



## TATANET SERVICES LIMITED

### DIRECTORS' REPORT

#### To the Members

The Directors present their Twenty Third Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2010

#### 1. FINANCIAL RESULTS:

During the year under review, the Company recorded a Turnover of INR 289.97 million (previous year INR 252.37 million) and a net profit after tax (P.A.T) of INR 5.04 million (previous year INR 2.22 million).

The summarized financial results are indicated below:

	(Rupees in 000')	
	For the year ended 31.03.2010	For the year ended 31.03.2009
Net Service Income from Operations	289,870	252,368
Operating Expenditure	257,555	228,935
Operating Profit	<b>32,315</b>	<b>23,434</b>
Add: Other Income	105	-
Less: Interest	513	359
<b>Profit Before Tax and Depreciation and Exceptional Items</b>	<b>31,907</b>	<b>23,075</b>
Less: Depreciation	24,825	19,889
<b>Profit Before Tax and Exceptional Items</b>	<b>7,082</b>	<b>3,386</b>
Exceptional Items	-	-
<b>Profit Before Tax</b>	<b>7,082</b>	<b>3,386</b>
Less: Provision for Tax (including Provision for Deferred Tax)	2,040	1,164
<b>Net Profit After Tax</b>	<b>5,042</b>	<b>2,222</b>
Balance Brought Forward	3,067	1,533
<b>Balance Available for appropriation</b>	<b>8,108</b>	<b>3,755</b>
Appropriations as under:		
Adjustment to General Reserve	-	688
Other appropriations	-	-
<b>Balance to be carried Forward</b>	<b>8,108</b>	<b>3,067</b>

In order to conserve resources, the board of directors regret their inability to recommend dividend for the year ended 31<sup>st</sup> March 2010

#### 2 BUSINESS OVERVIEW:

The Company has successfully continued its operations in the highly competitive VSAT market. The trend of declining selling price of bandwidth was observed in the current fiscal too. The Company could still make up this decline with an increase in the volume of business through the additional bandwidth sold for 4148 VSAT's which got added to the network the financial year 2009-10.

There was an addition of 31 new customers in its network in the current financial year. The total number of customers in the network is now 285 after considering the churn out in the current fiscal.

The company has also commenced the Internet services under its ISP License in the current financial year from March 2010

### TATANET SERVICES LIMITED

EL-6 TTC Industrial Area MIDC Electronics Zone Mahape Navi Mumbai 400 710 India

Tel 91 22 6791 8728 Fax 91 22 6791 8787 website www.tatanet.co.in

Registered Office: 3rd Floor Francysters Cybernetics Center Eucharistic Congress Bldg No III-5 Convent St Colaba Mumbai 400 001



### 3 CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The statement containing particulars pursuant to the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 as required under section 217 (l) (a) of the Companies Act, 1956 is not attached as it is not applicable to the Company.

The Company has no exports.

The foreign exchange earned during the period under review was NIL

Total outgo of foreign currency was INR. 48.16 Million.

### 4 SAFETY, HEALTH & ENVIRONMENT:

The operations of the Company are not of hazardous nature; however, the Company shall take all necessary precautions to maintain healthy and safe environment in and around its facilities.

### 5 DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. Zal J. Engineer & Mr. Uday Banerjee retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

### 6 AUDITORS:

M/s. M. H. DALAL & ASSOCIATES, Chartered Accountants retires at the ensuing Annual General Meeting and being eligible to offer themselves for re-appointment.

### 7 DIRECTORS' RESPONSIBILITY STATEMENT:

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

(i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there were no material departures;

(ii) 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 viz. 31st March 2010 and of the profit of the Company for the year ended on that date;

(iii) they have taken proper and sufficient care to the best of their knowledge and information, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

### 8 EMPLOYEE DETAILS:

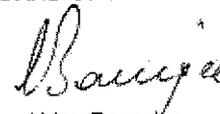
During the year under review, the Company has not employed any employee whose particulars are required to be disclosed in this report pursuant to section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

### 9 ACKNOWLEDGEMENTS:

Your Directors place on record their appreciation for the support and assistance received from Customers, Investors, business, associates, bankers, vendors, regulatory & Governmental Authorities. The Board would also like to acknowledge the continued support and guidance from Tata Group

BY ORDER OF THE BOARD OF DIRECTORS

  
Zal Engineer

  
Uday Banerjee

Directors

MUMBAI - 30<sup>th</sup> April 2010

## TATANET SERVICES LIMITED

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
TATANET SERVICES LIMITED**

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

**M. H. DALAL & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

- (iv) In our opinion, the Profit & loss Account and the Balance Sheet and 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.
- (v) On the basis of written representation received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31<sup>st</sup> March 2010, from being appointed as a director u/s. 274(1) (g) of the Companies Act, 1956
- (vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts subject to notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) In the case of the Balance Sheet of the State of Affairs of the Company as on 31<sup>st</sup> March, 2010 and
  - b) In case of Profit & Loss Account of the profit for the year ended on that date.
  - c) In case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

**FOR M. H. DALAL & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**



**D.M. DALAL**  
**PARTNER**  
Membership No.:109049

Place : Mumbai  
Date : 30<sup>th</sup> April, 2010

**M. H. DALAL & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**TATANET SERVICES LIMITED**

Annexure to Auditors report of even date to the members of  
**TATANET SERVICES LIMITED**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details & situation of Fixed Assets.
- (b) A major portion of fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of fixed assets by the management 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) None of the assets are disposed off during the year.
- (ii) Clauses (i) (a), (b), (c) are not applicable, since the company has no stock.
- (iii) (a) During the year the company has not granted any loans to the parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The company has not taken loans from the parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (c) In our opinion, it is not prejudicial to the interest of the company.
- (iv) In our opinion & according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company & the nature of its business with regard to purchase of fixed assets. During the course of our audit we have not observed any continuing failure to correct major weaknesses in Internal Control.
- (v) No transactions have been entered during the period in the register maintained in pursuance of section 301 of the Companies Act, 1956 and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the internal audit functions carried out during the year have been commensurate with the size of the company and the nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to Telecommunication Services, pursuant to the order made by the Central Government for the maintenance of cost records under section

**M. H. DALAL & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

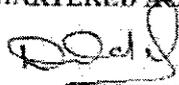
209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

- (ix) In respect of statutory dues:
- (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues for outstanding as at 31.03.2010 for the period of more than 6 months from the date of becoming payable
  - (b) According to the records made available to us and the information and explanations given by the management, there are no dues of sales tax / income tax / custom duty / wealth tax / service tax / excise duty / cess, as at 31.03.2010 which have not been deposited with the authorities on account of any dispute.
- (x) In our opinion the Company has no accumulated losses at the end of the financial year and in the immediately preceding financial year. The Company has not incurred cash losses at the end of the financial year and in the immediately preceding financial year.
- (xi) In our opinion & according to the information and explanations given to us, the company has not obtained any loans from financial institution or bank.
- (xii) The company has not granted any loans on the basis of the security by the way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us and records made available to us, the company has not given any guarantee for the loans taken by banks or financial institutions.
- (xvi) In our opinion no term loans have been raised by the company during the year.

**M. H. DALAL & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) There was no issue of debentures by the company during the year.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**FOR M. H. DALAL & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**



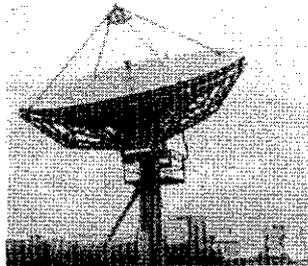
**D.M. DALAL**  
**PARTNER**  
Membership No.:109049

Place : Mumbai  
Date : 30<sup>th</sup> April, 2010



## TATANET SERVICES LIMITED

Performance Summary for the year ended 31.03.2010 vis-a-vis 31.03.2009



<b>SUMMARY</b>		<b>(Rs in lakhs)</b>	
<b>Particulars</b>	<b><u>2010</u></b>	<b><u>2009</u></b>	
1. Service Income	2898.70	2523.68	
2. Profit / (Loss) before tax	70.82	33.86	
3. Profit / (Loss) after tax	50.42	22.22	
<b>RATIOS: -</b>		<b><u>2010</u></b>	<b><u>2009</u></b>
1. PAT/ Service Income	1.74%	0.88 %	
2. Operating & Other Exps/Service Income	88.81%	90.71 %	
3. DSO (Daily Sales Outstanding)	72 days	81 days	
4. Bandwidth Expenses/Service Income	34%	30%	



## TATANET SERVICES LIMITED

### RATIO ANALYSIS

#### 1 DSO (Daily Sales Outstanding)

	<u>F.Y 2009-10</u>	<u>F.Y 2008-09</u>
Sales	319,726,148	283,561,240
Days	365	365
	875,962	776,880
Ors	63,193,240	63,160,000
DSO	72	81

#### 2 PAT /Service Income Ratio

	<u>F.Y 2009-10</u>	<u>F.Y 2008-09</u>
Profit	5,041,651	2,222,000
Service Income	289,869,579	252,368,494
Ratio	1.74	0.88

#### 3 Operating & Other Exps/Service Income

Expenses	257,434,710	228,934,718
Service Income	289,869,579	252,368,494
Ratio	88.81	90.71

#### 4 Bandwidth Expenses/Service Income

	<u>F.Y 2009-10</u>	<u>F.Y 2008-09</u>
Bandwidth Exps	99,246,238	76,597,663
Service Income	289,869,579	252,368,494
Ratio	34	30

# TATANET SERVICES LIMITED

BALANCE SHEET AS AT 31st March, 2010

(Rupees in 000' )

Schedule	As at 31.03.2010	As at 31.03.2009
<b>SOURCES OF FUNDS</b>		
1. SHAREHOLDERS' FUNDS		
(a) Share Capital	600	600
2. RESERVES & SURPLUS		
(a) Profit & Loss Account	8,108	3,087
3. DEFERRED TAX LIABILITY	6,817	7,277
<b>TOTAL</b>	<b>15,525</b>	<b>10,944</b>
<b>APPLICATION OF FUNDS</b>		
1. FIXED ASSETS		
(a) Gross Block	273,644	209,129
(b) Less: Depreciation	99,278	74,453
(c) Net Block	174,366	134,677
(d) Capital work-in-progress	796	6,448
	<b>175,162</b>	<b>141,125</b>
2. CURRENT ASSETS, LOANS AND ADVANCES		
(a) Sundry Debtors	63,193	63,180
(b) Cash and Bank Balances	23,995	6,585
(c) Loans and Advances	44,539	37,933
	<b>131,727</b>	<b>107,678</b>
Less:		
CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities	291,364	237,859
	<b>291,364</b>	<b>237,859</b>
3. NET CURRENT ASSETS	(159,637)	(130,181)
<b>TOTAL</b>	<b>15,525</b>	<b>10,944</b>

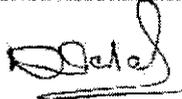
NOTES FORMING PART OF THE ACCOUNTS

2

As per our report attached

For and on behalf of the Board

For M.H.Dalal & Associates.  
Chartered Accountants



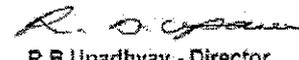
Devang M. Dalal  
Partner  
Membership No: 109049



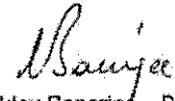
Zal Engineer - Director



K A Mahashur - Director



R B Upadhyay - Director



Uday Banerjee - Director

MUMBAI - 30th April 2010

**TATANET SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2010**

(Rupees in 000' )

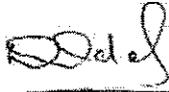
	Schedule	For the year ended 31.03.2010	For the year ended 31.03.2009
<b>INCOME</b>			
1. Service Income		259,666	252,368
2. Sale of Goods - Managed Services		184	-
3. Other Income		105	-
<b>4. Total Income</b>		<b>259,975</b>	<b>252,368</b>
<b>EXPENDITURE</b>			
5. Operating and Other Expenses	1	257,435	228,935
6. Purchase of finished goods		(120)	-
7. Interest Expenses		593	359
8. Depreciation & Amortisation	B	24,825	19,689
<b>9. Total Expenditure</b>		<b>282,893</b>	<b>248,982</b>
<b>10. PROFIT / (LOSS) BEFORE TAXATION</b>		<b>7,082</b>	<b>3,386</b>
11. Provision For Taxation			
Current Tax		2,500	200
Short tax provision for earlier year			156
Deferred Tax		(480)	808
<b>12. PROFIT / (LOSS) AFTER TAXATION</b>		<b>5,042</b>	<b>2,222</b>
13. Balance Brought Forward		3,067	1,533
<b>14. AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>8,108</b>	<b>3,755</b>
<b>APPROPRIATIONS</b>			
15. Balance Carried to Balance Sheet		8,108	3,755
16. Adjustment to General Reserve			888
		<b>8,108</b>	<b>3,067</b>
<b>Earnings Per Share Rs. (Basic &amp; Diluted) - Note 4</b>		<b>040.28</b>	<b>370.39</b>

**NOTES FORMING PART OF THE ACCOUNTS**

2

As per our report attached

For M.H.Dalal & Associates.  
Chartered Accountants



D.M. Dalal  
Partner  
Membership No: 109049

MUMBAI - 30th April 2010

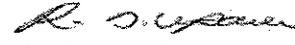
For and on behalf of the Board



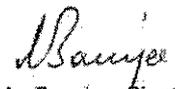
Zal Engineer - Director



K.A. Mahashur - Director



R.B. Upadhyay - Director



Uday Banerjee - Director

## TATANET SERVICES LIMITED

Schedules forming part of the Balance Sheet as at 31st March, 2010

(Rupees in 000')

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED :</b>		
18 Non-Cumulative Redeemable Preference Shares of Rs.100/- each	2	2
9982 Equity Shares of Rs. 100/- each	998	998
<b>10,000</b>	<b>1,000</b>	<b>1,000</b>
<b>ISSUED , SUBSCRIBED &amp; PAID UP:</b>		
6000 Equity Shares of Rs. 100/- each fully paid	600	600
<b>6,000</b>	<b>600</b>	<b>600</b>
<b>TOTAL</b>	<b>600</b>	<b>600</b>

Note : Of the above 6,000 Equity Shares 100% are held by the Holding Company - Neico Limited

**TATANET SERVICES LIMITED**  
Schedules forming part of the Balance Sheet as at 31st March, 2010  
(Rupees in 000')

**SCHEDULE B**

	DEPRECIATION & AMORTISATION						NET BLOCK			
	Gross Block as at 01.04.2009	ADDITIONS/ ADJUSTMENTS	DEDUCTIONS	AS AT 31.03.2010	Accumulated Depreciation upto 01.04.2009	FOR THE three months ended 31.03.10	FOR THE year ended 31.03.2010	DEDUCTIONS	UPTO 31.03.2010	AS AT 31.03.2010
<b>FIXED ASSETS</b>										
<b>Tangible</b>										
Plant and Machinery	204,129 (156,788)	64,514 (47,341)	-	268,644 (204,129)	73,275 (53,864)	6,834 (5,199)	24,542 (19,411)	-	97,817 (73,275)	170,827 (130,855)
<b>Intangible</b>										
Licence Fees - VSAT	3,000 (3,000)	-	-	3,000 (3,000)	1,050 (900)	38 (38)	150 (150)	-	1,200 (1,050)	1,800 (1,950)
<b>Intangible</b>										
Licence Fees - ISP	2,000	(2,000)	-	2,000 (2,000)	128	33 (33)	133 (128)	-	261 (128)	1,739 (1,872)
<b>TOTAL</b>	<b>209,129</b>	<b>64,514</b>	<b>-</b>	<b>273,644</b>	<b>74,453</b>	<b>6,905</b>	<b>24,825</b>	<b>-</b>	<b>99,278</b>	<b>174,366</b>
<b>Capital Work in Progress</b>										
										<b>796</b> <b>(6,448)</b>

## TATANET SERVICES LIMITED

Schedules forming part of the Balance Sheet as at 31st March 2010

(Rupees in 000')

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE C</b>		
<b>SUNDRY DEBTORS</b>		
<b>(Unsecured - Considered Good)</b>		
1. Debts outstanding for a period exceeding six months		
- Considered Good	24,160	5,919
- Considered Doubtful	1,749	470
Less: Provision for Doubtful Debts	1,749	470
	<u>24,160</u>	<u>5,919</u>
2. Other debts	39,033	57,241
	<u>63,193</u>	<u>63,160</u>
<b>SCHEDULE D</b>		
<b>CASH AND BANK BALANCES</b>		
1. In current accounts with Scheduled Banks	23,995	6,585
<b>TOTAL</b>	<u>23,995</u>	<u>6,585</u>
<b>SCHEDULE E</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured - Considered good)</b>		
1. Advances recoverable in cash or kind or for value to be received	8,450	19,343
2. Other Recoverables	20,210	12,450
3. Advance payment of Tax ( Net of Provision)	15,879	6,141
<b>TOTAL</b>	<u>44,539</u>	<u>37,933</u>

## TATANET SERVICES LIMITED

Schedule forming part of the Profit & Loss Account for the year ended 31st March,  
2010

(Rupees in 000')

	For the year ended 31.03.2010	For the year ended 31.03.2009
<b>SCHEDULE 1</b>		
<b>OPERATING AND OTHER EXPENSES</b>		
Licence Fees to D.O.T	27,598	27,354
Transponder Charges	99,246	76,598
Connectivity Charges	7,068	7,912
Network Management Fees	53,400	53,400
Marketing Services Fees	59,400	59,400
Power and fuel	1,228	1,220
Repairs and Maintenance - Plant	2,652	1,831
Repairs and Maintenance - Others	726	528
Insurance	123	149
Bank charges	1,833	831
Provision for Doubtful Debts	1,749	-
Professional and Legal Charges	1,341	758
Training Expenses	476	-
Audit Fees	70	50
Auditors Other Remuneration	47	35
Exchange Rate Fluctuations	(3)	(1,301)
Social Welfare Expenses	254	-
Other Expenses	226	70
<b>TOTAL</b>	<b>257,435</b>	<b>228,935</b>

**TATANET SERVICES LIMITED**

**Cash Flow Statement For The Period Ended 31st, MARCH 2010**

(Rupees '000)

	For The Year Ended 31.03.2010		For The Year Ended 31.03.2009	
<b>A. NET PROFIT BEFORE TAX</b>		7,082		3,386
<b>ADJUSTED FOR</b>				
Adjustment pursuant to Scheme of Arrangement			-	-
Adjustment in General Reserve for Exchange fluctuation as per AS-11			(683)	-
Depreciation and Amortisation	24,825		19,689	-
Depreciation for 2005-06 of acquired business			-	-
Interest Income			-	-
Deferred Revenue Expenditure written off			-	-
		24,825		19,001
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>		31,907		22,387
<b>Changes in</b>				
Trade & Other Receivables	(12,594)		(24,446)	-
Trade Payables	89,430	48,855	34,279	9,833
<b>CASH GENERATED FROM OPERATIONS</b>		78,274		32,220
Direct taxes paid		(2,500)		(356)
<b>CASH FLOW BEFORE EXTRA ORDINARY ITEMS</b>		75,774		31,864
<b>EXTRA ORDINARY ITEMS</b>				
<b>NET CASH FROM OPERATING ACTIVITIES (a)</b>		75,774		31,864
<b>B. CASHFLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets		(58,863)		(34,047)
Purchase of Business (Refer Note 2 of Schedule 2)				-
Interest received				-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (b)</b>		(58,863)		(34,047)
<b>C. CASHFLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings				-
Interest paid				-
<b>NET CASH FROM FINANCING ACTIVITIES (c)</b>				-
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS (a+b+c)</b>		17,411		(2,183)
<b>CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR</b>		6,585		8,766
<b>CASH AND CASH EQUIVALENTS OF ACQUIRED BUSINESS TAKEN OVER</b>				-
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD</b>		23,996		6,585
		17,411		(2,183)
Previous period's figures have been regrouped wherever necessary				

As per our report attached

For M.H Datal & Associates



D.M. Datal  
Partner  
Membership No: 109049

MUMBAI : 30th April, 2010

For and on behalf of the Board



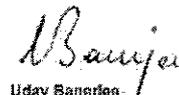
Zal S. Datar  
Director



K. A. Maheshur  
Director



R. S. Upadhyay  
Director



Uday Banerjee  
Director

**NOTES: Forming Part of the Accounts**

**SCHEDULE 2**

**1. Significant Accounting Policies**

**1.1 System of Accounting**

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

**1.2 Fixed Assets and Depreciation**

- a) Fixed Assets are stated at cost less depreciation. Cost comprises cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition of its intended use.
- b) Depreciation for the year has been provided on the straight line method on all fixed assets at the rates specified as per Schedule-XIV of the Companies Act, 1956 except for License Fees which is amortized over the License period and Foreign Exchange (loss)/gain which is amortized over a period of the balance life of the fixed assets as per amended AS-11 dated 31.03.2009

**1.3 Revenue Recognition**

- 1.3.1 Sales of services are recognized on rendering of services to customers.

**1.4 Foreign Currency Transactions**

Transactions in foreign currencies (other than those covered by forward contracts) are recorded at the exchange rate prevailing on transaction date. Assets and Liabilities denominated in foreign currency are restated at the year end rate. All exchange gains and losses from the period 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010 are capitalized to fixed assets as per amendment to Accounting Standard 11 (AS-11) vide Companies (Accounting Standards) Amendment Rules 2009, notification of Ministry of Corporate Affairs no G.S.R. 226(E) dtd. 31.03.2009

**1.5 Taxes on Income**

- a) **Current Tax:** Provision for Income Tax is determined in accordance with the provisions of the Income Tax Act 1961.
- b) **Deferred Tax Provision:** Deferred Tax is recognized on timing differences being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s).

### 1.6 Segment Reporting

The Company has two segments: 1 VSAT Commercial & 2. Internet Service Provision (ISP). Since the ISP Segment doesn't fall under the criteria of reportable segment as per Accounting Standard (AS-17) on 'Segment Reporting' issued by the Institute of Chartered Accountants of India, it has not been shown separately

### 2. Value of Imports calculated on CIF basis (In Rupees)

	2009-10 12mths	2008-09 12mths
i) Capital Goods	4,81,70,723	84,30,941

### 3. Related Party Disclosure :

The disclosure pertaining to the related party transaction as required by the Accounting Standards 18 (AS-18) issued by the Institute of Chartered Accountants of India, as applicable are, indicated below.

#### a) List of related parties with whom transactions have taken place during the year

	(In Rupees)	
Holding Company - NELCO Limited	2009-10	2008-09
b) Transactions with Holding company:		
i) Expenses & Purchases	11,28,00,000	11,57,80,000
ii) Advance / Sec.Deposits Received	4,07,21,723	4,07,01,901
iii) Balance outstanding as at 31.03.10		
Creditors (Net) & Other income	6,68,51,368	5,55,37,419
Deposit Payable	19,61,67,118	15,54,65,395
c) Corporate Guarantees received		
- From parent company - Nelco	11,00,00,000	10,00,00,000

### 4. Earnings Per Share (EPS)

	2009-10 12 mths	2008-09 12 mths
a) Weighted Average Number of Shares at the beginning and end of the period	6,000	6,000
b) Net Profit / (Loss) after Tax available for Equity Share holders(Rupees)	50,41,651	22,22,358
c) Basic and diluted earnings Per Share (Rupees) - Annualised	840.28	370.39

5. **Audit Fees**

(In Rupees)

	2009-10	2008-09
Payable to Auditor as Audit Fees –	70000	50000
Payable for Tax Audit	35000	35000
<b>TOTAL</b>	<b>105000</b>	<b>85000</b>

(Rs in '000)

6. **Major components of Deferred Tax Assets/ (Liabilities) are:** 2009-10 2008-09

Deferred Tax Assets		
(a) Provision for Doubtful Debts	541	-
Less: - Deferred Tax Liability		
(a) Difference between Book and Income Tax Depreciation	7358	7277
<b>Net Deferred Tax Assets / (Liabilities)</b>	<b>(6817)</b>	<b>(7277)</b>

7. **Additions to Fixed Assets:**

Additions made to Fixed Assets during the F.Y. 2009-10 amounted to **6.45 crores** (net)  
(This includes capitalization of exchange loss/ (gain) as per amendment to AS-11)

8. Previous years figures have been regrouped wherever necessary.

Signature to Schedules "A" to "F" and "1" to "2"

As per our report attached

For and on behalf of the Board

For M. H. Dalal & Associates  
Chartered Accountants

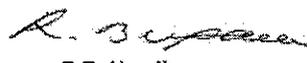


Devang M. Dalal  
Partner

Mumbai -30<sup>th</sup> April, 2010



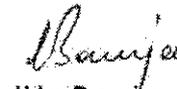
Zaf Engineer  
Director



R.B. Upadhyay  
Director



K.A. Mahashur  
Director



Uday Banerjee  
Director