project would be materially affected if the Company does not achieve financial closure for the project costs in a timely manner.

Interconnection Risks

No operator has been able to win pan-india 3G spectrum and hence roaming arrangements will assume great importance. The Company and TTSL will also require roaming arrangements in 13 circles where they have not been able to win 3G spectrum. Augmentation of capacities or creation of separate interconnection facilities for GSM services are some of the business requirements which are dependent on co-operation of other operators.

Competition Risks

The Indian telecommunication industry has recently witnessed intense competition with the entry of 4-5 new operators leading to further fall in tariffs. The operations of the Company are restricted to two telecom circles and thus it has some operational disadvantages vis-à-vis national operators. To match the competitors, the Company has to provide subsidies on CDMA handsets sold by its distributors to prospective customers.

Dependency on Promoters

The Company has closely aligned and integrated its business operations and strategies with those of TTSL and also shares certain infrastructure (e.g. billing platform, intelligent network platform etc.) and activities (e.g. procurement) with TTSL. The

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Company benefits from the goodwill associated with the Tata Indicom brand that Tata Sons Limited has permitted the Company to use for marketing its CDMA products and services and Tata Docomo brand that Tata Sons Limited and NTT Docomo Inc. has permitted the Company to use for marketing its GSM products and services. The Company's central services sharing arrangements with TTSL allow it to jointly negotiate with equipment suppliers and service providers and benefit from economies of scale. In addition, the Company offers roaming services to its CDMA/GSM mobile subscribers, who can roam in the service areas where TTSL network is operational and vice-versa. Although all the above positively impact the Company's performance, if the Company is viewed as a stand alone enterprise, this inter-dependency may be perceived to be an area of concern.

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 ("Act") and Corporate Governance requirements specified by the stock exchanges.

The internal audit function is looked after by an independent firm, which conducts reviews and evaluation and presents its reports to the Audit Committee and the management at regular intervals.

The Internal Auditors' Reports dealing with internal control systems are considered by the Audit Committee and appropriate actions are taken, wherever necessary.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

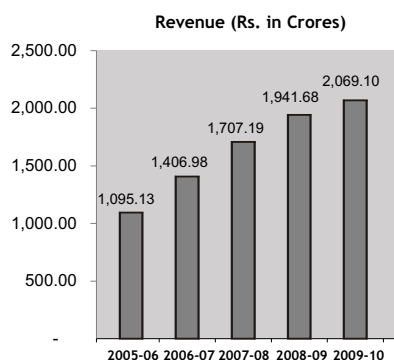
DEVELOPMENTS ON HUMAN RESOURCES FRONT

The entry of new service providers has substantially increased competition in the market. Increase in choices means more effort and higher decibel volumes in acquiring and retaining subscribers which in turn makes it imperative to retain valuable and skilled intellectual capital. The offer of higher monetary compensation by other operators and other service sectors like retail and media have also increased the challenges of retention. The initiatives undertaken by the Company have been described in the Directors' Report. The Company had 1,992 employees on its rolls as on March 31, 2010.

KEY FINANCIAL INFORMATION & OPERATIONAL PERFORMANCE

Revenues from Telecommunication Services

During the year, revenues from telecommunication services increased to Rs. 2,069.10 Crores (previous year Rs. 1,941.68 Crores). This revenue growth was largely driven by the 73% increase in the number of subscribers to 130 lakhs at the end of March 2010 (compared to 74 lakhs subscriber as at the end of March 2009). The revenue growth is based on the growth in subscriber base, amidst falling tariffs including the drop in termination charges. The tariffs of prepaid, postpaid and fixed line segments have been reduced to match reductions undertaken by competitors.

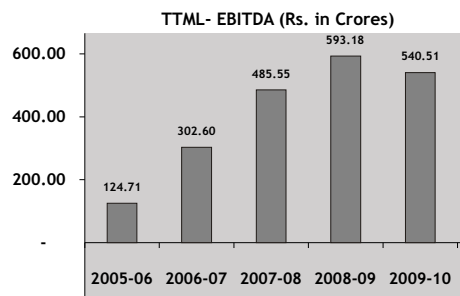


Other Income

Other income increased to Rs. 208.71 Crores (previous year Rs. 112.28 Crores), which includes subsidies received from the Universal Service Obligation Fund towards provision of Rural Household Direct Exchange Lines ("RDELs") in specified Short Distance Charging Areas ("SDCAs") amounting to Rs. 141.29 Crores (previous year Rs. 92.94 Crores). As RDELs scheme has come to an end, there is no likelihood of the Company benefitting from such subsidies any further.

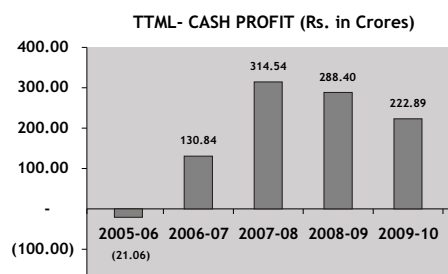
Earnings Before Interest, Depreciation, Taxation and Amortisation (EBIDTA)

During the year, EBIDTA decreased by 9% from Rs. 593.18 Crores to Rs. 540.51 Crores primarily due to cost associated with the launch of GSM and fall in tariffs, inspite of an increase in subscriber base by 73%.



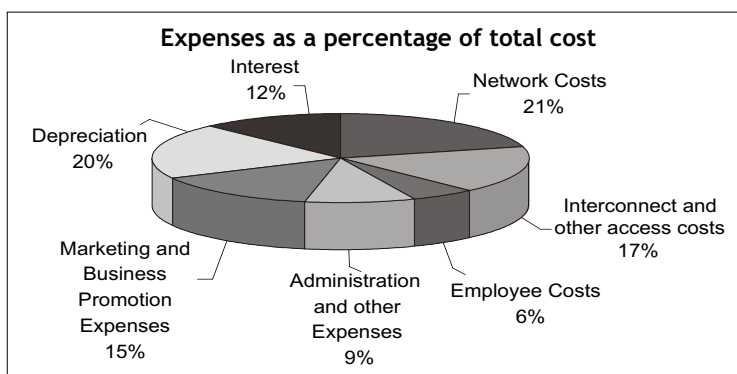
Cash Profit

During the year, Cash Profits decreased from Rs. 288.40 Crores to Rs. 222.89 Crores primarily due to cost associated with the launch of GSM and fall in tariffs, inspite of an increase in subscriber base by 73%.



Expenses

The major expenses as a percentage of total cost are as follows:



Net Loss

The Company's net loss increased to Rs. 298.01 Crores for the year (previous year Rs. 159.60 Crores) in the wake of significantly enhanced capital investment for network expansion including additional license fee paid for GSM spectrum. The Company launched its full mobility services only in the second half of 2003-04, and it is not uncommon for large greenfield infrastructure telecom projects to incur losses during the initial few years of project implementation. The Company has also commenced services using the GSM technology during the current year.

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Fixed Assets

The Company continues to grow its network in Mumbai and other cities in Maharashtra and Goa. The year-end Gross Block increased by Rs. 1,021.51 Crores (Net of Network Interface Unit ("NIU") decapitalisation of Rs. 104.54 Crores and other deletions of Rs. 5.72 Crores) to Rs. 5,574.14 Crores (previous year Rs. 4,552.63 Crores). The major increase in the Gross Block was on account of launch and consequent building of GSM network and expansion of the CDMA network by installation of switches, cell sites and backbone amounting to Rs. 1,080.77 Crores. The Gross Block also includes the cost of GSM license fee Rs. 392.66 Crores.

The year-end Net Block has increased from Rs. 2,899.08 Crores to Rs. 3,503.82 Crores. The year-end Capital Work-in-Progress is at Rs. 196.91 Crores (previous year Rs. 218.07 Crores).

Current Liabilities

The Current Liabilities increased from Rs. 1,018 Crores to Rs. 1,472 Crores primarily due to increase in Capex Creditors from Rs. 160 Crores to Rs. 541 Crores.

Finance Charges

The Finance Charges increased from Rs. 304.78 Crores to Rs. 317.62 Crores. This is on account of higher interest rates. The Company's Business Plan has been appraised by IDBI Bank Limited and has entered into a Common Terms Agreement with the lenders for long term loans for 9 years aggregating of Rs. 3,427 Crores.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these codes are available on the Company's website.

I confirm that the Company has in respect of the financial year ended March 31, 2010, received from the Senior management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer, employees in the General Manager cadre and above and the Company Secretary as on March 31, 2010.

Mumbai
April 30, 2010

Dr. Mukund Rajan
Managing Director

AUDITORS' REPORT

TO THE MEMBERS OF TATA TELESERVICES (MAHARASHTRA) LIMITED

1. We have audited the attached Balance Sheet of **TATA TELESERVICES (MAHARASHTRA) LIMITED** ("the Company") as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. Jani
Partner

Membership No. 46488

Mumbai, dated: April 30, 2010

ANNEXURE TO THE AUDITORS' REPORT

Re: Tata Teleservices (Maharashtra) Limited

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

- (i) Having regard to the nature of the Company's activities, clauses (xiii) and (xiv) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) All fixed assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the stocks of trading goods were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of stocks followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (viii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of telecommunication activities and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

- (x) According to the information and explanations given to us in respect of statutory dues:
- The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.
 - Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2010 on account of disputes are given below:

Name of statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount (Rs. in Crores)
The Income-tax Act, 1961	Income tax demand	Income Tax Appellate Tribunal	A.Y. 1998-99	0.08

- The accumulated losses of the Company at the end of the financial year are more than fifty percent of its net worth and the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not *prima facie* prejudicial to the interests of the Company.
- In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have been used during the year for long-term investment to the extent of Rs.1,960.90 crores.
- According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is *prima facie* not prejudicial to the interests of the Company.
- The Company has not issued any debentures during the year.
- The Company has not raised any money by way of public issues during the year.
- To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

A. B. Jani
Partner
Membership No. 46488

Mumbai, dated: April 30, 2010

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****BALANCE SHEET AS AT MARCH 31, 2010**

	Schedule	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,897.20	1,897.19
Reserves and Surplus	2	583.16	583.16
		2,480.36	2,480.35
Loan Funds			
Secured Loans	3	2,300.43	2,036.13
Unsecured Loans	4	1,309.00	1,076.16
		3,609.43	3,112.29
Total		6,089.79	5,592.64
APPLICATION OF FUNDS			
Fixed Assets			
	5		
Gross Block (at cost)		5,574.14	4,552.63
Less : Accumulated Depreciation / Amortisation		2,070.32	1,653.55
Net Block		3,503.82	2,899.08
Capital Work - In - Progress		196.91	218.07
		3,700.73	3,117.15
Investments	6	120.00	75.00
Current Assets, Loans and Advances			
Cash and Bank Balances	7	22.98	27.48
Sundry Debtors	8	264.12	240.73
Inventories	9	6.40	2.01
Loans and Advances	10	301.05	299.91
		594.55	570.13
Less : Current Liabilities and Provisions			
Current Liabilities	11	1,466.05	981.61
Provisions	12	6.13	36.71
		1,472.18	1,018.32
Net Current Liabilities		(877.63)	(448.19)
Profit and Loss Account		3,146.69	2,848.68
Total		6,089.79	5,592.64
Significant Accounting Policies and Notes to Financial Statements 17			

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A.B.Jani
Partner

Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board

Kishor A. Chaukar
(Chairman)

S. Venkatesan
(Chief Financial Officer)

Place: Mumbai
Date: April 30, 2010

Dr. Mukund Rajan
(Managing Director)

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

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

	Schedule	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Income			
Telecommunication Services	13	2,069.10	1,941.68
Other Income	14	208.71	112.28
Total		2,277.81	2,053.96
Expenditure			
Operation and Other Expenses	15	1,737.30	1,460.78
Profit before Finance and Treasury charges, Depreciation and Tax		540.51	593.18
Finance and Treasury Charges (Net)	16	317.62	304.78
Depreciation /Amortisation (Refer Note a of Schedule 5)		520.89	446.79
Loss before tax		(298.00)	(158.39)
Provision for Tax			
- Wealth Tax		0.01	0.01
- Fringe Benefits Tax		-	1.20
Loss after tax		(298.01)	(159.60)
Balance brought forward		(2,848.68)	(2,670.32)
Add: Adjustment on account of notification on transitional provision of Accounting Standard 11 (Refer Note 25 of Schedule 17)		-	(18.76)
		(2,848.68)	(2,689.08)
Balance carried to Balance Sheet		(3,146.69)	(2,848.68)
Earnings Per Share - Basic and Diluted (Rs.)		(1.57)	(0.84)
(Refer Note 17 of Schedule 17)			
Par Value (Rs.)		10.00	10.00

Significant Accounting Policies and Notes to Financial Statements 17

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A.B.Jani
Partner

Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board

Kishor A. Chaukar
(Chairman)

S. Venkatesan
(Chief Financial Officer)

Place: Mumbai
Date: April 30, 2010

Dr. Mukund Rajan
(Managing Director)

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

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010**

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 1		
SHARE CAPITAL		
Authorised:		
2,500,000,000 Equity Shares of Rs.10/- each	2,500.00	2,500.00
	<u>2,500.00</u>	<u>2,500.00</u>
Issued and Subscribed:		
1,897,196,854 (Previous year 1,897,190,504) Equity Shares of Rs.10/- each fully paid-up	1,897.20	1,897.19
	<u>1,897.20</u>	<u>1,897.19</u>

Notes:

1. Of the above 1,107,401,219 Equity Shares are held by Tata Sons Ltd. (the ultimate Holding Company) and its Subsidiaries
2. Of the above Nil (Previous Year 3,626,786) Equity Shares are issued during the year on conversion of Foreign Currency Convertible Bonds.

SCHEDULE - 2**RESERVES AND SURPLUS**

Securities Premium Account:		
Balance at the beginning of the year	583.16	576.17
Add: On conversion of Foreign Currency Convertible Bonds	-	6.99
Balance at the end of the year	<u>583.16</u>	<u>583.16</u>

SCHEDULE - 3**SECURED LOANS**

From Banks (Refer notes 1 and 2 below)		
Term Loans	1,556.64	1,423.68
Cash Credit Accounts	165.38	47.87
Acceptances	<u>578.41</u>	<u>564.57</u>
	2,300.43	2,036.12
Deferred payment credits (Refer note 2 below)	-	0.01
	<u>2,300.43</u>	<u>2,036.13</u>

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

Notes :

1. Stipulated securities for the loans are either one or more of the following as per terms of the arrangements with respective banks:
 - by first pari pasu charge on the assets of the Company,
 - by pledge of shares of TTSL shareholding in the Company,
 - by assignment of the proceeds on sale of network in the event of cancellation of the telecom license,
 - by assignment of telecom license,
 - by assignment of insurance policies,
 - by sponsor support undertaking of Tata Sons.
2. The existing charges are being released / modified and creation of new charges is in progress.

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 4		
UNSECURED LOANS		
Foreign Currency Convertible Bonds (FCCBs) (Refer note below)	-	67.16
From Banks		
- Short Term Loans	1,289.00	1,009.00
Inter-corporate deposits	20.00	-
	<u>1,309.00</u>	<u>1,076.16</u>

Note:

During the year ended March 31, 2005, the Company issued FCCB of USD 125 millions at an interest rate of 1% per annum (payable semi-annually). The holders of these Bonds had an option to convert the Bonds into Equity Shares of the Company on or after July 1, 2004 at a pre-determined price of Rs. 24.96 per Equity Share. Subsequent to the rights issue of Equity Shares, the conversion price had been adjusted to Rs. 24.49 per Equity Share. The Bonds that are not converted into Equity Shares, are redeemable at a premium of 19.38% at the end of 5 years from the date of issue. Accordingly, the outstanding bonds as at the date of redemption have been redeemed (along with redemption premium) during the year (Also refer Schedule 12).

- a) Depreciation in the Profit and Loss Account is net of amounts aggregating to Rs. 2.36 Crores on account of write back of provision for obsolescence on capital inventory put to use (Depreciation for the previous year includes Rs. 1.61 Crores on account of related provision for obsolescence on capital inventory.)
- b) Deletion in Plant and Machinery includes assets aggregating to Rs. 104.54 Crores (Gross Block) [Previous Year Rs. 368.58 Crores (Gross Block)] fully depreciated now written off (Refer note 21 of Schedule 17).
- c) Refer Note 24 of Schedule 17 pertaining to the transfer of the "Passive Infrastructure Business" to a wholly owned subsidiary done in the previous year.
- d) Refer Note 25 of Schedule 17 pertaining to adjustments in Gross Block and depreciation on account of notification on transitional provision of Accounting Standard 11 during the previous year.
- e) Remaining amortisation period for License fees is 7.5 years (Previous Year 8.5 years) (Also refer Note 22 of Schedule 17).

The legal formalities in respect of one of the buildings are in the process of being completed.

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

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 6		
INVESTMENT (Refer Note 19 of Schedule 17)		
Long- term Investment (Unquoted) (at cost)		
<u>Non - Trade:</u>		
<u>In Subsidiary Company:</u>		
120,000,000 Equity Shares (Previous Year 75,000,000) of 21st Century Infra Tele Ltd. of Rs 10/- each fully paid-up	120.00	75.00
	<u>120.00</u>	<u>75.00</u>
SCHEDULE - 7		
CASH AND BANK BALANCES		
Cash on hand	0.03	0.02
Balance with Scheduled Banks in		
- Current Accounts	22.85	27.40
- Cash Credit Accounts (Refer Note 1 of Schedule 3)	0.10	0.06
	<u>22.98</u>	<u>27.48</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured)		
Outstanding for a period exceeding six months	305.96	276.45
Others	<u>239.77</u>	<u>225.12</u>
	545.73	501.57
Less: Provision	<u>281.61</u>	<u>260.84</u>
	<u>264.12</u>	<u>240.73</u>
Note:		
Considered good	264.12	240.73
Considered Doubtful	281.61	260.84
SCHEDULE - 9		
INVENTORY		
Traded Goods		
Starter Kits	6.40	2.01
	<u>6.40</u>	<u>2.01</u>

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010**

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 10		
LOANS AND ADVANCES		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received [Includes Rs. 0.18 Crores (Previous year Rs. 0.18 Crores) due from an officer of the Company. Maximum amount outstanding at any time during the year is Rs. 0.18 Crores (Previous year Rs. 0.18 Crores)]	238.26	250.59
Premises and other deposits	39.97	34.50
Advances to Subsidiary	14.75	11.89
Assets retired from active use awaiting disposal	-	0.56
Fringe Benefits Tax recoverable	0.31	-
Advance Tax paid (Tax Deducted at Source)	10.38	4.99
	<u>303.67</u>	<u>302.53</u>
Less : Provision	2.62	2.62
	<u>301.05</u>	<u>299.91</u>
Note :		
Considered good	301.05	299.91
Considered doubtful	2.62	2.62

SCHEDULE - 11**Current Liabilities****Sundry Creditors** (Refer Note 23 of Schedule 17)

Total Outstanding dues of Micro Enterprises and Small Enterprises	-	-
Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises:		
- Under Usance Letter of Credit	526.26	136.33
- Others	810.41	711.40
	<u>1,336.67</u>	<u>847.73</u>
Deposits from Customers and others	72.17	73.66
Interest accrued but not due on loans	15.13	4.97
Other liabilities	42.08	55.25
	<u>1,466.05</u>	<u>981.61</u>

Note: Other Liabilities include temporary overdrawn bank balances aggregating to Rs. 0.93 Crores (Previous year Rs. 10.74 Crores)

SCHEDULE - 12**Provisions**

For Contingencies	-	16.74
For Asset retirement obligation	0.49	-
For Retirement benefits	5.63	5.27
For Premium on Redemption of FCCBs (Refer Note below Schedule 4)	-	14.55
For Fringe Benefits Tax (Net of Advances)	-	0.14
For Wealth Tax	0.01	0.01
	<u>6.13</u>	<u>36.71</u>

Notes:

- 1) Provision for contingencies relate to certain claims by vendors on the Company made in earlier years. The said amounts have been written back during the current year as in the opinion of the Company they are no longer payable.
- 2) Provision for asset retirement obligation relate to provision for site restoration cost.

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

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
SCHEDULE - 13		
TELECOMMUNICATION SERVICES		
Telephony	1,788.14	1,679.95
Internet Services	72.64	48.81
Interconnection Usage Charges [including in respect of earlier years Rs.0.62 Crores (Previous year Rs. 5.46 Crores)]	174.36	194.14
Sale of Traded Goods	33.96	18.78
	<u>2,069.10</u>	<u>1,941.68</u>
SCHEDULE - 14		
OTHER INCOME		
Subsidies from Department of Telecommunications (DoT)	141.29	92.94
Excess provision / Sundry credit balances in respect of earlier years written back (Refer Note below Schedule 12)	25.16	8.21
Infrastructure Sharing	0.49	4.28
Profit on transfer of the "Passive Infrastructure Business" to wholly owned subsidiary (Refer Note 24 of Schedule 17)	-	0.07
Gain on Fixed assets sold/written off (Net)	35.45	-
Sale of Refurbished Network Interface Units	2.66	2.91
Miscellaneous Receipts	3.66	3.87
	<u>208.71</u>	<u>112.28</u>
SCHEDULE - 15		
OPERATION AND OTHER EXPENSES		
Network Operation costs		
Revenue Share to DoT	193.97	171.34
Repairs and Maintenance - Plant and Machinery [including capital inventory consumed Rs. 8.63 Crores (Previous year Rs.15.71 Crores)]	60.46	59.50
Power	107.96	58.78
Rent	35.43	17.26
Rates and taxes	7.91	6.01
Insurance	1.77	1.02
Infrastructure Sharing Cost	112.74	40.82
Miscellaneous	15.58	9.21
	<u>535.82</u>	<u>363.94</u>
Interconnection and Other access costs [including in respect of earlier years Rs. 0.22 Crores (Previous year Rs. 5.98 Crores)]	440.91	474.64
Payments to and Provisions for Employees		
Salaries and Bonus	127.02	98.68
Contribution to Provident and other Funds	7.50	5.62
Staff Welfare	11.74	8.60
	<u>146.26</u>	<u>112.90</u>

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Administrative and Other expenses		
Rent	19.42	14.12
Rates and taxes	5.88	5.94
Repairs and Maintenance - others	5.56	6.05
Travel and conveyance expenses	19.10	18.48
Collection / Credit verification charges	11.10	12.58
Customer service and call centre cost	110.83	80.11
Assets awaiting disposal written off	0.56	1.20
Loss on Fixed assets sold/written off / retired from active use (Net)	-	0.34
Provision for Doubtful debts	20.35	15.75
[Net of insurance received amounting to Rs. 0.42 Crores (previous year Rs.4.59 Crores)]		
Insurance Expenses	0.03	0.04
Miscellaneous expenses	49.30	55.56
Contractual and other claims and liabilities (Net)	0.28	1.26
	242.41	211.43
Marketing and business promotion expenses		
Advertisement and business promotion expenses	133.09	105.52
Hand set Subsidy [Net of Rs. 3.57 Crores (Previous year Rs. 7.64 Crores) incentive received]	80.67	83.74
Sales Commission and Expenses	135.16	99.25
Traded Goods - Starter Kits		
Opening Stock	2.01	2.22
Add: Purchases	27.37	9.15
Less: Closing stock	6.40	2.01
	22.98	9.36
	371.90	297.87
	1,737.30	1,460.78

SCHEDULE - 16**FINANCE AND TREASURY CHARGES (NET)**

Interest		
On Fixed Term Loans	295.21	274.66
On Inter-corporate deposits	1.08	-
On Others	13.93	13.29
Expenses for loan arrangement, bill discounting and bank charges	21.77	26.36
Foreign exchange fluctuations (Net) [Refer Note 16(ii) of Schedule 17]	4.48	36.13
	336.47	350.44
Less: Interest Capitalized (Refer Note 22 of schedule17)	18.79	45.63
	317.68	304.81
Less: Profit on redemption of units (Current Investment)	0.06	0.03
	317.62	304.78

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

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1. Company background

Tata Teleservices (Maharashtra) Limited ("the Company"), was incorporated on March 13, 1995. The Company is licensed to provide basic and cellular telecommunication services. The Company presently holds two Unified Access (Basic and Cellular) Service Licenses, one for Mumbai Service Area and another for Maharashtra and Goa and provides telecommunication services using Code Division Multiple Access (CDMA) technology. The Company has also commenced telecommunication services using Global System for Mobile Communications (GSM) technology under the aforesaid licenses. The Company also holds the National Internet Service provider-Internet Telephony license.

The Company is a subsidiary of Tata Sons Ltd. (the ultimate holding company).

2. Significant Accounting Policies

(a) Basis of preparation of financial statements

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

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. 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/amortization and impairment loss. Cost includes all costs incurred to bring the assets to their working condition and location (Also refer note 25) and Site Restoration cost obligations where outflow of resources is considered probable.

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

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

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

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

License fees paid by the Company for acquiring licenses to operate telecommunication / internet telephony services are capitalised as intangible assets.

Indefeasible Rights to Use ('IRU') bandwidth capacities by the Company are capitalised as intangible assets.

Assets acquired pursuant to an agreement for exchange of similar assets are recorded at the net book value of the assets given up, with an adjustment for any balancing receipt or payment of cash or any other form of consideration.

d) Depreciation

- i) Fixed assets are depreciated on a straight line basis, based on the following estimates of their useful economic lives (Also refer Note 26 below) :

	Useful Life (in years)
Buildings	60
Plant and Machinery	
- Network Equipment	12
- Outside Plant	18
- Network Interface Units (Refer note 21)	5
- Air- Conditioning Equipment	6
- Generators	6
- Electrical Equipments	6
- Computers	3
- Office Equipments	3
- Computer Software	3
Furniture and Fittings	3
Vehicles	5

Depreciation rates derived from the above are not less than the rates prescribed in Schedule XIV to the Companies Act, 1956.

- ii) Leasehold land and premises are amortised uniformly over the period of lease.
- iii) Amortization on License fees is provided for uniformly over the original license period of 20 years from the date of commencement of operation. Since the Company has intention of being in business for a period well beyond 10 years and the telecommunication business cannot be carried on without the Telecom license, the useful life of the asset will exceed the rebuttable presumption of 10 years under AS 26 on "Intangible Assets". (Refer note 22)
- iv) Indefeasible Right to Use ('IRU') bandwidth capacities by the Company are amortised over a period of fifteen years based on management estimate of useful life of the assets or period of the agreement whichever is lower.
- v) Depreciation on additions and deletions to assets during the year is charged to revenue pro rata to the period of their use.
- vi) The Company provides for obsolescence of its slow moving capital inventory by way of depreciation, at the rate of 33.33% p.a. of cost.

e) Foreign Currency transactions

- i. Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected.
- ii. Foreign currency denominated assets and liabilities are reported as follows:
- Monetary items are translated into rupees at the exchange rates prevailing at the balance sheet date. Non-Monetary items such as fixed assets are carried at their historical rupee values.
 - Gains/losses arising on settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are recognised in the profit and loss account, except for long term assets/liabilities which pertain to acquisition of fixed assets which are adjusted in the cost of fixed assets (Refer note 25).
- iii. In case of forward exchange covers, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of the contract.
- iv. Pursuant to the announcement on accounting for derivatives issued by the Institute of Chartered Accountants of India (ICAI), the Company in accordance with the principle of prudence as enunciated in Accounting Standard 1 on 'Disclosure of Accounting Policies' provides for losses in respect of all outstanding

derivative contracts at the Balance Sheet date by marking them to market. Any gains arising on such mark to market are not recognized as income [Refer note 16 (ii)].

f) Employee benefits

Retirement benefit costs are expensed to revenue as incurred.

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

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

Leave encashment is provided for on the basis of actuarial valuation as at the end of the year.

g) Revenue recognition

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 and is recorded net of service tax. The amount charged to subscribers for specialised features which entitle them to access the network of the Company and where all other services and products are paid for separately, are recognised as and when such features are activated.

Revenue is recognised when it is earned and no significant uncertainty exists as to its ultimate realisation or collection.

h) Government Grants

Subsidies granted by Government for providing telecom services in rural areas are recognized as income in accordance with the relevant terms and conditions of the scheme / agreement with DoT.

i) Borrowing costs

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

j) Earnings per share

The Company reports basic and diluted earnings per share in accordance with AS 20 on "Earnings Per Share". Basic earning 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.

k) 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.

l) Cash Flow Statement

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

m) Foreign Currency Convertible Bonds (FCCBs) Expenses

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

Expenses on issue of FCCBs and on Rights issue of Equity Shares are written off to the Securities Premium Account in accordance with section 78 of the Act.

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****n) Finance and Treasury charges**

Net finance and treasury charges are disclosed in the financial statements. Interest and other income earned from treasury operations are reduced from the costs of treasury operations.

o) Inventories

Inventories are valued at lower of cost and net realizable value. Cost of Inventories comprises of all cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

p) Fringe Benefits Tax

Fringe Benefits Tax (FBT) is recognized as per the provisions of the Income-tax Act, 1961 and the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI.

q) Impairment of assets

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

r) Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. Provision is made to recognise a decline other than temporary in the carrying amount of long term investments.

s) Contingent Liabilities

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

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	186.78	476.03
4. a) Bank Guarantees	249.45	303.55
b) Letters of Credit	22.43	150.00
c) Counter guarantees given by the Company on behalf of third party	200.00	200.00
d) Guarantees given by a group company on behalf of the Company	80.00	-
5. Contingent liabilities :		
(i) Claims against the Company not acknowledged as debt		
Telecom Regulatory Matters (Refer notes below)	273.56	419.76
Others	104.80	97.50

Notes:

Contingent liabilities in respect of Telecom Regulatory Matters include:

- a) Bharat Sanchar Nigam Limited (BSNL) issued demand notices to pay Access Deficit Charge (ADC) aggregating to Rs.151.61 Crores, including interest, for the period November 14, 2004 upto February 28, 2006, the date after which ADC is payable on Net Adjusted Gross Revenue Basis. The demands stated that 'fixed wireless' services provided by the Company under the brand name "WALKY" had mobility features and should be treated as mobile services for the purpose of Interconnect Usage Charges Regulations and ADC

was payable on such calls. The Company filed an appeal to the Hon'ble Telecom Dispute and Settlement Appellate Tribunal (TDSAT) in this regard, wherein the TDSAT negated the Company's appeal. The Company further filed an appeal before the Hon'ble Supreme Court (SC) who vide order dated April 30, 2008 confirmed that ADC was payable and since there were claims and counter-claims between the Company and BSNL, the SC directed that quantification of amounts payable to each other be made by TDSAT.

The Company had filed a review petition in this regard and on the said basis, Hon'ble Telecom Dispute and Settlement Appellate Tribunal (TDSAT) vide its order dated August 12, 2008 held that BSNL and the Company should exchange relevant information and reconcile the differences. TDSAT on April 15, 2010, confirmed BSNL demands for period up to August 25, 2005 and has given BSNL liberty to lodge its claim for a further period up to February 28, 2006. The Company is examining the legal position as TDSAT in its aforesaid judgment has not considered the directions of SC to reconcile claims and counter claims and quantify the amounts payable by parties to each other. The Company is in the process of filing an appeal with the SC against the aforesaid TDSAT order of April 15, 2010. The Company is hopeful of success in the matter.

Out of the aforesaid Rs.151.61 Crores, the Company, has, in earlier years, already provided for amounts aggregating to Rs.28.14 Crores pertaining to ADC for the period from August 26, 2005 upto February 28, 2006. The balance amounts aggregating to Rs.123.47 Crores have been disclosed as Contingent Liability under 'Telecom Regulatory Matters' as the Company is of the view that these demands include amounts relating to 'wireline' services and ADC for the period before August 26, 2005; the actual date after which, as per the directions of the Department of Telecom, services provided under the brand name "WALKY" are to be considered as Wireless in Local Loop (Mobile) for the purposes of ADC.

The Company during the previous year had made on account payment to BSNL of Rs. 50 Crores in relation to the above, which is in addition to Rs. 25 Crores paid in earlier years.

- b) The Company had received a demand letter dated March 17, 2008 from DoT for Rs. 8.38 Crore, being a demand for spectrum charges for the period from April 1, 2005 to February 29, 2008, which was disclosed as contingent liability as at March 31, 2008.

This demand was subsequently revised to Rs.184.69 Crores by DoT, vide its demand letters dated July 3, 2008, for the period from October 1, 1998 to June 30, 2008 which was further increased to Rs. 266.00 Crores vide letter dated February 28, 2009. The amount was again revised to Rs.259.70 Crores vide letter dated November 25, 2009 for the extended period till November 30, 2009. The Company had represented to the Wireless Planning Commission (WPC) various items of differences mentioned in the demand orders, vide letter dated September 24, 2008. Though the Company has now received a revised demand of Rs. 75.47 Crores from DoT on April 26, 2010 the reconciliation process with WPC is in progress. Hon'ble TDSAT is seized of the matter. The Company is hopeful of success in the matter.

	As at March 31, 2010 Rs. In Crores	As at March 31, 2009 Rs. In Crores
i) Disputed Income Tax demands in Appeals before relevant authorities	0.08	0.08
ii) Show cause /demand notices received from Service Tax authorities	66.65	-
iii) The Company has imported certain capital equipment under "Export Promotion of Capital Goods Scheme" of the Central Government at a concessional rate of Customs Duty. The Company has undertaken export obligation to the extent of USD 100.8 millions (Rs. 404.41 Crores) to be fulfilled during a period of 8 years commencing from the January 29, 2003, failing which the Company will be liable to pay the differential customs duty, together with interest and penalties, if imposed. Up-till the end of the year, the Company has fulfilled the export obligation to the extent of Rs. 52.79 Crores (previous year Rs. 35.53 Crores)		
iv) The Company in 2002 had filed a petition before Hon'ble TDSAT claiming refund of Rs. 50 Crores recovered by Department of Telecommunications (DoT) in 1999 alleging failure to sign basic services license agreement for Karnataka circle after accepting Letter of Intent (LoI). DoT during the proceedings before TDSAT claimed from the Company Rs. 303 Crores towards loss of (opportunity to earn) license fee and Rs. 351 Crores as interest till October 31, 2002. TDSAT allowed refund of Rs. 50 Crores to the Company with interest of 17% p.a. and dismissed the counter-claim based on a law point (i.e. TDSAT had no jurisdiction) and facts. DoT appealed to the Hon'ble		

TATA TELESERVICES (MAHARASHTRA) LIMITED

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Supreme Court which without commenting on the merits of the counter-claim confirmed that TDSAT had jurisdiction and remanded the matter to TDSAT for fresh adjudication. DoT has filed with TDSAT a counter-claim of Rs.2,015 Crores which includes Rs.303 Crores towards loss of (opportunity to earn) license fee and interest of Rs.1,712 Crores calculated up to March 31, 2008. The TDSAT vide its order dated September 18, 2008 held that since the counter claim filed by DoT is in the nature of a recovery suit appropriate court fee needs to be affixed. DoT has challenged jurisdiction of TDSAT to levy court fees. The Company is hopeful of success in the matter.

Counter guarantees have been given by the Company in the ordinary course of business and no liability is expected to accrue in this respect.

As regards disputes and claims referred to above against the Company, appropriate competent professional advice is available to the Company based on which, favorable outcomes are anticipated and no liability is expected to accrue to the Company.

6. Payments to Auditors (excluding service tax) :	2009-10 Rs. in Crores	2008-09 Rs. in Crores
i) Audit fees	0.20	0.18
ii) Tax Audit fees	0.05	0.05
iii) Other matters (For Quarterly Audits, certification work etc.)	0.31	0.21
iv) Out of pocket expenses [Current year Rs. 38,423/- (Previous year Rs. 64,123/-)]		

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

The position of the allotted warrants is as follows:

	As at March 31, 2010 (Nos.)	As at March 31, 2009 (Nos.)
Opening Balance	7,950	7,950
Exercised	6,350	-
Lapsed	1,600	-
Closing Balance	-	7,950

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

8. The Company is engaged in providing Telecommunication Services under Unified Access License. These, in the context of Accounting Standard 17 on "Segment reporting", are considered to constitute a single reportable segment.

9. (a) Operating lease rent expenses for the year in respect of lease agreements entered from April 1, 2001.

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Residential Flats for accommodation of employee	0.95	0.82
Cell Sites and others	166.64	71.30

- (b) Future Minimum Lease Payments under Non-Cancellable Operating Lease :

Due not later than one year	130.42	36.86
Due later than one year and not later than five years	454.48	123.67
Due later than five year	781.42	-

The agreements are executed for a period ranging from 6 months to 15 years with a renewable clause and in many cases also provide for termination at will by either party giving a prior notice period ranging between 30 to 90 days.

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

Particulars	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
Projected benefit obligation, beginning of the year	3.99	2.27
Service cost	1.21	0.80
Interest cost	0.40	0.24
Actuarial (Gain) / loss on obligation	(0.12)	0.79
Benefits paid	(0.13)	(0.11)
Projected benefit obligation, end of the year	5.35	3.99
Projected benefit obligation, end of the year	5.35	3.99
Fair value of plan assets at the end of the year	3.73	2.77
Net liability recognized in the Balance Sheet	1.62	1.22
Fair Value of Plan Assets at the beginning of the year	2.77	1.38
Expected Return on Plan Assets	0.31	0.21
Contributions	1.08	1.28
Benefit Paid	(0.13)	(0.11)
Actuarial (loss) / Gain on Plan Assets	(0.30)	0.01
Fair Value of Plan Assets at the end of the year	3.73	2.77
Total Actuarial Loss Recognized	(0.18)	(0.78)

Actuarial Assumptions:

Discount rate	8.00%	7.75%
Rate of increase in compensation levels of covered employees	6.50%	6.50%
Rate of Return on Plan Assets	8.00%	8.00%

11. No provision for current income tax has been made in the accounts, since the Company estimates that there will be no taxable profits for the 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 AS 22 on "Accounting for Taxes on Income".

12. Value of imports on CIF basis in respect of :	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Capital Goods	577.51	364.39

13. Expenditure in Foreign Currency (Payment basis) on account of :	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Interest	14.42	21.86
Other	3.19	1.13
	<u>17.61</u>	<u>22.99</u>

14. Value of Capital Inventory consumed during the year :	2009-10 Rs. in Crores	%	2008-09 Rs. in Crores	%
Indigenous	8.63	100	15.30	97
Imported	-	-	0.41	03
	<u>8.63</u>	<u>100</u>	<u>15.71</u>	<u>100</u>

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(Rs. in Crores)

[illegible]

✦ Since the figures are less than the denominations disclosed, the figures do not appear

✦ Figures above are inclusive of Service Tax where ever applicable

Others Include

Ewart Investment

Tata Trustee Company Ltd. (formerly Tata Trustee Company Private Ltd.)

Tata Advanced Systems Ltd.

Wireless - TT Info Services Ltd.

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

i) Details of transactions with Related Parties

For year ended March 31, 2009			Ultimate Holding Company		Subsidiary Company	Fellow Subsidiaries							(Rs. in Crores)
	Tata Sons Ltd.	21st Century Infra Tele Ltd.	Tata Teleservices Ltd.	Tata Internet Services Ltd.	Tata Business Support Services Ltd. (formerly-E2E Serviz Solutions Ltd.)	Tata Consultancy Services Ltd.	THDC Ltd.	Tata AIG Life Insurance Co. Ltd.	Tata AIG General Insurance Co. Ltd.	Tata Sky Ltd. (formerly Space TV Ltd.)			
	1	2	3	4	5	6	7	8	9	10			
★1) Expenses :													
- Salary	-	-	6.44	-	-	-	-	-	-	-			
- Customer Service and Call Centre Cost	-	-	11.13	-	2.63	21.91	-	-	-	-			
- Advertisement and Business promotion expenses (Net)	-	-	12.70	-	-	-	-	-	-	0.01			
- Network operation cost	★	26.70	6.19	-	-	-	-	-	★	-			
- Administrative and Other Expenses	★	-	17.45	-	-	-	-	-	-	-			
- Rent	0.02	-	0.24	1.66	-	-	0.06	-	-	-			
- Interconnect and Access charges (Net)	-	-	26.14	-	-	-	-	-	-	-			
- Infrastructure Sharing Charges	-	17.41	-	-	-	-	-	-	-	-			
- Interest	-	-	-	-	-	-	-	-	-	-			
★2) Income :													
- Towards Recharge Coupon Vouchers	-	-	10.77	-	-	-	-	-	-	-			
- Rent	-	-	1.10	-	-	-	-	-	-	-			
- Rendering Telecom Services	0.34	-	7.79	0.02	0.60	17.88	0.11	3.60	1.36	1.07			
- Profit on transfer of Tower Business Hive-off	-	0.07	-	-	-	-	-	-	-	-			
★3) Reimbursement of Expenses	-	0.26	3.97	-	-	-	-	-	-	-			
4) Investment in Subsidiary during the year	-	74.99	-	-	-	-	-	-	-	-			
5) Purchase of Fixed Asset	-	-	47.28	-	-	0.03	-	-	-	-			
6) Net Value on transfer of Tower Business Hive-off	-	293.23	-	-	-	-	-	-	-	-			
7) Unsecured Loan repaid	-	-	-	-	-	-	-	-	-	-			
8) Security Deposits taken	-	-	1.73	-	-	-	-	-	-	-			
9) Unsecured Loan taken	-	-	-	-	-	-	-	-	-	-			
10) Outstanding as at March 31, 2009 :													
Sundry Debtors	0.10	-	1.66	★	0.15	2.20	0.02	0.61	0.48	0.16			
Sundry Creditors	★	-	15.20	0.93	-	4.55	-	★	-	-			
Loans and Advances	-	11.89	-	-	-	-	0.01	-	-	-			
11) Investment in Subsidiary as at March 31, 2009	-	75.00	-	-	-	-	-	-	-	-			

★ The above includes Rs. 0.77 Crores given to Mr. Charles Anthony (Ex-Managing Director) towards performance pay for the financial year 2007-08

★ Since the figures are less than the denominations disclosed, the figures do not appear

★ Figures above are inclusive of Service Tax where ever applicable

★ Others Include

Tata Realty & Infrastructure Ltd.

Tata Investment Corporation Ltd.

Ewart Investments Ltd.

Tata Petrodyne Ltd.

Computational Research Laboratories Ltd.

Tata Trustee Company Private Ltd.

TATA TELESERVICES (MAHARASHTRA) LIMITED

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

ii) Details of all Related Parties and their relationships

A Holding Company Tata Sons Ltd.	12 Tata Business Support Services Ltd. 13 Tata Capital Ltd. 14 TC Travel And Services Ltd. (w.e.f. 15.10.2008) 15 Tata Securities Ltd. 16 Tata Housing Development Company Ltd. 17 Tata Sky Ltd. 18 Tata Teleservices Ltd. 19 Tata Internet Services Ltd. 20 Wireless - TT Info Services Ltd. 21 Tata Consulting Engineers Ltd. (formerly TCE Consulting Engineers Ltd.) 22 Tata Realty and Infrastructure Ltd. 23 Tata Consultancy Services Ltd. 24 CMC Ltd. 25 TCS e-Serve Ltd.
B Subsidiary Companies 21st Century Infra Tele Ltd. (w.e.f. 01.07.08)	
C List of Fellow Subsidiaries 1 Computational Research Laboratories Ltd. 2 Ewart Investments Ltd. 3 Infiniti Retail Ltd. 4 Tata AIG General Insurance Company Ltd. 5 Tata AIG Life Insurance Company Ltd. 6 Tata Investment Corporation Ltd. 7 Tata Petrodyne Ltd. 8 Tata Trustee Company Ltd. (formerly Tata Trustee Company Private Ltd.) 9 e-Nxt Financials Ltd. 10 Tata Advanced Systems Ltd. (w.e.f. 26.09.2008) 11 Tata Asset Management Ltd.	D Key Management Personnel (Managing Director) 1 Dr. Mukund Govind Rajan

16. Derivatives

i) Outstanding derivatives :

	As at March 31, 2010		As at March 31, 2009	
	USD in Millions	Rs. in Crores	USD in Millions	Rs. in Crores
a) Forward Contracts	86.03	386.25	94.49	479.28
b) Currency options for hedging of foreign currency exposure	58.00	261.61	-	-
Total	144.03	647.86	94.49	479.28
c) Interest Rate Swaps	66.83	300.06	80.30	407.26

ii) The mark to market loss of outstanding currency options and interest rate swaps as at the year-end aggregate to Rs.8.27 Crores (Previous year Rs.Nil).

iii) The foreign currency exposure that are not hedged by derivative instruments:

	As at March 31, 2010		As at March 31, 2009	
	USD in Millions	Rs. in Crores	USD in Millions	Rs. in Crores
FCCB (including redemption premium)	-	-	15.81	80.17
Vendor payables	41.08	184.45	50.62	256.74
	41.08	184.45	66.43	336.91

	As at March 31, 2010	As at March 31, 2009
17 Earnings Per Share Data		
i) Loss after Tax (Rs. In Crores)	298.01	159.60
ii) Weighted average number of shares outstanding	1,897,196,089	1,897,100,866
iii) Nominal Value of Equity Shares (Rs.)	10	10
iv) Basic and Diluted Earnings per Share (Rs.)	(1.57)	(0.84)

In calculating the earnings per share the effect of dilution on account of outstanding ESOPs and FCCBs is ignored since results are anti-dilutive.

18. Quantitative details of principal items of goods traded (Starter Kits):

	Quantity (Nos.)	Value Rs. in Crores
a) Opening Stock	674148 (603678)	2.01 (2.22)
b) Purchases	13459703 (2935085)	27.37 (9.16)
c) Sales	11290162 (2864615)	33.96 (18.78)
d) Closing Stock	2843689 (674148)	6.40 (2.01)

Note: Figures in () pertain to those of the previous year.

19. Following units have been purchased and redeemed by the Company during the year ended March 31, 2010:

	No. of Units	Face Value (Rs.)	Cost (Rs. in Crores)
ICICI Prudential Institutional Liquid Plan-Super Inst. Growth	4,672,574.36	100	62.10
ICICI Prudential Flexible Income Plan Premium- Growth	764,792.37	100	12.75

20. Managerial Remuneration

i) Managing Director	2009-10	2008-09
	Rs. in Crores	Rs. in Crores
Salaries	0.91	1.11
Contribution to Provident and other Fund	0.07	0.06
Monetary value of perquisites	0.65	0.68
Total	1.63	1.85

Note:

- 2009-10 figures include Rs. 0.50 Crores paid during the year for 2008-09 on account of bonus / performance pay.
- 2008-09 figures include Rs. 0.77 Crores paid during the year for 2007-08 on account of bonus / performance pay.

ii) Non-executive Directors	2009-10	2008-09
	Rs. in Crores	Rs. in Crores
Directors' Sitting Fees	0.07	0.03

TATA TELESERVICES (MAHARASHTRA) LIMITED

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21. The Company, had identified certain Network Interface Units (NIUs), which had been disconnected and were not in use (including not retrieved) and also had been fully depreciated in the books of account. The management, having regard to the present condition of the said NIUs, their future usability and the fact that these NIUs have been fully depreciated, had decided to write-off the same. Accordingly during the current year the said NIUs aggregating Rs. 104.54 Crores (cost) (Previous Year Rs. 368.58 Crores) were written off and removed from the block of fixed assets.
22. The Company has commenced services using GSM technology during the current year. Accordingly, the Company, in accordance with the accounting policy followed has started amortization of related license fees over the remaining period of license. Further, the Company has capitalized borrowing costs attributable to the GSM operations aggregating Rs. 73.05 Crores (including Rs. 18.79 Crores for the current year) till the date of commencement of GSM operations in accordance with AS 16 on 'Borrowing Costs'.
23. As per information available with the Company, none of the creditors have confirmed that they are registered under the Micro, Small and Medium enterprises Development Act, 2006. The disclosure regarding dues to such creditors is given accordingly in Schedule 11.
24. During the previous year, the Company had acquired a wholly owned subsidiary viz. 21st Century Infra Tele Limited (21st Century).

Consequent to the Shareholders approval on transfer of "Passive Tower Infrastructure Business" ('PI Business'), the Company had entered into a Business Transfer Agreement ('BTA') on September 30, 2008 to transfer the same on a going concern basis to 21st Century. The transfer includes transfer of assets (fixed and current), liabilities (specific) related to the PI business for a lump sum consideration of Rs.293.30 Crores. The book value of the assets and liabilities transferred as at September 30, 2008 and the resulting profit are as follows:

Particulars	As at September 30, 2008 (Rs. in Crores)
Plant and Machinery (WDV)	271.91
Capital Work-in- Progress	11.73
Current assets	13.03
Current liabilities	(3.44)
Total	293.23
Less: Sale Consideration	293.30
Profit	0.07

25. The Central Government, vide notification dated March 31, 2009, amended AS 11 on 'The Effect of Changes in Foreign Exchange Rates', whereby, companies have been given an option to account for exchange differences arising on reporting of long-term foreign currency monetary items (assets/liabilities) in so far as they relate to acquisition of a depreciable capital asset, to be added/deducted from the cost of the asset and for others to be accumulated in a separate reserve to be amortized over the balance life of the asset/liability but not beyond March 31, 2011. The aforesaid option is effective with retrospective effect in respect of accounting periods commencing on or after December 7, 2006. Accordingly, the Company opted to exercise this option and had given the following effect in the accounts of the previous year:
- a) Exchange gain (net of depreciation) relating to year ended March 31, 2008 adjusted in debit balance of Profit and Loss account and Plant and Machinery aggregating to Rs. 18.76 Crores.
- b) Exchange loss relating to year ended March 31, 2009 adjusted against carrying value of fixed assets aggregating to Rs. 49.45 Crores.

During the current year, pursuant to the said option, the Company has adjusted exchange gain aggregating to Rs. 34.65 Crores against the carrying value of fixed assets.

Due to the aforesaid option exercised by the Company, the depreciation for the year is higher by Rs. 2.69 Crores and the loss for the year is higher by Rs. 37.34 Crores.

The amount (after the aforesaid adjustments) of Plant and Machinery decapitalised as at the year-end aggregates to Rs. 8.64 Crores.

26. During the year, the Company re-estimated the balance useful life of certain items of plant and machinery on account of technological obsolescence and the consequent enhanced pace of planned replacement. As a result the depreciation charge for the year is higher by Rs. 12.12 Crores.

27. The accumulated losses of the Company at the close of the year have exceeded its paid-up capital and reserves. This, however, is not uncommon for telecommunication service providers, due to the high operation costs and on account of the industry being inherently capital intensive. However, the Company is consistently making operating cash profits over the past few years.

The subscriber base of the Company has further increased with the launch of services using the GSM technology during the current year. The Company has also received sanctions from banks for additional long-term funds for future expansion.

Accordingly, based on the aforesaid considerations, the Company is confident of its ability to continue in business as a going concern and the accounts have been prepared on that basis.

28. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to figures of the current year.

Signatures to Schedules '1' to '17'

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.B. Jani
Partner

Place : Mumbai
Dated: April 30, 2010

For and on behalf of the Board

Kishor A. Chaukar
(Chairman)

S. Venkatesan
(Chief Financial Officer)

Place : Mumbai
Dated: April 30, 2010

Dr. Mukund Rajan
(Managing Director)

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

TATA TELESERVICES (MAHARASHTRA) LIMITED

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
A Cash flows from operating activities		
Net Loss before tax	(298.00)	(158.39)
Adjustments for :		
Depreciation/Amortisation	520.89	446.79
(Gain)/Loss on Fixed assets sold/written off/retired from active use (Net)	(35.45)	0.34
Profit on transfer of Tower Business Hive off	-	(0.07)
Profit on redemption of units (Current Investment)	(0.06)	(0.03)
Asset awaiting disposal written off	0.56	1.20
Finance and Treasury charges (Net)	317.68	304.81
	<u>803.62</u>	<u>753.04</u>
Operating profit before working capital changes	505.62	594.65
(Increase) in Sundry Debtors	(23.39)	(39.25)
(Increase) in Loans and Advances	(1.70)	(97.15)
(Increase)/decrease in Inventory	(4.39)	0.21
Increase/(decrease) in Current liabilities and Provisions	74.39	(75.58)
Cash Generated from operations	550.53	382.88
Taxes paid	(0.01)	(1.21)
Net Cash generated from operating activities	550.52	381.67
B Cash flow from investing activities		
Purchase of Fixed Assets	(728.80)	(798.25)
Proceeds from sale of Fixed Assets	39.23	1.32
Proceeds from hive off of Tower business	-	293.30
Redemption of units (Current Investment) (Net)	0.06	0.03
Investment in Subsidiary	(45.00)	(75.00)
Net Cash used for investing activities	(734.51)	(578.60)
C Cash flow from financing activities		
Proceeds from Issue of Shares	0.01	-
Proceeds from Long term borrowings	1,186.00	-
Repayment of Long term borrowings	(1,336.23)	(213.22)
Proceeds from Short term borrowings	1,833.00	1,080.33
Repayment of Short term borrowings	(1,316.95)	(539.00)
Proceeds of Acceptances and Cash Credit Accounts (Net)	131.34	151.27
Finance and Treasury charges paid	(317.68)	(289.43)
Net cash generated from financing activities	179.49	189.95
Net decrease in cash or cash equivalents	(4.50)	(6.98)
Cash and cash equivalents at beginning of the year	27.48	34.46
Cash and cash equivalents at end of the year	22.98	27.48
	<u>(4.50)</u>	<u>(6.98)</u>

Notes to Cash Flow Statement

- Components of Cash and Cash Equivalents includes Cash and Bank balances in Current Accounts (Refer Schedule 7 to the Balance Sheet).
- Purchase of Fixed Assets are inclusive of movements in Capital Work-in-Progress between the commencement and end of the year.
- Conversion of Foreign Currency Convertible Bonds into Equity Shares are not considered in the Cash Flow Statement.

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

A.B.Jani

Partner

Place: Mumbai

Date: April 30, 2010

For and on behalf of the Board

Kishor A. Chaukar

(Chairman)

S. Venkatesan

(Chief Financial Officer)

Place: Mumbai

Date: April 30, 2010

Dr. Mukund Rajan

(Managing Director)

Madhav J. Joshi

(Chief Legal Officer and

Company Secretary)

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE

I Registration Details	
Registration No.	11-86354
State Code	11
Balance Sheet Date	March 31, 2010
II Capital raised during the year (Rs. in Crores)	
(Equity Share Capital & Security Premium Account)	
Public Issue	-
Rights Issue	-
Bonus Issue	-
Private Placement (Employees Stock Option Plan)	0.01
III Position of Mobilisation and Deployment of Funds (Rs. in Crores)	
Total Liabilities	6,089.79
Total Assets	6,089.79
Sources of Funds	
Paid-up Capital	1,897.20
Reserves & Surplus	583.16
Secured Loans	2,300.43
Unsecured Loans	1,309.00
Application of Funds	
Investments	120.00
Net Fixed Assets (including Capital Work-in-Progress)	3,700.73
Net Current Assets	(877.63)
Accumulated Losses	3,146.69
IV Performance of the Company (Rs. in Crores)	
Turnover (including other income)	2,277.81
Expenditure	1,737.30
Loss Before Tax	(298.00)
Loss After Tax	(298.01)
Earning Per Share (Rs.)	(1.57)
Dividend Rate	-
V Generic Names of three Principal Products/Services of the Company	
Item Code No. (ITC Code)	Not Applicable
Product Description	Telecommunication Services

For and on behalf of the Board

Kishor A. Chaukar
(Chairman)

Dr. Mukund Rajan
(Managing Director)

S. Venkatesan
(Chief Financial Officer)

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

Place: Mumbai
Date: April 30, 2010

TATA TELESERVICES (MAHARASHTRA) LIMITED
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Statement pursuant to Section 212 of the Companies Act, 1956, related to Subsidiary Companies

Name of the subsidiary	21st Century Infra Tele Limited								
1. Financial year of the subsidiary ended on	March 31, 2010								
2. Shares of the subsidiary held by the Company on the above date:									
(a) Number	120,000,000								
Face value	Equity Shares of Rs. 10 each								
(b) Extent of holding	100%								
3. Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the Company :									
(a) dealt with in the accounts of the Company for the year ended March 31, 2010 (Rs. Lakhs)	Nil								
(b) not dealt with in the accounts of the Company for the year ended March 31, 2010 (Rs. Lakhs)	(1,025.28)								
4. Net aggregate amount of profits/(losses) for previous years of the subsidiary, since it became a subsidiary so far as they concern members of the Company :									
(a) dealt with in the accounts of the Company for the year ended March 31, 2009 (Rs. Lakhs)	Nil								
(b) not dealt with in the accounts of the Company for the year ended March 31, 2009 (Rs. Lakhs)	(1,026.14)								
<p style="text-align: center;">For and on behalf of the Board</p> <table style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> Kishor A. Chaukar (Chairman) </td> <td style="width: 50%; vertical-align: top;"> Dr. Mukund Rajan (Managing Director) </td> </tr> <tr> <td style="vertical-align: top;"> S. Venkatesan (Chief Financial Officer) </td> <td style="vertical-align: top;"> Madhav J. Joshi (Chief Legal Officer and Company Secretary) </td> </tr> <tr> <td colspan="2">Place: Mumbai</td> </tr> <tr> <td colspan="2">Date: April 30, 2010</td> </tr> </table>		Kishor A. Chaukar (Chairman)	Dr. Mukund Rajan (Managing Director)	S. Venkatesan (Chief Financial Officer)	Madhav J. Joshi (Chief Legal Officer and Company Secretary)	Place: Mumbai		Date: April 30, 2010	
Kishor A. Chaukar (Chairman)	Dr. Mukund Rajan (Managing Director)								
S. Venkatesan (Chief Financial Officer)	Madhav J. Joshi (Chief Legal Officer and Company Secretary)								
Place: Mumbai									
Date: April 30, 2010									

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary company for the year ended March 31, 2010

(Rs. in Crores)

Total Share Capital	120
Total Reserves	-
Total Assets	450.53
Total Liabilities	450.53
Details of Investment	-
Total Turnover	102.32
Profit / (Loss) before Taxation	(10.25)
Provision for Taxation	-
Profit after Taxation	(10.25)
Proposed Dividend	-

Auditors' Report

TO THE BOARD OF DIRECTORS OF TATA TELESERVICES (MAHARASHTRA) LIMITED

1. We have audited the attached Consolidated Balance Sheet of **TATA TELESERVICES (MAHARASHTRA) LIMITED** ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 513.61 Crores as at March 31, 2010, total revenues of Rs. 31.64 Crores and net cash inflows amounting to Rs. 0.02 Crores for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of this subsidiary is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiary, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

A. B. Jani
Partner
Membership No. 46488

Mumbai, dated: April 30, 2010

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010**

	Schedule	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,897.20	1,897.19
Reserves and Surplus	2	583.16	583.16
		2,480.36	2,480.35
Loan Funds			
Secured Loans	3	2,630.96	2,166.13
Unsecured Loans	4	1,309.00	1,178.16
		3,939.96	3,344.29
Total		6,420.32	5,824.64
APPLICATION OF FUNDS			
Fixed Assets			
	5		
Gross Block (at cost)		6,163.58	4,948.80
Less : Accumulated Depreciation / Amortisation		2,212.38	1,753.12
Net Block		3,951.20	3,195.68
Capital Work-in-Progress		204.71	229.87
		4,155.91	3,425.55
Investments	6	-	10.00
Current Assets, Loans and Advances			
Cash and Bank Balances	7	23.01	27.49
Sundry Debtors	8	292.43	252.67
Inventories	9	6.40	2.01
Loans and Advances	10	331.14	308.75
		652.98	590.92
Less : Current Liabilities and Provisions			
Current Liabilities	11	1,552.94	1,024.14
Provisions	12	12.65	36.71
		1,565.59	1,060.85
Net Current Liabilities		(912.61)	(469.93)
Profit and Loss Account		3,177.02	2,859.02
Total		6,420.32	5,824.64

Significant Accounting Policies and Notes to Financial Statements **17**

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

A.B.Jani

Partner

For and on behalf of the Board**Kishor A. Chaukar**

(Chairman)

Dr. Mukund Rajan

(Managing Director)

S. Venkatesan

(Chief Financial Officer)

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

Place: Mumbai

Date: April 30, 2010

Place: Mumbai

Date: April 30, 2010

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

	Schedule	2009-10 Rs. in Crores	2008-09 Rs. in Crores
INCOME			
Telecommunication Services	13	2,069.10	1,941.68
Infrastructure Sharing Revenue		29.17	8.45
Other Income	14	211.18	107.93
Total		2,309.45	2,058.06
EXPENDITURE			
Operation and Other Expenses	15	1,712.95	1,457.98
Profit before Finance and Treasury charges, Depreciation and Tax		596.50	600.08
Finance and Treasury Charges (Net)	16	350.51	305.68
Depreciation /Amortisation (Refer Note a of Schedule 5)		563.98	463.13
Loss before tax		(317.99)	(168.73)
Provision for Tax			
- Wealth Tax		0.01	0.01
- Fringe Benefits Tax		-	1.20
Loss after tax		(318.00)	(169.94)
Balance brought forward		(2,859.02)	(2,670.32)
Add: Adjustment on account of notification on transitional provision of Accounting Standard 11 (Refer Note 24 of Schedule 17)		-	(18.76)
		(2,859.02)	(2,689.08)
Balance carried to Balance Sheet		(3,177.02)	(2,859.02)
Earnings Per Share - Basic and Diluted (Rs.) (Refer Note 17 of Schedule 17)		(1.68)	(0.90)
Par Value (Rs.)		10.00	10.00

Significant Accounting Policies and Notes to Financial Statements 17

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A.B.Jani
Partner

Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board

Kishor A. Chaukar
(Chairman)

S. Venkatesan
(Chief Financial Officer)

Place: Mumbai
Date: April 30, 2010

Dr. Mukund Rajan
(Managing Director)

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

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2010**

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 1		
SHARE CAPITAL		
Authorised 2,500,000,000 Equity Shares of Rs.10/- each	2,500.00	2,500.00
	<u>2,500.00</u>	<u>2,500.00</u>
Issued and Subscribed 1,897,196,854 (Previous year 1,897,190,504) Equity Shares of Rs.10/- each fully paid-up	1,897.20	1,897.19
	<u>1,897.20</u>	<u>1,897.19</u>

Notes:

1. Of the above 1,107,401,219 Equity Shares are held by Tata Sons Ltd. (the ultimate Holding Company) and its Subsidiaries
2. Of the above Nil (Previous Year 3,626,786) Equity Shares are issued during the year on conversion of Foreign Currency Convertible Bonds.

SCHEDULE - 2**RESERVES AND SURPLUS**

Securities Premium Account:-		
Balance at the beginning of the year	583.16	576.17
Add: On conversion of Foreign Currency Convertible Bonds	-	6.99
Balance at the end of the year	<u>583.16</u>	<u>583.16</u>

SCHEDULE - 3**SECURED LOANS**

From Banks (Refer note 1 and 2 below)		
Term Loans	1,883.64	1,553.68
Cash Credit Accounts	168.91	47.87
Acceptances	578.41	564.57
	<u>2,630.96</u>	<u>2,166.12</u>
Deferred payment credits (Refer note 2 below)	-	0.01
	<u>2,630.96</u>	<u>2,166.13</u>

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

Notes :

- Stipulated securities for the loans are either one or more of the following as per terms of the arrangements with respective banks :
 - by first pari pasu charge on the assets of the company,
 - by pledge of shares of TTSL shareholding in the Company,
 - by assignment of the proceeds on sale of network in the event of cancellation of the telecom license,
 - by assignment of telecom license,
 - by assignment of insurance policies,
 - by sponsor support undertaking of Tata Sons.

In case of subsidiary company

 - by assignment of IP-1 license from DoT, Tower Sharing Agreements, Lease Agreements, etc.,
 - by all the rights, title, interest, benefits, claims and demands whatsoever in the clearances received,
 - by all the rights, title, interest, benefits, claims and demands whatsoever by the company in any letter of credit, guarantee, etc. provided in terms of the project documents,
 - by a Corporate Guarantee given by the Holding Company.
- The existing charges are being released/modified and creation of new charges are in progress for the Parent Company.

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 4		
UNSECURED LOANS		
Foreign Currency Convertible Bonds (FCCB) (Refer note below)	-	67.16
From Banks		
- Short Term Loans	1,289.00	1,111.00
Inter-corporate deposits	20.00	-
	<u>1,309.00</u>	<u>1,178.16</u>

Note:

During the year ended March 31, 2005, the Company issued FCCB of USD 125 millions at an interest rate of 1% per annum (payable semi-annually). The holders of these Bonds had an option to convert the Bonds into Equity Shares of the Company on or after July 1, 2004 at a pre-determined price of Rs. 24.96 per Equity Share. Subsequent to the rights issue of Equity Shares, the conversion price had been adjusted to Rs. 24.49 per Equity Share. The Bonds that are not converted into Equity Shares, are redeemable at a premium of 19.38% at the end of 5 years from the date of issue. Accordingly, the outstanding bonds as at the date of redemption have been redeemed (along with redemption premium) during the year. (Also refer Schedule 12.)

SCHEDULE - 5													
FIXED ASSETS													
(Rs. in Crores)													
PARTICULARS	Notes	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK					
		As at April 1, 2009	Adjustments	Additions	Deletions	As at March 31, 2010	Upto April 1, 2009	Adjustments	For the year	Deletions	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
Tangible Assets													
Leasehold assets													
Land		7.11	-	-	-	7.11	1.14	-	0.11	-	1.25	5.86	5.97
Office premises		6.86	-	-	-	6.86	1.38	-	0.22	-	1.60	5.26	5.48
Buildings		13.81	-	1.20	-	15.01	0.81	-	0.16	-	0.97	14.04	13.00
Plant and Machinery	(b)	3,822.91	-	1,275.07	111.04	4,986.94	1,343.80	-	481.75	106.67	1,718.88	3,268.06	2,479.11
Furniture, Fixtures and													
Office Equipment		83.84	-	22.22	0.15	105.91	63.53	-	14.90	0.15	78.28	27.63	20.31
Vehicles		1.73	-	0.24	0.26	1.71	0.96	-	0.28	0.26	0.98	0.73	0.77
Intangible Assets													
License	(d)	925.21	-	-	-	925.21	306.26	-	58.69	-	364.95	560.26	618.95
Indefeasible Rights of Use ('IRU')		62.91	-	20.33	-	83.24	14.16	-	8.13	-	22.29	60.95	48.75
Computer Software		24.42	-	7.17	-	31.59	21.08	-	2.10	-	23.18	8.41	3.34
		4,948.80	-	1,326.23	111.45	6,163.58	1,753.12	-	566.34	107.08	2,212.38	3,951.20	3,195.68
Previous year		4,524.71	19.87	816.49	372.53	4,948.80	1,663.58	1.11	461.52	370.87	1,753.12		
Capital Work-In-Progress:													
Capital advances												24.28	28.02
Capital Inventory [net of provision for obsolescence of Rs. 15.75 Crores (previous year Rs. 18.11 Crores)]												140.45	125.85
Assets under construction												39.98	76.00
												204.71	229.87
												4,155.91	3,425.55

Notes: (a) Depreciation in the Profit and Loss Account is net of amounts aggregating to Rs. 2.36 Crores on account of write back of provision for obsolescence on capital inventory put to use.
(b) Depreciation for the previous year includes Rs. 1.61 Crores on account of related provision for obsolescence on capital inventory.
(c) Deletion of Plant and Machinery includes assets aggregating to Rs. 104.54 Crores (Gross Block) [Previous Year Rs. 368.58 Crores (Gross Block)] fully depreciated now written off (Refer note 21 of Schedule 17).
(d) Refer Note 24 of Schedule 17 pertaining to adjustments in Gross Block and depreciation on account of notification on transitional provision of Accounting Standard 11 during the previous year.
(e) Remaining amortisation period for License fees is 7.5 years (Previous Year 8.5 years) (Also refer Note 22 of Schedule 17).
(f) The legal formalities in respect of one of the buildings are in the process of being completed.

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

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 6		
INVESTMENT		
Current Investment (At lower of cost or net realizable value) (Quoted)		
<u>Non - Trade:</u>		
<u>In Subsidiary Company:</u>		
Nil (Previous Year 77,01,448.944) units of ICICI		
Prudential Liquid Plan Super Institutional Growth Plan -	-	10.00
Face Value of Rs. 10 each (NAV of Rs. 12.99 each)		
	<u>-</u>	<u>10.00</u>
	<u>-</u>	<u>10.00</u>
SCHEDULE - 7		
CASH AND BANK BALANCES		
Cash on hand	0.03	0.02
Balance with Scheduled Banks in		
- Current Accounts	22.88	27.41
- Cash Credit Accounts (Refer Note 1 of Schedule 3)	0.10	0.06
	<u>23.01</u>	<u>27.49</u>
	<u>23.01</u>	<u>27.49</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured)		
Outstanding for a period exceeding six months	306.50	276.45
Others	<u>267.73</u>	<u>237.06</u>
	574.23	513.51
Less: Provision	<u>281.80</u>	<u>260.84</u>
	<u>292.43</u>	<u>252.67</u>
Note:		
Considered good	292.43	252.67
Considered Doubtful	281.80	260.84
SCHEDULE - 9		
INVENTORY		
Traded Goods		
Starter Kits	6.40	2.01
	<u>6.40</u>	<u>2.01</u>
	<u>6.40</u>	<u>2.01</u>

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2010**

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
SCHEDULE - 10		
LOANS AND ADVANCES		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received [Includes Rs. 0.18 Crores due from an officer of the Company. Maximum amount outstanding at any time during the year is Rs. 0.18 Crores (Previous year Rs. 0.18 Crores)]	274.56	265.77
Premises and other deposits	48.51	40.05
Assets retired from active use awaiting disposal	-	0.56
Fringe Benefits Tax recoverable	0.31	-
Advance Tax paid (Tax Deducted at Source)	10.38	4.99
	333.76	311.37
Less : Provision	2.62	2.62
	331.14	308.75
Note :		
Considered good	331.14	308.75
Considered doubtful	2.62	2.62

SCHEDULE - 11**Current Liabilities****Sundry Creditors** (Refer Note 23 of Schedule 17)

Total Outstanding dues of Micro Enterprises and Small Enterprises	-	-
Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises:		
- Under Usance Letter of Credit	526.26	136.33
- Others	890.04	735.88
	1,416.30	872.21
Deposits from Customers and others	78.06	86.07
Interest accrued but not due on loans	15.13	4.97
Other liabilities	43.45	60.89
	1,552.94	1,024.14

Note: Other Liabilities include temporary overdrawn bank balances aggregating to Rs. 0.93 Crores (Previous year Rs. 15.00 Crores)

SCHEDULE - 12**Provisions**

For Contingencies	-	16.74
For Asset retirement obligation	6.93	-
For Retirement benefits	5.71	5.27
For Premium on Redemption of FCCBs (Refer Note below Schedule 4)	-	14.55
For Fringe Benefits Tax (net of advances)	-	0.14
For Wealth Tax	0.01	0.01
	12.65	36.71

Notes:

- 1) Provision for contingencies relate to certain claims by vendors on the Company made in earlier years. The said amounts have been written back during the current year as in the opinion of the company they are no longer payable.
- 2) Provision for asset retirement obligation relate to provision for site restoration cost.

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

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
SCHEDULE - 13		
TELECOMMUNICATION SERVICES		
Telephony	1,788.14	1,679.95
Internet Services	72.64	48.81
Interconnection Usage Charges [including in respect of earlier years Rs. 0.62 Crores (Previous period Rs. 5.46 Crores)]	174.36	194.14
Sale of Traded Goods	33.96	18.78
	<u>2,069.10</u>	<u>1,941.68</u>
SCHEDULE - 14		
OTHER INCOME		
Subsidies from Department of Telecommunications (DoT)	141.29	92.94
Excess provision / Sundry credit balances in respect of earlier years written back (Refer note below schedule 12)	28.16	8.21
Gain on Fixed assets sold/written off (Net)	35.41	-
Sale of Refurbished NIUs	2.66	2.91
Miscellaneous Receipts	3.66	3.87
	<u>211.18</u>	<u>107.93</u>
SCHEDULE - 15		
OPERATION AND OTHER EXPENSES		
Network Operation costs		
Revenue Share to DoT	193.97	171.34
Repairs and Maintenance - Plant and Machinery [including capital inventory consumed Rs. 8.63 Crores (Previous period Rs. 15.71 Crores)]	68.47	63.03
Power	107.96	59.15
Rent	49.20	19.66
Rates and taxes	9.41	8.88
Insurance	2.02	1.08
Infrastructure Sharing Cost	51.84	25.23
Others	23.64	11.58
	<u>506.51</u>	<u>359.95</u>
Interconnection and Other access costs [including in respect of earlier years Rs. 0.22 Crores (Previous period Rs. 5.98 Crores)]	440.91	474.64
Payments to and Provisions for Employees		
Salaries and Bonus	129.27	98.76
Contribution to Provident and other Funds	7.59	5.62
Staff Welfare	11.91	8.60
	<u>148.77</u>	<u>112.98</u>

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED AS AT MARCH 31, 2010**

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Administrative and Other expenses		
Rent	19.87	14.12
Rates and taxes	5.88	6.68
Repairs and Maintenance - others	5.71	6.08
Travel and conveyance expenses	19.26	18.48
Collection / Credit verification charges	11.10	12.58
Customer service and call centre cost	110.83	80.11
Assets awaiting disposal written off	0.56	1.20
Loss on Fixed assets sold/written off / retired from active use (Net)	-	0.34
Provision for Bad/Doubtful debts and advances [Net of insurance received amounting to Rs. 0.42 Crores (previous period Rs. 4.59 Crores)]	20.54	15.75
Insurance Expenses	0.03	0.04
Miscellaneous expenses	50.79	55.90
Contractual and other claims and liabilities (Net)	0.29	1.26
	244.86	212.54
Marketing and business promotion expenses		
Advertisement and business promotion expenses	133.09	105.52
Hand set Subsidy [Net of Rs. 3.57 Crores (Previous period Rs. 7.64 Crores) incentive received]	80.67	83.74
Sales Commission and Expenses	135.16	99.25
Traded Goods - Starter Kits		
Opening Stock	2.01	2.22
Purchases	27.37	9.15
Less: Closing stock	6.40	2.01
	22.98	9.36
	371.90	297.87
	1,712.95	1,457.98

SCHEDULE - 16**FINANCE AND TREASURY CHARGES (NET)**

Interest		
On Fixed Term Loans	325.45	275.19
On Inter-corporate deposits	1.08	-
On Others	15.56	13.66
Expenses for loan arrangement, bill discounting and bank charges	22.80	26.36
Foreign exchange fluctuations (Net) (Refer Note 16(ii) of Schedule 17)	4.48	36.13
	369.37	351.34
Less: Interest Capitalized (Refer Note 22 of schedule 17)	18.79	45.63
	350.58	305.71
Less: Profit on redemption of units (Current Investment)	0.07	0.03
	350.51	305.68

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

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1. Company background

Tata Teleservices (Maharashtra) Limited ("TTML"/"Parent Company"), is licensed to provide basic and cellular telecommunication services. TTML presently holds two Unified Access (Basic and Cellular) Service Licenses, one for Mumbai Service Area and another for Maharashtra and Goa and provides telecommunication services using Code Division Multiple Access (CDMA) technology. The Parent Company has also commenced telecommunication services using Global System for Mobile Communications (GSM) technology under the aforesaid licenses. TTML also holds the National Internet Service provider Internet Telephony license.

TTML is a subsidiary of Tata Sons Ltd. (the ultimate holding Company).

21st Century Infra Tele Limited ("CITL"/"subsidiary") became a wholly owned subsidiary of TTML w.e.f July 1, 2008. CITL provides passive infrastructure support to telecommunication service providers. The Department of Telecommunications, Ministry of Communication and IT, Government of India has registered CITL as a Infrastructure Provider Category I (IP-I) with effect from September 30, 2008. CITL had entered into a Business Transfer Agreement with TTML on September 30, 2008 for purchase of "Passive Tower Infrastructure Business" ('PI Business') from TTML on a going concern basis for a lump sum consideration.

2. Significant Accounting Policies

(a) Basis of preparation of financial statements

The accompanying Consolidated Financial Statements of the Parent Company and its subsidiary as aforesaid (hereinafter together referred as "the group"), have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards (AS) notified in the Companies (Accounting Standards) Rules 2006. The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Parent Company namely March 31, 2010.

(b) Principles of Consolidation

The financial statements of the Parent Company and its subsidiary have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses, after eliminating intra group transactions and any unrealized gain or losses on the balances remaining within the group in accordance with the Accounting Standard 21 on "Consolidated Financial Statements" (AS-21).

The financial statements of the Parent Company and its subsidiary have been consolidated using uniform accounting policies for like transaction and other events in similar circumstances.

(c) 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 year. Differences between actual results and estimates are recognised in the periods in which the results are known / materialise.

(d) Fixed Assets

Fixed assets are stated at their historical cost of acquisition or construction, less accumulated depreciation/amortization and impairment loss. Cost includes all costs incurred to bring the assets to their working condition and location (Also refer note 24) and Site Restoration cost obligations where outflow of resources is considered probable.

Assets retired from active use and held for disposal are stated at lower of net book value or net realisable value. (Refer note 21)

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

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

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

License fees paid by the Parent Company for acquiring licenses to operate telecommunication / internet telephony services are capitalised as intangible assets.

Indefeasible Rights to Use ('IRU') bandwidth capacities by the Parent Company are capitalised as intangible assets.

Assets acquired pursuant to an agreement for exchange of similar assets are recorded at the net book value of the assets given up, with an adjustment for any balancing receipt or payment of cash or any other form of consideration.

(e) Depreciation

- i) Fixed assets are depreciated on a straight line basis, based on the following estimates of their useful economic lives (Also refer Note 25 below):

	Useful Life (in years)
Buildings	60
Plant and Machinery	
- Network Equipment	12
- Outside Plant	18
- Network Interface Units (Refer note 21)	5
- Air- Conditioning Equipment	6
- Generators	6
- Electrical Equipments	6
- Computers	3
- Office Equipments	3
- Computer Software	3
Furniture and Fitting	3
Vehicle	5

Depreciation rates derived from the above are not less than the rates prescribed in Schedule XIV to the Companies Act, 1956.

- ii) Leasehold land and premises are amortised uniformly over the period of lease.
- iii) Amortisation on License fees is provided for uniformly over the original license period of 20 years from the date of commencement of operation. Since the Parent Company has the intention of being in business for a period well beyond 10 years and the telecommunication business cannot be carried on without the Telecom license, the useful life of the asset will exceed the rebuttable presumption of 10 years under AS 26 on "Intangible Assets"(Refer note 22).
- iv) Indefeasible Right to Use ('IRU') bandwidth capacities taken by the Parent Company are amortised over a period of fifteen years based on a management estimate of useful life of the assets or period of the agreement whichever is lower.
- v) Depreciation on additions and deletions to assets during the year is charged to revenue pro rata to the period of their use.
- vi) The Group provides for obsolescence of its slow moving capital inventory by way of depreciation, at the rate of 33.33% p.a. of cost.

(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:
 - a) Monetary items are translated into rupees at the exchange rates prevailing at the balance sheet date. Non-Monetary items such as fixed assets are carried at their historical rupee values.
 - b) Gains/losses arising on settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are recognised in the profit and loss account, except for long term assets/liabilities which pertain to acquisition of fixed assets which are adjusted in the cost of fixed assets (Refer note 24).
- iii) In case of forward exchange covers entered into by the Parent Company, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of the contract.
- iv) Pursuant to the announcement on accounting for derivatives issued by the Institute of Chartered Accountants of India (ICAI), the Parent Company in accordance with the principle of prudence as enunciated in Accounting Standard 1 on 'Disclosure of Accounting Policies' provides for losses in respect of all outstanding derivative contracts at the Balance Sheet date by marking them to market. Any gains arising on such mark to market are not recognized as income (Refer note 16 (ii)).

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

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

(h) Revenue recognition

Revenue from telecommunication services is recognised as the service is performed on the basis of actual usage of the Parent Company's network in accordance with contractual obligations and is recorded net of service tax. The amount charged to subscribers for specialised features which entitle them to access the network of the Parent Company and where all other services and products are paid for separately, are recognised as and when such features are activated.

Revenue is recognised when it is earned and no significant uncertainty exists as to its ultimate realisation or collection.

(i) Government Grants

Subsidies granted by Government for providing telecom services in rural areas are recognized as income in accordance with the relevant terms and conditions of the scheme / agreement with DoT.

(j) Borrowing costs

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

(k) Earnings per share

The Group reports basic and diluted earnings per share in accordance with AS 20 on "Earnings Per Share". Basic earning 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.

(l) Operating Leases

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

(m) Cash Flow Statement

The Cash Flow statement is prepared by the indirect method set out in AS 3 on "Cash Flow Statements" and presents Cash flows by operating, investing and financing activities of the group.

(n) Foreign Currency Convertible Bonds (FCCBs) Expenses

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

Expenses on issue of FCCBs and on Rights issue of Equity Shares are written off to the Securities Premium Account in accordance with section 78 of the Act.

(o) Finance and Treasury charges

Net finance and treasury charges are disclosed in the financial statements. Interest and other income earned from treasury operations are reduced from the costs of treasury operations.

(p) Inventories

Inventories are valued at lower of cost and net realizable value. Cost of Inventories comprises all cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

(q) Fringe Benefits Tax

Fringe Benefits Tax (FBT) is recognized as per the provisions of the Income-tax Act, 1961 and the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI.

(r) Impairment of assets

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

(s) Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. Provision is made to recognise a decline other than temporary in the carrying amount of long term investments.

(t) Contingent Liabilities

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

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	203.11	525.03

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
4. a) Bank Guarantees	249.45	303.55
b) Letters of Credit	22.43	150.00
c) Counter guarantees given by the Parent Company on behalf of third party	200.00	200.00
d) Guarantees given by a group company on behalf of the Parent Company	80.00	-
5. Contingent liabilities :		
(i) Claims against the Parent Company not acknowledged as debt		
Telecom Regulatory Matters	273.56	419.76
(Refer notes below)		
Others	106.19	98.03

Notes:

Contingent liabilities in respect of Telecom Regulatory Matters include:

- a) Bharat Sanchar Nigam Limited (BSNL) issued demand notices to pay Access Deficit Charge (ADC) aggregating to Rs. 151.61 Crores, including interest, for the period November 14, 2004 upto February 28, 2006, the date after which ADC is payable on Net Adjusted Gross Revenue Basis. The demands stated that 'fixed wireless' services provided by the Parent Company under the brand name "WALKY" had mobility features and should be treated as mobile services for the purpose of Interconnect Usage Charges Regulations and ADC was payable on such calls. The Parent Company filed an appeal to the Hon'ble Telecom Dispute and Settlement Appellate Tribunal (TDSAT) in this regard, wherein the TDSAT negated the Parent Company's appeal. The Parent Company further filed an appeal before the Hon'ble Supreme Court (SC) who vide order dated April 30, 2008 confirmed that ADC was payable and since there were claims and counter-claims between the Parent Company and BSNL, the SC directed that quantification of amounts payable to each other be made by TDSAT.

The Parent Company had filed a review petition in this regard and on the said basis, Hon'ble Telecom Dispute and Settlement Appellate Tribunal (TDSAT) vide its order dated August 12, 2008 held that BSNL and the Parent Company should exchange relevant information and reconcile the differences. TDSAT on April 15, 2010, confirmed BSNL demands for period up to August 25, 2005 and has given BSNL liberty to lodge its claim for a further period up to February 28, 2006. The Parent Company is examining the legal position as TDSAT in its aforesaid judgment has not considered the directions of SC to reconcile claims and counter claims and quantify the amounts payable by parties to each other. The Parent Company is in the process of filing an appeal with the SC against the aforesaid TDSAT order of April 15, 2010. The Parent Company is hopeful of success in the matter.

Out of the aforesaid Rs. 151.61 Crores, the Parent Company, has, in earlier years, already provided for amounts aggregating to Rs. 28.14 Crores pertaining to ADC for the period from August 26, 2005 upto February 28, 2006. The balance amounts aggregating to Rs. 123.47 Crores have been disclosed as Contingent Liability under 'Telecom Regulatory Matters' as the Parent Company is of the view that these demands include amounts relating to 'wireline' services and ADC for the period before August 26, 2005; the actual date after which, as per the directions of the Department of Telecom, services provided under the brand name "WALKY" are to be considered as Wireless in Local Loop (Mobile) for the purposes of ADC.

The Parent Company during the previous year had made on account payment to BSNL of Rs. 50 Crores in relation to the above, which is in addition to Rs. 25 Crores paid in earlier years.

- b) The Parent Company had received a demand letter dated March 17, 2008 from DoT for Rs. 8.38 Crores, being a demand for spectrum charges for the period from April 1, 2005 to February 29, 2008, which was disclosed as contingent liability as at March 31, 2008.

This demand was subsequently revised to Rs. 184.69 Crores by DoT, vide its demand letters dated July 3, 2008, for the period from October 1, 1998 to June 30, 2008 which was further increased to Rs. 266.00 Crores

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vide letter dated February 28, 2009. The amount was again revised to Rs. 259.70 Crores vide letter dated November 25, 2009 for the extended period till November 30, 2009. The Parent Company had represented to the Wireless Planning Commission (WPC) various items of differences mentioned in the demand orders, vide letter dated September 24, 2008. Reconciliation of the differences is in progress with the WPC. Though the Parent Company has now received a revised demand of Rs. 75.47 Crores from DoT on April 26, 2010 the reconciliation process with WPC is in progress. Hon'ble TDSAT is seized of the matter. The Parent Company is hopeful of success in the matter.

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
ii) Disputed Tax demands in Appeals before relevant authorities:	0.08	0.08
iii) Show Cause / demand notices received from Service Tax authorities	66.65	-
iv) The Parent Company has imported certain capital equipment under "Export Promotion of Capital Goods Scheme" of the Central Government at a concessional rate of Customs Duty. The Parent Company has undertaken export obligation to the extent of USD 100.8 millions (Rs. 404.41 Crores) to be fulfilled during a period of 8 years commencing from the January 29, 2003, failing which the Parent Company will be liable to pay the differential customs duty, together with interest and penalties, if imposed. Up-till the end of the period, the Parent Company has fulfilled the export obligation to the extent of Rs. 52.79 Crores (previous year Rs. 35.53 Crores).		
v) The Parent Company in 2002 had filed a petition before Hon'ble TDSAT claiming refund of Rs. 50 Crores recovered by Department of Telecommunications (DoT) in 1999 alleging failure to sign basic services license agreement for Karnataka circle after accepting Letter of Intent (LoI). DoT during the proceedings before TDSAT claimed from the Parent Company Rs. 303 Crores towards loss of (opportunity to earn) license fee and Rs. 351 Crores as interest till October 31, 2002. TDSAT allowed refund of Rs. 50 Crores to the Parent Company with interest of 17% p.a. and dismissed the counter-claim based on a law point (i.e. TDSAT had no jurisdiction) and facts. DoT appealed to the Hon'ble Supreme Court which without commenting on the merits of the counter-claim confirmed that TDSAT had jurisdiction and remanded the matter to TDSAT for fresh adjudication. DoT has filed with TDSAT a counter-claim of Rs. 2,015 Crores which includes Rs. 303 Crores towards loss of (opportunity to earn) license fee and interest of Rs. 1,712 Crores calculated up to March 31, 2008. The TDSAT vide its order dated September 18, 2008 held that since the counter claim filed by DoT is in the nature of a recovery suit appropriate court fee needs to be affixed. DoT has challenged jurisdiction of TDSAT to levy court fees. The Parent Company is hopeful of success in the matter.		

Counter guarantees have been given by the Parent Company in the ordinary course of business and no liability is expected to accrue in this respect.

As regards disputes and claims referred to above against the Parent Company, appropriate competent professional advice is available to the Parent Company based on which, favorable outcomes are anticipated and no liability is expected to accrue to the Parent Company.

6. Payments to Auditors (excluding service tax) :	2009-10 Rs. in Crores	2008-09 Rs. in Crores
i) Audit fees	0.26	0.22
ii) Tax Audit fees	0.06	0.05
iii) Other matters (For Quarterly Audits, certification work etc.)	0.31	0.21
iv) Out of pocket expenses [Current year Rs. 63,276/- (Previous year Rs. 64,123/-)]		
7. In November 1999, the Parent Company established the Employee Stock Option Plan (ESOP) under which Equity Shares are reserved for issuance to eligible employees of the Parent Company. In terms of the plan, 1.20 Crores warrants were issued to Hughes Tele.com (India) Limited Employees Stock Option Trust, to be held by it on behalf of the Parent 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 Parent Company at a price of Rs. 10/- per share. Other than 2,40,000 fully vested warrants allotted in an earlier year, all allotted warrants vest at the rate of 25% on each successive anniversary of the grant date, until fully vested. The period during which the vested warrants may be exercised expires after 10 years from the date of the vesting.		

The position of the allotted warrants is as follows:

	As at March 31, 2010 (Nos.)	As at March 31, 2009 (Nos.)
Opening Balance	7,950	7,950
Exercised	6,350	-
Lapsed	1,600	-
Closing Balance	-	7,950

8. Segment Reporting

a) Primary Segments :

The group is engaged in providing Telecommunication Services and providing Passive Infrastructure Support Services to Telecommunication Service Provider. Accordingly, in accordance with Accounting Standard 17 on "Segment reporting", the primary reporting segments of the Group, therefore, are the business segment, viz.

- i) Telecommunication Services
- ii) Passive Infrastructure Services

b) Secondary Segment :

The group operated only in the Indian market representing a singular economic environment with similar risks and rewards and hence there are no reportable geographical segments.

Primary Business Information (Business Segments) for year ended March 31, 2010.

Particulars	Business Segments		Elimination	Total
	Telecommu- nication Services	Passive Infrastructure Services		
Revenue				
External Revenue *	2,249.10	28.68	-	2,277.78
Inter-segment Revenue	-	70.64	70.64	-
Total Revenue	2,249.10	99.32	70.64	2,277.78
Segment Result	(9.05)	9.90	-	0.85
Unallocable Income	-	-	-	31.67
Interest & Financing Charges (Net)	-	-	-	350.51
Loss before Tax	-	-	-	(317.99)
Provision for Tax (Net)	-	-	-	0.01
Loss after Tax	-	-	-	(318.00)
Other Information				
Segment Assets	4,404.59	538.17	144.56	4,798.20
Unallocated Corporate Assets	-	-	-	10.69
Total Assets	4,404.59	538.17	144.56	4,808.89
Segment Liabilities	1,472.18	108.16	14.75	1,565.59
Unallocated Corporate Liabilities	-	-	-	3,939.96
Total Liabilities	1,472.18	108.16	14.75	5,505.55
Capital Expenditure	728.80	170.52	9.74	889.58
Depreciation and Amortisation	520.89	43.09	-	563.98

* Also includes other operating income.

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Primary Business Information (Business Segments) for year ended March 31, 2009:

Particulars	Business Segments		Elimination	Total
	Telecommu- nication Services	Passive Infrastructure Services		
Revenue				
External Revenue *	2,041.81	4.17	-	2,045.98
Inter-segment Revenue	0.07	15.59	15.66	-
Total Revenue	2,041.88	19.76	15.66	2,045.98
Segment Result	134.24	(9.37)	-	124.87
Unallocable Income	-	-	-	12.08
Interest & Financing Charges (Net)	-	-	-	305.68
Loss before Tax	-	-	-	(168.73)
Provision for Tax (Net)	-	-	-	1.21
Loss after Tax	-	-	-	(169.94)
Other Information				
Segment Assets	3,757.29	351.15	86.96	4,021.48
Unallocated Corporate Assets	-	-	-	4.99
Total Assets	3,757.29	351.15	86.96	4,026.47
Segment Liabilities	1,018.32	54.42	11.89	1,060.85
Unallocated Corporate Liabilities	-	-	-	3,344.29
Total Liabilities	1,018.32	54.42	11.89	4,405.14
Capital Expenditure	798.25	302.04	293.30	806.99
Depreciation and Amortisation	446.79	16.34	-	463.13

* Also includes other operating income.

9. (A) Operating lease rent expenses for the year in respect of lease agreements entered from April 1, 2001.

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Residential Flats for accommodation of employee	0.95	0.82
Cell Sites (Infrastructure sharing) and others	119.97	56.86

(b) Future Minimum Lease Payments under Non-Cancellable Operating Lease :

	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
Due not later than one year	130.42	36.86
Due later than one year and not later than five years	454.48	123.67
Due later than five years	781.42	-

The agreements are executed for a period ranging from 6 months to 15 years with a renewable clause and in many cases also provide for termination at will by either party giving a prior period notice ranging between 30 to 90 days.

10. The disclosure as required under AS 15 regarding the group's gratuity plan is as follows:

Particulars	As at March 31, 2010 Rs. in Crores	As at March 31, 2009 Rs. in Crores
Projected benefit obligation, beginning of the year	3.99	2.27
Service cost	1.22	0.81
Interest cost	0.40	0.24
Actuarial (Gain) / loss on obligation	(0.11)	0.78
Benefits paid	(0.13)	(0.11)
Projected benefit obligation, end of the year	5.37	3.99
Projected benefit obligation, end of the year	5.37	3.99
Fair value of plan assets at the end of the year	3.73	2.77
Net liability recognized in the Balance Sheet	1.64	1.22
Fair Value of Plan Assets at the beginning of the year	2.77	1.38
Expected Return on Plan Assets	0.31	0.21
Contributions	1.08	1.28
Benefit Paid	(0.13)	(0.11)
Actuarial (loss) / Gain on Plan Assets	(0.30)	0.01
Fair Value of Plan Assets at the end of the year	3.73	2.77
Total Actuarial Loss Recognized	(0.19)	(0.78)

Actuarial Assumptions:

Discount rate	8.00%	7.75%
Rate of increase in compensation levels of covered employees	6.50%	6.50%
Rate of Return on Plan Assets	8.00%	8.00%

11. No provision for current income tax has been made in the accounts, since the Group 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 Parent Company and on considerations of prudence as set out in AS 22 on "Accounting for Taxes on Income".

12. Value of imports on CIF basis in respect of :
- | | 2009-10
Rs. in Crores | 2008-09
Rs. in Crores |
|---------------|--------------------------|--------------------------|
| Capital Goods | 577.51 | 364.39 |

13. Expenditure in Foreign Currency (Payment basis) on account of :

Interest	14.42	21.86
Other	3.19	1.13
	<u>17.61</u>	<u>22.99</u>

14. Value of Capital Inventory consumed during the year :
- | | 2009-10
Rs. in Crores | % | 2008-09
Rs. in Crores | % |
|------------|--------------------------|------------|--------------------------|------------|
| Indigenous | 8.63 | 100 | 15.30 | 97 |
| Imported | - | - | 0.41 | 03 |
| | <u>8.63</u> | <u>100</u> | <u>15.71</u> | <u>100</u> |

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15) Related Party disclosures (in terms of Accounting Standard - 18)
i) Details of transactions with Related Parties

i) Details of transactions with Related Parties													(Rs. in Crores)
For year ended March 31, 2010		Ultimate Holding Company	Fellow Subsidiaries										
		Tata Sons Ltd.	Tata Teleservices Ltd.	Tata Internet Services Ltd.	Tata Business Support Services Ltd.	Tata Consultancy Services Ltd.	Tata Housing Development Company Ltd.	Tata Realty & Infrastructure Ltd.	Tata Life Insurance Company Ltd.	Tata General Insurance Company Ltd.	Tata Sky Ltd.	CMC Ltd.	Tata Asset Management Ltd.
		1	2	3	4	5	6	7	8	9	10	11	12
★1) Expenses :													
- Salary		-	3.30	-	-	-	-	-	-	-	-	-	-
- Customer Service and Call Centre Cost		-	0.15	-	3.60	54.59	-	-	-	-	-	-	-
- Advertisement and Business promotion expenses		-	21.65	-	-	-	-	-	-	-	-	-	-
- Network operation cost	★	-	9.73	-	-	-	★	-	-	-	-	-	-
- Administrative and Other Expenses	0.03	-	3.33	-	-	-	-	★	-	-	-	-	-
- Rent	★	-	0.01	1.57	-	-	0.12	-	-	-	-	-	-
- Interconnection and Other access costs	-	-	57.55	-	-	-	-	-	-	-	-	-	-
- Infrastructure Sharing Cost	-	-	0.57	-	-	-	-	-	-	-	-	-	-
- Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
★2) Income :													
- Towards Recharge Coupon Vouchers	-	-	-	-	-	-	-	-	-	-	-	-	-
- Rent	-	-	2.29	-	-	-	-	-	-	-	-	-	-
- Rendering Telecom Services	0.50	-	4.93	0.03	0.66	16.38	0.12	0.33	3.30	0.96	1.15	0.68	0.55
- Infrastructure Sharing Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
- Sale of Refurbished Network Interface Units	-	-	0.71	-	-	-	-	-	-	-	-	-	-
★3) Reimbursement of Expenses													
4) Sale of Fixed Asset	-	-	36.37	-	-	-	-	-	-	-	-	-	-
5) Purchase of Fixed Asset	-	-	47.02	-	-	3.51	-	-	-	-	-	-	-
6) Inter-corporate deposits taken	-	-	-	-	-	-	-	-	-	-	-	-	-
7) Security Deposits taken	-	-	-	-	-	-	-	-	-	-	-	-	-
8) Repayment of inter corporate deposit	-	-	-	-	-	-	-	-	-	-	-	-	-
9) Outstanding as at March 31, 2010 :													
Sundry Debtors	0.06	-	0.93	0.02	0.10	1.67	0.03	0.01	0.44	0.56	0.14	0.06	0.02
Sundry Creditors	-	-	6.30	★	-	0.03	0.01	-	★	-	-	-	-
Loans and Advances	-	-	-	-	-	-	-	0.01	-	0.01	-	-	-
Security Deposits Taken	-	-	1.73	-	-	-	-	-	-	-	-	-	-
Security Deposits Given	-	-	-	-	-	-	0.01	-	-	-	-	-	-
Inter-corporate Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-

★ Since the figures are less than the denominations disclosed, the figures do not appear
 ☆ Figures above are inclusive of Service Tax where ever applicable
 ✱ Others Include

Exart Investments Ltd.
 Tata Trustee Company Ltd. (formerly Tata Trustee Company Private Ltd.)
 Tata Advanced Systems Ltd.

✦ Since the figures are less than the denominations disclosed, the figures do not appear
 ☆ Figures above are inclusive of Service Tax where ever applicable
 🌿 Others Include
 Ewart Investments Ltd.
 Tata Trustee Company Ltd. (formerly Tata Trustee Company Private Ltd.)
 Tata Advanced Systems Ltd.

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

i) Details of transactions with Related Parties

For year ended March 31, 2009	Ultimate Holding Company	Fellow Subsidiaries								(Rs. in Crores)
	Tata Sons Ltd.	Tata Teleservices Ltd.	Tata Internet Services Ltd.	Tata Business Support Services Ltd. (formerly-E2E Serwiz Solutions Ltd.)	Tata Consultancy Services Ltd.	THDC Ltd.	Tata AIG Life Insurance Co. Ltd.	Tata AIG General Insurance Co. Ltd.	Tata Sky Ltd. (formerly Space TV Ltd.)	
	1	2	3	4	5	6	7	8	9	
★1) Expenses : - Salary - Customer Service and Call Centre Cost - Advertisement and Business promotion expenses (Net) - Network operation cost - Administrative and Other Expenses - Rent - Interconnect and Access charges (Net) - Interest ★2) Income : - Towards Recharge Coupon Vouchers - Rent - Rendering Telecom Services ★3) Reimbursement of Expenses 4) Purchase of Fixed Asset 5) Unsecured Loan repaid 6) Security Deposits taken 7) Unsecured Loan taken 8) Outstanding as at March 31, 2009 : Sundry Debtors Sundry Creditors Loans and Advances	- - - ★ ★ 0.02 - 									

★ Since the figures are less than the denominations disclosed, the figures do not appear
 ☆ Figures above are inclusive of Service Tax where ever applicable

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

i) Details of transactions with Related Parties

For year ended March 31, 2009	Fellow Subsidiaries								Key Management Personnel	(Rs. in Crores)
	CMC Ltd.	Tata Asset Management Ltd.	Tata Securities Ltd.	Infiniti Retail Ltd.	e-Nxt Financials Pvt Ltd.	TCE Consulting Engineers Ltd.	Tata Capital Ltd.	Others		
	10	11	12	13	14	15	16	17	18	
★1) Expenses :										
- Salary	-	-	-	-	-	-	-	-	✈ 1.85	8.29
- Customer Service and Call Centre Cost	-	-	-	-	-	-	-	-	-	35.67
- Advertisement and Business promotion expenses (Net)	-	-	-	0.41	-	-	-	-	-	13.12
- Network operation cost	-	-	-	-	-	-	-	-	-	6.19
- Administrative and Other Expenses	-	-	-	-	-	-	-	-	-	17.45
- Rent	-	-	-	-	-	-	-	-	-	1.98
- Interconnect and Access charges (Net)	-	-	-	-	-	-	-	-	-	26.14
- Interest	-	-	-	-	-	-	0.20	-	-	0.20
★2) Income :										
- Towards Recharge Coupon Vouchers	-	-	-	-	-	-	-	-	-	10.77
- Rent	-	-	-	-	-	-	-	-	-	1.10
- Rendering Telecom Services	0.54	0.44	0.33	0.48	1.19	0.42	0.80	0.01	0.01	36.99
★3) Reimbursement of Expenses										
4) Purchase of Fixed Asset	-	-	-	-	-	-	-	-	-	3.97
5) Unsecured Loan repaid	-	-	-	-	-	-	20.00	-	-	47.31
6) Security Deposits taken	-	-	-	-	-	-	-	-	-	20.00
7) Unsecured Loan taken	-	-	-	-	-	-	20.00	-	-	1.73
8) Outstanding as at March 31, 2009 :										
Sundry Debtors	(0.06)	0.02	0.04	0.04	0.26	0.03	0.23	0.03	-	5.97
Sundry Creditors	-	-	-	-	-	-	-	-	-	20.68
Loans and Advances	-	-	-	-	-	-	-	0.01	-	0.02

★ The above includes Rs. 0.77 Crores given to Mr. Charles Anthony (Ex-Managing Director) towards performance pay for the financial year 2007-08

★ Since the figures are less than the denominations disclosed, the figures do not appear

★ Figures above are inclusive of Service Tax where ever applicable

★ Others Include

Tata Realty & Infrastructure Ltd.

Tata Investment Corporation Ltd.

Ewart Investments Ltd.

Tata Petrodyne Ltd.

Computational Research Laboratories Ltd.

Tata Trustee Company Private Ltd.

TATA TELESERVICES (MAHARASHTRA) LIMITED

15th Annual Report 2009-2010

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

ii) Details of all Related Parties and their relationships

A Holding Company		13	Tata Capital Ltd.
Tata Sons Ltd.		14	TC Travel And Services Ltd. (w.e.f. 15.10.2008)
B List of Fellow Subsidiaries		15	Tata Securities Ltd.
1 Computational Research Laboratories Ltd.		16	Tata Housing Development Company Ltd.
2 Ewart Investments Ltd.		17	Tata Sky Ltd.
3 Infiniti Retail Ltd.		18	Tata Teleservices Ltd.
4 Tata AIG General Insurance Company Ltd.		19	Tata Internet Services Ltd.
5 Tata AIG Life Insurance Company Ltd.		20	Wireless - TT Info Services Ltd.
6 Tata Investment Corporation Ltd.		21	Tata Consulting Engineers Ltd. (formerly TCE Consulting Engineers Ltd.)
7 Tata Petrodyne Ltd.		22	Tata Realty and Infrastructure Ltd.
8 Tata Trustee Company Ltd. (formerly Tata Trustee Company Private Ltd.)		23	Tata Consultancy Services Ltd.
9 e-Nxt Financials Ltd.		24	CMC Ltd.
10 Tata Advanced Systems Ltd. (w.e.f. 26.09.2008)		25	TCS e-Serve Ltd.
11 Tata Asset Management Ltd.		C Key Management Personnel (Managing Director)	
12 Tata Business Support Services Ltd.		1	Dr. Mukund Govind Rajan

16. Derivatives

i) Outstanding derivatives :

	As at March 31, 2010		As at March 31, 2009	
	USD in	Rs. in	USD in	Rs. in
	Millions	Crores	Millions	Crores
a) Forward Contract	86.03	386.25	94.49	479.28
b) Currency options for hedging of foreign currency exposure	58.00	261.61	-	-
Total	144.03	647.86	94.49	479.28
c) Interest Rate Swaps	66.83	300.06	80.30	407.26

ii) The mark to market loss of outstanding currency options and interest rate swaps as at the year-end aggregate to Rs. 8.27 Crores (Previous year Rs. Nil).

iii) The foreign currency exposure that are not hedged by derivative instruments:

	As at March 31, 2010		As at March 31, 2009	
	USD in	Rs. in	USD in	Rs. in
	Millions	Crores	Millions	Crores
FCCB (including redemption premium)	-	-	15.81	80.17
Vendor payables	41.08	184.45	50.62	256.74
	41.08	184.45	66.43	336.91

17 Earnings Per Share Data

	As at March 31, 2010	As at March 31, 2009
i) Loss after Tax (Rs. in Crores)	318.00	169.94
ii) Weighted average number of shares outstanding	1,897,196,089	1,897,100,866
iii) Nominal Value of Equity Shares (Rs.)	10	10
iv) Basic and Diluted Earnings per Share (Rs.)	(1.68)	(0.90)

In calculating the earnings per share the effect of dilution on account of outstanding ESOPs and FCCBs of the Parent Company is ignored since results are anti-dilutive.

18. Quantitative details of principal items of goods traded (Starter Kits):

	Quantity (Nos.)	Value Rs. in Crores
a) Opening Stock	674148 (603678)	2.01 (2.22)
b) Purchases	13459703 (2935085)	27.37 (9.16)
c) Sales	11290162 (2864615)	33.96 (18.78)
d) Closing Stock	2843689 (674148)	6.40 (2.01)

Note: Figures in () pertain to those of the previous year

19. Following units have been purchased and redeemed by the Parent Company during the year ended March 31, 2010:

	No. of Units	Face Value (Rs.)	Cost (Rs. in Crores)
ICICI Prudential Institutional Liquid Plan- Super Inst. Growth	4,672,574.36	10	62.10
ICICI Prudential Institutional Liquid Plan Premium- Growth	930,531.88	10	15.00

20. Managerial Remuneration

i) Managing Director

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Salaries	0.91	1.11
Contribution to Provident and other Fund	0.07	0.06
Monetary value of perquisites	0.65	0.68
Total	1.63	1.85

Note:

- 2009-10 figures include Rs. 0.50 Crores paid during the year for 2008-09 on account of bonus / performance pay.
- 2008-09 figures include Rs. 0.77 Crores paid during the year for 2007-08 on account of bonus / performance pay.

ii) Manager in Subsidiary Company

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Salaries	0.39	-
Contribution to Provident and other Fund	0.02	-
Total	0.41	-

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

ii) Non-executive Directors

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
Directors' Sitting Fees	0.08	0.03

21. The Parent Company, had identified certain Network Interface Units (NIUs), which had been disconnected and were not in use (including not retrieved) and also had been fully depreciated in the books of account. The management, having regard to the present condition of the said NIUs, their future usability and the fact that these NIUs have been fully depreciated, had decided to write-off the same. Accordingly during the current year the said NIUs aggregating Rs. 104.54 Crores (cost) (Previous year Rs. 368.58 Crores) were written off and removed from the block of fixed assets.

22. The Parent Company has commenced services using GSM technology during the current year. Accordingly, the Company, in accordance with the accounting policy followed has started amortization of related license fees over the remaining period of license. Further, the Parent Company has capitalized borrowing costs attributable to the GSM

TATA TELESERVICES (MAHARASHTRA) LIMITED

15th Annual Report 2009-2010

operations aggregating Rs. 73.05 Crores (including Rs.18.79 Crores for the current year) till the date of commencement of GSM operations in accordance with AS 16 on 'Borrowing Costs'.

23. As per information available with the Group, none of the creditors has confirmed that they are registered under the Micro, Small and Medium Enterprises Development Act, 2006. The disclosure regarding dues to such creditors is given accordingly in Schedule 11.
24. The Central Government, vide notification dated March 31, 2009, amended AS 11 on 'The Effect of Changes in Foreign Exchange Rates', whereby, companies have been given an option to account for exchange differences arising on reporting of long-term foreign currency monetary items (assets/liabilities) in so far as they relate to acquisition of a depreciable capital asset, to be added/deducted from the cost of the asset and for others to be accumulated in a separate reserve to be amortized over the balance life of the asset/liability but not beyond March 31, 2011. The aforesaid option is effective with retrospective effect in respect of accounting periods commencing on or after December 7, 2006. Accordingly, the Parent Company opted to exercise this option and had given the following effect in the accounts of the previous year:
- a) Exchange gain (net of depreciation) relating to year ended March 31, 2008 adjusted in debit balance of Profit and Loss account and Plant and Machinery aggregating to Rs. 18.76 Crores.
 - b) Exchange loss relating to year ended March 31, 2009 adjusted against carrying value of fixed assets aggregating to Rs. 49.45 Crores.

During the current year, pursuant to the said option, the Parent Company has adjusted exchange gain aggregating to Rs. 34.65 Crores against the carrying value of fixed assets.

Due to the aforesaid option exercised by the Parent Company, the depreciation for the year is higher by Rs. 2.69 Crores and the loss for the year is higher by Rs. 37.34 Crores.

The amount (after the aforesaid adjustments) of Plant and Machinery remaining to be amortised as at the year-ended aggregates to Rs. 8.64 Crores.

25. During the year, the Company re-estimated the balance useful life of certain items of plant and machinery on account of technological obsolescence and the consequent enhanced pace of planned replacement. As a result the depreciation charge for the year is higher by Rs. 12.12 Crores.
26. The accumulated losses of the Group at the close of the year have exceeded its paid-up capital and reserves. This, however, is not uncommon for telecommunication service providers, due to high operation costs and on account of the industry being inherently capital intensive. The Group is consistently making operating cash profits over the past few years.

The subscriber base of the Parent Company has further increased with the launch of services using the GSM technology during the current year. The Parent Company has also received sanctions from banks for additional long-term funds required for future expansion.

Accordingly, based on the aforesaid considerations, the Group is confident of its ability to continue in business as a going concern and the accounts have been prepared on that basis.

27. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to figures of the current year.

Signatures to Schedules '1' to '17'

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.B. Jani
Partner

Place : Mumbai
Dated: April 30, 2010

For and on behalf of the Board

Kishor A. Chaukar
(Chairman)

S. Venkatesan
(Chief Financial Officer)

Place : Mumbai
Dated: April 30, 2010

Dr. Mukund Rajan
(Managing Director)

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

TATA TELESERVICES (MAHARASHTRA) LIMITED**15th Annual Report 2009-2010****CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010**

	2009-10 Rs. in Crores	2008-09 Rs. in Crores
A Cash flows from operating activities		
Net Loss before tax	(317.99)	(168.73)
Adjustments for :		
Depreciation/Amortisation	563.98	463.13
(Gain) / Loss on Fixed assets sold/written off /retired from Active use (Net)	(35.41)	0.34
Profit on redemption of units (Current Investment)	(0.06)	(0.03)
Asset awaiting disposal written off	0.56	1.20
Finance and Treasury charges (Net)	350.58	305.71
	<u>879.65</u>	<u>770.35</u>
Operating profit before working capital changes	561.66	601.62
Increase in Sundry Debtors	(39.77)	(51.19)
Increase in Loans and Advances	(22.96)	(105.99)
Increase / (decrease) in Inventory	(4.39)	0.21
Increase / (decrease) in Current liabilities and Provisions	95.60	(55.82)
Cash Generated from operations	590.14	388.83
Taxes paid	(0.01)	(1.21)
Net Cash generated from operating activities	590.13	387.62
B Cash flow from investing activities		
Purchase of Fixed Assets	(889.58)	(806.99)
Proceeds from sale of Fixed Assets	39.78	1.32
Purchase of Current Investments	-	(10.00)
Acquisition in Subsidiary	-	(0.01)
Sale of Current Investments	10.00	-
Redemption of units (Current Investment)(net)	0.07	0.03
Net Cash used for investing activities	(839.73)	(815.65)
C Cash flow from financing activities		
Proceeds from Issue of Shares	0.01	-
Proceeds from Long term borrowings	1,386.53	-
Repayment of Long term borrowings	(1,336.23)	(213.22)
Proceeds from Short term borrowings	1,833.00	1,312.33
Repayment of Short term borrowings	(1,418.95)	(539.00)
Proceeds of Acceptances and Cash Credit (Net)	131.34	151.27
Finance and Treasury charges paid	(350.58)	(290.33)
Net cash generated from financing activities	245.12	421.05
Net decrease in cash or cash equivalents	(4.48)	(6.98)
Cash and cash equivalents at beginning of the year	27.49	34.47
Cash and cash equivalents at end of the year	23.01	27.49
	<u>(4.48)</u>	<u>(6.98)</u>

Notes to Cash Flow Statement

- Components of Cash and Cash Equivalents includes Cash and Bank balances in Current Accounts (Refer Schedule 7 to the Balance Sheet).
- Purchase of Fixed Assets are inclusive of movements in Capital Work-in-Progress between the commencement and end of the year.
- Conversion of Foreign Currency Convertible Bonds into Equity Shares are not considered in the Cash Flow Statement.

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

A.B.Jani

Partner

Place: Mumbai

Date: April 30, 2010

For and on behalf of the Board**Kishor A. Chaukar**

(Chairman)

Dr. Mukund Rajan

(Managing Director)

S. Venkatesan

(Chief Financial Officer)

Madhav J. Joshi

(Chief Legal Officer and

Company Secretary)

Place: Mumbai

Date: April 30, 2010

TATA TELESERVICES (MAHARASHTRA) LIMITED

Year on Year Performance

(Rs. in Crores)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Income from Telecommunication	2,069.10	1,941.68	1,707.19	1,406.98	1,095.13	807.47	597.50	359.59	252.50	139.23	63.81	3.22
Earnings Before Interest, Depreciation, Tax and Amortisation	540.51	593.18	485.55	302.60	124.71	(66.12)	50.74	52.85	7.60	(46.42)	(119.57)	(28.19)
Loss before Extraordinary Item and tax	(298.00)	(158.39)	(124.81)	(315.39)	(492.96)	(527.86)	(269.68)	(205.00)	(148.49)	(208.91)	(270.14)	(62.38)
Extraordinary Item	-	-	-	(5.48)	47.25	-	-	-	-	-	-	-
Loss after tax	(298.01)	(159.60)	(125.74)	(310.61)	(541.06)	(527.86)	(269.68)	(205.00)	(148.49)	(208.91)	(270.14)	(62.38)
End of Period Subscribers (Nos. in Thousands)	13,000	7,498	5,079	3,074	1,840	1,006	488	232	165	75	22	12



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- Free 2.5 GB data usage for the first two months

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photon⁺
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Folio/Demat No.: _____

Address: _____

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Tata Photon⁺ Offer

Tata Photon⁺ USB Modem - Rs.1999 (to be collected in favour of Drive India Enterprise Solutions Limited). Scheme activation charges not applicable. No plan rental will be charged for the first 2 months, and the first bill will be prorated as per the billing cycle. Usage over and above 2.5 GB/month will be charged @ 50p/MB for the first 2 months. The subscriber is free to move to any Tata Photon⁺ plan at any time. However, if the customer migrates from the Tata Photon⁺ 2.5 GB Plan within the first 2 months, no scheme benefits will be applicable. After 2 months, the subscriber can request for change of plan or choose to stay on Tata Photon⁺ 2.5 GB Plan. Actual internet speed may depend upon multiple factors like time of the day, number of simultaneous users, web pages accessed, etc. For further details, please visit www.tataphoton.com



TATA TELESERVICES (MAHARASHTRA) LIMITED

Registered Office: Voltas Premises, T. B. Kadam Marg, Chinchpokli, Mumbai 400 033.

ATTENDANCE SLIP

Fifteenth Annual General Meeting on Monday, August 9, 2010

Reg. Folio No..... DP ID*..... Client ID*.....

Name

Address

.....

.....

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company. I hereby record my presence at the FIFTEENTH ANNUAL GENERAL MEETING of the Company at Kamalnarayan Bajaj Hall & Art Gallery, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 at 1500 hours on Monday, August 9, 2010.

Member/Proxy name in Block Letters

Member/Proxy's Signature

Note: Please fill in this slip and hand over at the ENTRANCE TO THE AUDITORIUM.

* Applicable for shareholder(s) holding shares in electronic (dematerialized) form.



TATA TELESERVICES (MAHARASHTRA) LIMITED

Registered Office: Voltas Premises, T. B. Kadam Marg, Chinchpokli, Mumbai 400 033.

PROXY FORM

Reg. Folio No..... DP ID*..... Client ID*.....

I/We of

..... in the district of

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

..... of in the district of

..... or failing him of

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

to vote for me/us on my/our behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the Company to be held on Monday, August 9, 2010 and at any adjournment thereof.

Signature

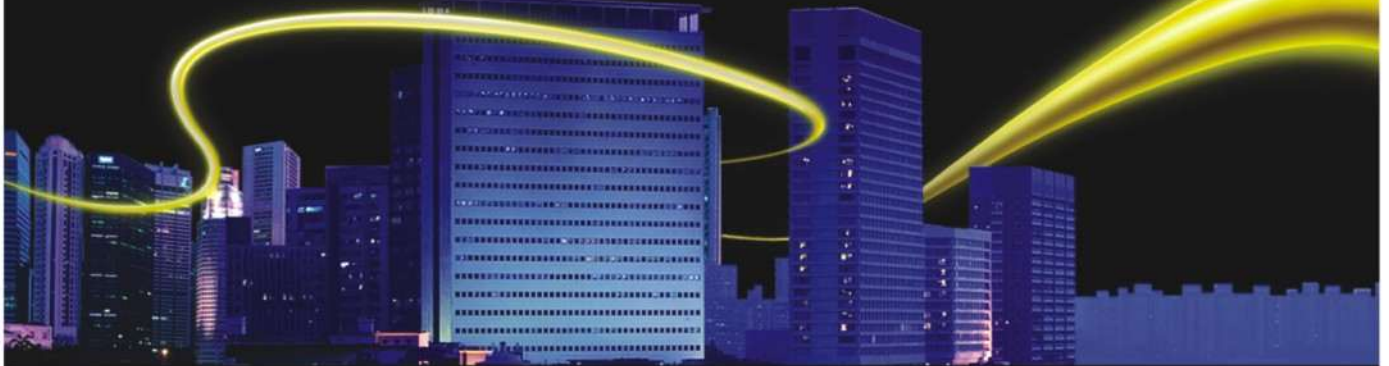
Signed this day of 2010.

Affix a
15 ps.
Revenue
Stamp

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

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

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Voltas Premises, T.B.Kadam Marg, Chinchpokli, Mumbai - 400 033.

Tel.: 91 22 6661 5445 Fax : 91 22 6660 5516 / 5517

Website : www.tatateleservices.com

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Investors Relations, D-26, TTC Industrial Area, MIDC, Sanpada, P.O. Turbhe, Navi Mumbai - 400 703.