



# **TATANET SERVICES LIMITED**

**CIN :U67120MH1987PLC044351**

**29<sup>TH</sup> ANNUAL REPORT**

**2015-16**

# **TATANET SERVICES LIMITED**

## **29<sup>TH</sup> ANNUAL REPORT 2015-16**

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### **CORPORATE INFORMATION** **(As on 29<sup>th</sup> April 2016)**

Board of Directors : Mr.R.R.Bhinge  
Mr. Sanjay Dube  
Ms. Hema Hattangady  
Mr.P.J.Nath

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Bankers : Axis Bank Limited, Mumbai  
Bank of India, Mumbai

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Auditors : M.H.Dalal & Associates, Mumbai

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Registered Office: MIDC, EL-6 TTC Industrial Area,  
Electronics Zone, Mahape,  
Navi Mumbai – 400 710

## DIRECTORS' REPORT

To The Members,

The Directors are pleased to present the Twenty Ninth Annual Report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2016.

**1. FINANCIAL RESULTS (SUMMARIZED)**

Figures Rs in '000

	<b>FY16</b>	<b>FY15</b>
(a) Net Service Income from Operations	6,90,837	5,08,214
(b) Operating Expenditure	6,07,506	4,81,435
(c) <b>Operating Profit</b>	<b>83,331</b>	<b>26,779</b>
(d) Add: Other Income	3,952	49
(e) Less: Finance Cost	23,717	23,613
(f) Profit before Depreciation and Tax	<b>63,566</b>	<b>3,214</b>
(g) Less: Depreciation / Amortisation / Impairment	41,064	41,888
(h) <b>Profit before Tax</b>	<b>22,502</b>	<b>(38,675)</b>
(i) Tax Expenses	0	0
(j) <b>Net Profit / (Loss) after Tax</b>	<b>22,502</b>	<b>(38,675)</b>

**2. DIVIDEND**

In order to conserve resources, the Board of Directors regret their inability to recommend dividend for the financial year ended 31<sup>st</sup> March 2016

**3. STATE OF COMPANY'S AFFAIRS**

During the period under review, the total income was Rs. 6,90,837 ('000) as against Rs. 5,08,214 ('000) in the previous year i.e. a 36% growth over the previous year. The profit before and after tax was 22,502('000) as against a loss of Rs. 38,675('000) in the previous year.

Tatanet Services Limited is a leading VSAT Service Provider in the country catering to a large segment of the market. The Company is amongst the top 3 VSAT Service providers in the country. The Company has now a major presence in the BFSI, Manufacturing & enjoys a leadership position in the offshore Oil & Gas exploration segment.

The Company has been making continuous investment in augmenting its infrastructure for providing VSAT services. During the course of the year the had set up a new VSAT Hub in Dehradun which got operational from December 2014 and the same is operating in full swing in the current period. The initial capacity was 36 MHz, which will be augmented in due course. With this there are two Ku band VSAT Hubs – one each of mahape and Dehradun. The company is in the process of setting up another Ex-C Band Hub at its existing premises at Mahape for which new transponder capacity of 24 MHz was availed from Antrix on GSAT-16 satellite. These infrastructure augmentations would help the Company in meeting the diverse needs of the market and help fuel its growth.

**MARKET OPPORTUNITIES:**

The VSATs continue to be the most preferred mode of data communication in the B2B segment in remote and rural locations. While the Indian Telecom industry has been growing, the footprint of MPLS services, which is the main threat for the VSAT services, has not grown substantially to cover more remote locations. On the other hand the 3G and 4G services have not been able to offer predictable Enterprise class services in the remote areas. Thus, VSAT remains the most reliable Enterprise connectivity services for the remote and rural areas, particularly where the bandwidth consumption is low.

The ATM industry itself is poised for growth as the Banks find it more cost effective to have ATMs in remote locations rather than branches. Moreover with the implementation of White Label ATMs the industry is expanding very fast. The VSATs continue to be the default choice for ATM connectivity due to the need for high availability services, remoteness of the locations and low bandwidth consumption. Currently there are about 100,000 ATMs connected on VSATs, which is likely to grow to around 225,000 by FY21.

The communication services for the Oil & Gas exploration sector in the offshore is a growing business in India due to increased exploration activities. ONGC has been increasing the outsourcing of the exploration activities to global rig operators and getting the benefits of the lower prices because of the slump in oil exploration activities in most other parts of the world. The only reliable medium of connectivity for the offshore rigs in India is VSAT currently. Moreover while there are only about 35 rigs currently drilling in the offshore region, the bandwidth consumption is higher as compared to the other sectors due to the nature of applications being run, which leads to high services revenue for the VSAT operator.

The potential for VSATs in the Government sector is very large due to thrust on panchayat connectivity, public distribution system, education, health and water management. Though the overall potential is more than 100,000 VSATs, the time frames for implementation are however uncertain.

The availability of High Throughput Satellites (HTS) can give a significant impetus to the VSAT industry by increasing the applications where it will be able to provide services at a competitive price. HTS has already made a large impact for the VSAT industry in most other countries. It is expected that HTS would be available for India within the next 2 years time on Indian as well as foreign satellites.

**COMPANY STRATEGY:**

The Company has strengthened its presence in the Banking & Finance segment by deploying a large number of VSATs for off-site ATMs and bank branches. The company has a 40% market share of the incremental VSAT deployment in off-site ATMs. The dominant position in providing communication services for Oil rigs has created potential for future growth in maritime services, which can be rolled out as soon as the regulatory clearances are provided by DoT.

The Company has already obtained frequency allocation for additional 24 MHz of Extended C band satellite transponder space, which will get implemented in the current financial year through a new VSAT hub in Mahape. This is likely to give a significant boost to the business of the Company for the coming years and help it further strengthen its position, particularly in the Oil & Gas exploration sector further.

The Company is pursuing for the permissions from Govt. of India to offer the Aero and Maritime Communication services in the country and believes that the potential for these services is very high. With a coastline of 7517 Km and more than 9500 ships traversing, Indian waters offer a large potential for communication in moving vessels. The Company is already a market leader for the communication services for the offshore Oil & Gas exploration segment and hence has competitive advantage for maritime communications. The Aero Communication Services also has a high potential India. The country is slated to become the third largest aviation market in the world by 2020, with total flights doubling to more than a million per year. This will offer opportunity to the VSAT industry for providing in-flight connectivity. The market potential of these two services will be in excess of Rs. 1000 Crore in the next 5 years, of which the Company expects to get a fair share.

**THREATS:**

The expansion and spread of terrestrial telecom infrastructure to remote areas to offer MPLS services poses a threat for VSAT services. The 3G and 4G services could also pose a threat if the services are rolled out to cover the remote locations with high availability services. Considering high Capex investment required to roll out infrastructure across the country to achieve the above, this threat may not be very pronounced for the next 3 – 4 years.

The satellite communication services are regulated by DoT and the licenses are given for shared hub services based on the Satcom policy of the country. Any major change in the Govt. regulations pertaining to Satcom policy and/or VSAT services could also pose a threat. Newer services like Aero and Maritime Communication are dependent on Govt. giving the necessary approvals.

Though the transponder space is provided by Antrix (a part of ISRO), foreign rate fluctuations adversely impact the profitability of operations since the contracts are in foreign currencies.

Due to proprietary nature of the VSAT technology, the Company is dependent on limited technologies for hardware. Any obsolescence of technology could pose a risk for operations. While there are options available to migrate the services to an alternate technology, there is a cost attached to the same.

**4. RESERVES**

The Board of Directors has not proposed any amount for transfer to its reserves for the period ended 31st March, 2016.

**5. SUBSIDIARIES / ASSOCIATES**

The Company has no subsidiaries or associates

**6. DIRECTORS**

In accordance with the requirements of the Companies Act 2013 and Articles of Association of the Company, Mr. P. J. Nath & Mr. Sanjay Dube retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment

During the period under review, seven meetings of the Board of Directors were held on 21<sup>st</sup> April 2015, 22<sup>nd</sup> June 2015, 24<sup>th</sup> July 2015, 19<sup>th</sup> October 2015, 28<sup>th</sup> October 2015, 18<sup>th</sup> January 2016 and 10<sup>th</sup> March 2016.

Except for sitting fees for attending the meetings of the Board (as mentioned in Form MGT-9 attached), no other remuneration is paid to the Directors.

**7. REGULATORY AND LEGAL**

**7.1. REGULATORY ENVIRONMENT**

There is no change in the regulatory environment

**7.2. REGULATORY ORDERS OF RELEVANCE**

There are no new tariff orders etc.

**7.3. LEGAL CASES**

There were no significant and material orders passed by the Regulators / Courts or Tribunal which would impact the going concern status of the Company and its future operations. Further, no penalties have been levied by Regulators during the period under review.

**SALES TAX MATTER:**

Maharashtra Sales Tax Department has issued orders against the Company demanding payment of MVAT on the entire satellite communication services provided by the Company on the ground that "The facility to use the transponders is property, is commercial in nature and goods and therefore, transaction of lease of facility to use the transponders is a deemed sale and accordingly MVAT is applicable". The orders issued for financial year 2006-07 to 2010-11 and aggregate amount under dispute is Rs 38.36 crs. The Company has filed writ petition in Bombay High Court and outcome of judgment is being awaited.

As per legal opinion sought by the Company, it has a very strong case. Since the Company provides only services to its customers and pays service tax, there are no goods or right to use of goods involved in it.

**8. RISK MANAGEMENT FRAMEWORK**

The Company has a Risk Management framework to inform the Board members about risk assessment and minimization procedures. The Board reviews the Risks and the mitigation plans periodically. There are no elements of risk, which in the opinion of the Board may threaten the existence of the Company.

**INTERNAL CONTROLS & SYSTEMS:**

The Company has an adequate system of internal controls to ensure that all assets are safeguarded and accounted for and business transactions are authorized and recorded. The Company has designed, implemented & maintained adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business.

**9. SUSTAINABILITY**

**9.1. SAFETY – CARE FOR OUR PEOPLE**

The Company accords high priority to health, safety and environment, treating these as integral part of all its activities. The operations of the Company are not of a hazardous nature. However, the Company emphasizes on maintaining a healthy and safe environment in and around its facilities as well as contract sites where projects are under execution

**9.2. CARE FOR OUR ENVIRONMENT**

Though the operations of the Company are not of hazardous nature, the Company takes all necessary precautions to maintain healthy and safe environment in and around its facilities

**10. HUMAN RESOURCES**

The Company maintained cordial industrial relations during the period under review.

**11. CREDIT RATING**

Total Bank Loan Facilities Rated: Rs. 270 Million

Long Term Rating: CRISIL BBB+/Stable (Downgraded from CRISIL A-/Negative)

Short Term Rating: CRISIL A2 (Downgraded from CRISIL A2+)

**12. FOREIGN EXCHANGE EARNINGS & OUTGO**

The Company has no exports.

The foreign exchange earned during the period under review was Nil

Total outgo of foreign currency was Rs. 5,203 (000')

**13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION**

The details are given in the Annexure-1 attached to this report.

**14. RELATED PARTY TRANSACTIONS**

All related party transactions entered into during the year under review were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel and Body Corporate(s) which had a potential conflict with the interest of the Company at large. Accordingly, the disclosure of Related Party Transactions as required under Section 134 (3) (h) of the Act in Form AOC 2 is not applicable for the period under review. The Directors draw attention of the Members to Note no. 3.6 to the Financial Statements which sets out related party disclosures.

**15. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186**

During the year under review the Company has not advanced any loans, given any guarantees or made any investments, the particulars of which are required to be given under Section 186

**16. AUDITORS**

M/s M. H Dalal & Associates, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment

**17. COST AUDITOR AND COST AUDIT REPORT**

In accordance with the requirement of the Central Government and pursuant to section 148 of the Companies Act 2013, the company has carried out an audit of cost accounts for the year 2014-15 relating to its telecommunication business

**18. DIRECTORS' RESPONSIBILITY STATEMENT**

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the statutory and cost auditors the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2015-16.

Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

(a) In the preparation of the annual accounts for the period ended 31<sup>st</sup> March, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) 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 for the period ended 31<sup>st</sup> March, 2016 and of the loss of the Company for that period;

(c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) they have prepared the annual accounts on a going concern basis; and

(e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



**19. ACKNOWLEDGEMENTS**

On behalf of the Directors of the Company, I would like to place on record our deep appreciation to our Customers, Business Partners, Vendors, Bankers and Financial Institutions. The Directors are thankful to the Government of India and the various Ministries and Regulatory Authorities.

On behalf of the Board of Directors,

Sd/-  
R. R. Bhinge  
Chairman

Mahape: Dated 29<sup>th</sup> April 2016

**Annexure 1 – Conservation of Energy and Technology Absorption**

(Ref.: Board's Report, Section 13)

**A. CONSERVATION OF ENERGY**

- (i) The steps taken or impact on conservation of energy: Although energy is not a major element of the cost for the Company, constant endeavors have been made to conserve energy and consequently minimize power and diesel costs.
- (ii) The steps taken by the Company for utilizing alternate sources of energy: Power requirement of company is too low to utilize alternate sources of energy.
- (iii) The capital investment on energy conservation equipment: Nil

**B. TECHNOLOGY ABSORPTION**

- (i) Efforts made towards Technology Absorption:

The major thrust of technology absorption has been in the areas of increasing and improving the VSAT services. The Company has set up a new VSAT Hub in Dehradun to increase its overall satellite bandwidth capacities and also to attain better resilience to the overall infrastructure. The capacities are also obtained from a new satellite and thereby increasing diversity.

The Company has also deployed alternate technologies for the baseband of the VSAT hub, which will help in catering to more market segments.

Future plan of action: Setting up of one more VSAT hub to further increase the satellite bandwidth operations, which is already under implementation. The Company is making endeavor in building expertise in varied technologies for satellite communication, to prepare for adopting newer technologies in the future.

Technology absorption, adaptation and innovation: Constant endeavors are being made towards technology absorption, adaptation and innovation. The focus has been on improving the quality of the services as well as creating new services and solutions adapted to suit the customers' requirements for specific industry segments.

- (ii) Benefits derived: The Company has increased its customer base in the different market segments, mainly Banking & Financial Services and Oil & Gas Exploration services, using the infrastructure created with these technologies.

- (iii) Expenditure incurred on Research and Development

- a. Revenue and recurring expenditure: Nil

- (iv) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)

- a. Technology imported: The Company has not imported any technology in the last 3 years
- b. Year of Import: NA
- c. Has technology been fully absorbed: NA
- d. If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action: NA

**FORM NO. MGT-9**

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH 2016

[PURSUANT TO SECTION 92(3) OF THE COMPANIES ACT, 2013 AND RULE 12(1) OF THE COMPANIES (MANAGEMENT AND ADMINISTRATION) RULES, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

<b>i.</b>	CIN	U67120MH1987PLC044351
<b>ii.</b>	Registration Date	12 <sup>th</sup> August 1987
<b>iii.</b>	Name of the Company	Tatanet Services Limited
<b>iv.</b>	Category / Sub-Category of the Company	Company Limited by share/ Indian Non Government - Company
<b>v.</b>	Address of the Registered office and contact details	MIDC, Plot No. EL-6, TTC Industrial Area, Electronic Zone, Mahape , Navi Mumbai - 400710
<b>vi.</b>	Whether listed company	No
<b>vii.</b>	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

<b>Sr. No.</b>	<b>Name and Description of main products / services</b>	<b>NIC Code of the Product/ service</b>	<b>% to total turnover of the company</b>
1	VSAT Bandwidth Connectivity Service	61309	99.91%
2	Internet Services	61309	0.09%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sr. No.	Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary /Associate	% of shares held	Applicable Section(s)
1.	Nelco Limited MIDC, Plot No. EL-6, TTC Industrial Area, Electronic Zone, Mahape , Navi Mumbai - 400710	L32200MH1940PLC003164	Holding Company	100.00%	2(46) 2(87)

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**i. Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoter</b>									
<b>1) Indian</b>									
a) Individual/HUF	-	70	70	0.01	-	70	70	0.01	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	-	4899930	4899930	99.99	-	4899930	4899930	99.99	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total(A)(1):-	-	4900000	4900000	100.00	-	4900000	4900000	100.00	-
<b>2) Foreign</b>									
g) NRIs-Individuals	-	-	-	-	-	-	-	-	-
h) Other-Individuals	-	-	-	-	-	-	-	-	-
i) Bodies Corp.	-	-	-	-	-	-	-	-	-
j) Banks / FI	-	-	-	-	-	-	-	-	-
k) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A)(2):-	-	-	-	-	-	-	-	-	-

<b>B. Public Shareholding</b>										
<b>1. Institutions</b>										
a) Mutual Funds	-	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-	-
g) FII's	-	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-	-
Sub-total (B)(1)	-	-	-	-	-	-	-	-	-	-
<b>2. Non Institutions</b>										
a) Bodies Corp. (i) Indian (ii)Overseas	-	-	-	-	-	-	-	-	-	-
b) Individuals  (i) Individual shareholders holding nominal share capital upto Rs. 1 lakh  (ii) individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-	-
c) Others (Specify)	-	-	-	-	-	-	-	-	-	-
Sub-total (B)(2)	-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B)=(B)(1)+(B)(2)	-	-	-	-	-	-	-	-	-	-

C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	4900000	4900000	100.00	-	4900000	4900000	100.00	-

**ii. Shareholding of Promoters**

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	Nelco Limited	4899930	99.99	-	4899930	99.99	-	-
2.	Mr. M. Shah (Jointly With Nelco Ltd.)	10	0.01	-	10	0.01	-	-
3.	Mr. P.J.Nath (Jointly With Nelco Ltd.)	10	0.00	-	10	0.00	-	-
4.	Mr. G.V. Kirkinde (Jointly With Nelco Ltd.)	10	0.00	-	10	0.00	-	-
5.	Mr. R.B. Upadhyay (Jointly With Nelco Ltd.)	10	0.00	-	10	0.00	-	-
6.	Mr. Uday Banerjee (Jointly With Nelco Ltd.)	10	0.00	-	10	0.00	-	-
7.	Mr. Kingshuk Basak (Jointly With Nelco Ltd.)	10	0.00	-	10	0.00	-	-
8.	Mr. K. Mandal (Jointly With Nelco Ltd.)	10	0.00	-	10	0.00	-	-
	<b>Total</b>	4900000	100	-	4900000	100	-	-

**iii. Change in Promoters' Shareholding ( please specify, if there is no change)**

Sr. no		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year*	4900000	100.00	4900000	100.00
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease	NA	NA	NA	NA
	At the End of the year	4900000	100.00	4900000	100.00

**V.INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	607.57 L	-	-	607.57 L
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not	-	-	-	-
Total (i+ii+iii)	607.57 L	-	-	607.57 L
Change in Indebtedness during the financial year				
- Addition	-	-	-	-
- Reduction	-	-	-	-
Net Change	157.84 L	-	-	157.84 L
Indebtedness at the end of the financial year				
i) Principal Amount	449.73 L	-	-	449.73 L
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	449.73 L	-	-	449.73 L

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager**

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961  (b) Value of perquisites u/s 17(2) Income-tax Act,1961  (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-	-
5.	Others, please specify	-	-	-	-	-
6.	Total (A)	-	-	-	-	-
	Ceiling as per the Act	N.A.	N.A.	N.A.	N.A.	N.A.

**B. Remuneration to other directors:**

Sl. No.	Particulars of Remuneration	Name of Director	Total Amount (Rs)
	<u>Independent Directors</u> - Fee for attending board meetings (Sitting Fees)  - Commission - Others, please specify	Mrs. Hema Hattangady	1,20,000/-  - -
	Total (1)		1,20,000/-
	<u>Other Non-Executive Non Independent Directors</u> - Fee for attending board meetings  - Commission - Others, please specify	Mr. R R.Bhinge Mr. Sanjay Dube	1,40,000/- 80,000/-  - -
	Total (2)		2,20,000/-
	Total (B)=(1+2)		3,40,000/-
	Total Managerial Remuneration		3,40,000/-
	Overall Ceiling as per the Act		N.A.



**C. Remuneration to Key Managerial Personnel Other Than MD /Manager /WTD**

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961  (b) Value of perquisites u/s 17(2) Income-tax Act, 1961  (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
6.	Total	-	-	-	-

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the companies Act	Brief description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority[RD /NCLT/Court]	Appeal made. If any(give details)
<b>A. Company</b>					
Penalty			None		
Punishment					
Compounding					
<b>B. Directors</b>					
Penalty			None		
Punishment					
Compounding					
<b>C. Other Officers In Default</b>					
Penalty			None		
Punishment					
Compounding					



## **Independent Auditor's Report**

**To,  
The Members of  
TATANET SERVICES LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying (Standalone) financial statement of TATANET SERVICES LIMITED ("the Company") which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the (Standalone) Financial Statement**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these (Standalone) financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these (Standalone) financial statement based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the (Standalone) financial statement

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid (Standalone) financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its Profit and its Cash Flow for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "*Annexure A*" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - d. in our opinion, the aforesaid (Standalone) financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.



# M.H. DALAL & ASSOCIATES

CHARTERED ACCOUNTANTS

- e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements under contingent liability Refer Note 3.3 to the financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For and on behalf of  
**M.H Dalal & Associates**  
*Chartered Accountants*  
Firm's registration number: 112449W



**Devang M. Dalal**  
*Partner*  
Membership number: 109049

Place: Mahape

Date: 29 APR 2016



**“Annexure A” to the Independent Auditors’ Report**

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2016:

- 1) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.
- (c) The company has no immovable property hence, the provision of clause 1 (c ) is not applicable to company
- 2) The company has no inventory Accordingly, the provisions of clause 2 (a) & (b) of the Order is not applicable to the Company and hence not commented upon.
- 3) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (c ) of the Order are not applicable to the Company and hence not commented upon.
- 4) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) 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 the cost record under sub (1) of section 148 of the companies Act, and are the opinion that prima facie the prescribed accounts and records have been made maintained. We have, however not made a detailed examination of records with a view to determining whether they are accurate or complete.



- 7) (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Income-Tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2016 for a period of more than six months from the date on when they become payable.
- b) According to the records made available to us and the information and explanation given by management, There are no dues of income tax/Custom duty/Wealth tax, Service tax/Excise duty/cess except Sales tax, as at 31<sup>st</sup> March, 2016 which have not been deposited with the authorities on account of disputes. Sales Tax demand are pending on account of disputes are mentioned below:-

Name of the statute	Nature of dues	Amount (in Rs.)	Period to which the amount relates	Forum where dispute is pending
MVAT ACT,2005	Sales Tax	5,66,43,424	F.Y.2006-07	J.C.S.T
MVAT ACT,2005	Sales Tax	7,98,61,193	F.Y.2007-08	J.C.S.T
MVAT ACT,2005	Sales Tax	5,16,56,575	F.Y.2008-09	J.C.S.T
MVAT ACT,2005	Sales Tax	9,45,31,850	F.Y.2009-10	J.C.S.T
MVAT ACT,2005	Sales Tax	10,08,63,599	F.Y.2010-11	J.C.S.T

- 8) In our opinion and according to the information and explanations given to us, the Company has availed the loan from Zorastrian Co-op Bank . The company has not defaulted in the repayment of dues to banks.
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- 11) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- 12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.



# **M.H. DALAL & ASSOCIATES**

CHARTERED ACCOUNTANTS

- 13) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
- 15) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 16) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For and on behalf of

**M.H Dalal & Associates**

*Chartered Accountants*

Firm's registration number: 112449W



**Devang M. Dalal**

*Partner*

Membership number: 109049



Place: Mahape

Date: 29 APR 2016

**“Annexure B” to the Independent Auditor’s Report of even date on the Standalone Financial Statements of TATANET SERVICES LIMITED**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of TATANET SERVICES LIMITED (“the Company”) as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on The Internal Control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.





**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

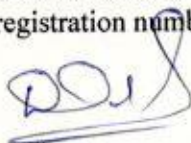
**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on The Internal Control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For and on behalf of  
**M.H Dalal & Associates**  
*Chartered Accountants*  
Firm's registration number: 112449W



**Devang M Dalal**  
*Partner*  
Membership number: 109049



Place: Mahape  
Date: 29 APR 2016

**TATANET SERVICES LIMITED**  
Balance Sheet as at 31st March 2016

(Rupees in 000')

Particulars	Note No.	As at 31.03.2016	As at 31.03.2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share Capital	4	49,000	49,000
(b) Reserves and Surplus	5	(9,735)	(32,237)
		<b>39,265</b>	<b>16,763</b>
<b>(2) Non-current liabilities</b>			
(a) Long-term borrowings	6	29,350	45,134
(b) Other Long term liabilities	7	111,032	113,032
		<b>140,382</b>	<b>158,166</b>
<b>(3) Current liabilities</b>			
(a) Short Term borrowings	8	10,367	-
(a) Trade Payables		95,133	71,908
(b) Other Current liabilities	9	119,223	82,419
		<b>224,723</b>	<b>154,328</b>
<b>TOTAL</b>		<b>404,370</b>	<b>329,257</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
<b>(a) Fixed assets</b>			
(i) Tangible Assets	10	102,901	134,279
(ii) Intangible Assets	10	3,543	4,372
(iii) Capital work-in-progress	10	55,910	-
(b) Non-current investments	11	50	50
(c) Deferred tax assets (net)	3.4	5,200	-
(d) Long-term loans and advances	12	93,498	93,412
(e) Other non-current assets	13	61	183
		<b>261,161</b>	<b>232,297</b>
<b>(2) Current assets</b>			
(a) Trade receivables	14	101,325	47,011
(b) Cash and cash equivalents	15	5,235	16,561
(c) Short-term loans and advances	16	21,427	26,557
(d) Other current assets	17	15,222	8,832
		<b>143,209</b>	<b>96,960</b>
<b>TOTAL</b>		<b>404,370</b>	<b>329,257</b>

Significant Accounting Policies & Notes to Accounts

1, 2 & 3

In terms of our report attached

For and on behalf of the Board

For M H Dalal & Associates

Chartered Accountants

Firm Registration Number: 112449W

Devang M Dalal

Partner

Membership No: 109049

Place: Mahape

Date: 29th April, 2016



*R.R. Bhinge*

R.R. Bhinge  
Director  
DIN: 00036557

*P. J. Nath*

P. J. Nath  
Director  
DIN: 05118177

**TATANET SERVICES LIMITED**  
**Statement of Profit & Loss for the year ended 31st March 2016**

(Rupees in 000', except per share data)

Particulars	Note No.	For the year ended 31.03.2016	For the year ended 31.03.2015
I. Revenue from Operations	18	690,837	508,214
II. Other Income	19	3,952	49
III. <b>Total Revenue (I + II)</b>		<b>694,789</b>	<b>508,262</b>
IV. <b>Expenses:</b>			
Operating Expenses	20	574,019	442,687
Finance Costs	21	23,717	23,613
Depreciation and Amortization expense	10	41,064	41,888
Other Expenses	22	33,487	38,748
<b>Total expenses</b>		<b>672,287</b>	<b>546,937</b>
V. <b>Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>22,502</b>	<b>(38,675)</b>
VI. Exceptional items		-	-
VII. <b>Profit before extraordinary items and tax (V - VI)</b>		<b>22,502</b>	<b>(38,675)</b>
VIII. Extraordinary Items		-	-
IX. <b>Profit before tax (VII- VIII)</b>		<b>22,502</b>	<b>(38,675)</b>
X Tax expense:			
(1) Current tax		5,200	-
(2) Deferred tax		(5,200)	-
XI <b>Profit (Loss) for the period from continuing operations (IX-X)</b>		<b>22,502</b>	<b>(38,675)</b>
XII <b>Profit (Loss) for the period</b>		<b>22,502</b>	<b>(38,675)</b>
XIII <b>Earnings per equity share:</b>			
(1) Basic	3.1	4.59	(7.89)
(2) Diluted	3.1	4.59	(7.89)

Significant Accounting Policies & Notes to Accounts

1, 2 & 3

In terms of our report attached

For and on behalf of the Board

For M H Dalal & Associates  
Chartered Accountants  
Firm Registration Number: 112449W

Devang M Dalal  
Partner  
Membership No: 109049

Place: Mahape  
Date: 29th April, 2016



*R.R. Bhinge*

R.R. Bhinge  
Director  
DIN: 00036557

*P. J. Nath*

P. J. Nath  
Director  
DIN: 05118177

# TATANET SERVICES LIMITED

## Cash Flow Statement for the year ended 31st March, 2016

(Rupees in 000')

		For the year ended 31.03.2016		For the year ended 31.03.2015
<b>A. Cash flow from operating activities</b>				
<b>NET PROFIT / (LOSS) BEFORE TAX</b>		22,502		(38,675)
<b>ADJUSTED FOR</b>				
Finance Costs	23,717		23,613	
Dividend Income on Long Term Investment	-		(8)	
Depreciation and Amortisation	41,064		41,888	
		64,782		65,494
<b>OPERATING PROFIT/ (LOSS) BEFORE WORKING CAPITAL CHANGES</b>		<b>87,283</b>		<b>26,820</b>
<b>Changes in working capital</b>				
<b>Adjustments for increase / (decrease) in operating assets:</b>				
Trade Receivables	(54,314)		(4,793)	
Short Term Loans & Advances	5,131		(2,201)	
Long Term Loans & Advances	(84)		(43,697)	
Other non-current assets	122		122	
Other current assets	(8,391)		(4,058)	
<b>Adjustments for increase / (decrease) in operating liabilities:</b>				
Trade Payables	23,225		9,557	
Other current liabilities	(8,216)		35,291	
		(42,529)		(9,778)
<b>CASH GENERATED / (USED IN) FROM OPERATIONS</b>		<b>44,754</b>		<b>17,042</b>
Direct taxes paid		(5,200)		-
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>		<b>39,554</b>		<b>17,042</b>
<b>B. Cash flow from investing activities</b>				
Purchase of fixed assets		(19,746)		(35,218)
<b>NET CASH FLOW (USED) IN INVESTING ACTIVITIES (B)</b>		<b>(19,746)</b>		<b>(35,218)</b>
<b>C. Cash flow from financing activities</b>				
Term Loan from Zoroastrian Bank / (Repayment)		(15,784)		18,846
Issue of Equity Shares to Nelco Ltd		-		48,400
Proceeds from Short Term Borrowings		70,028		-
Repayment of Short Term Borrowings		(59,661)		-
Dividend Income on Long Term Investment		-		8
Security Deposit received from Nelco Ltd		20,000		27,500
Security Deposit refunded to Nelco Ltd		(22,000)		(48,400)
Finance Costs		(23,717)		(23,613)
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>		<b>(31,134)</b>		<b>22,740</b>
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>		<b>(11,326)</b>		<b>4,564</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR</b>		<b>16,561</b>		<b>11,997</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>		<b>5,235</b>		<b>16,561</b>
		<b>(11,326)</b>		<b>4,564</b>

In terms of our report attached

For and on behalf of the Board

For M H Dalal & Associates  
Chartered Accountants  
Firm Registration Number: 112449W

**Devang M Dalal**  
Partner  
Membership No: 109049

Place: Mahape  
Date: 29th April, 2016



*R.R. Bhinge*

**R.R. Bhinge**  
Director  
DIN: 00036557

*P. J. Nāth*

**P. J. Nāth**  
Director  
DIN: 05118177

## NOTES TO ACCOUNTS

### 1. Corporate information

Tatanet Services Limited (TNSL) is a 100% subsidiary of Nelco Limited (a subsidiary of Tata Power Company Limited)

TNSL is in the business of providing connectivity services to Closed User Group (CUG) networks using satellite bandwidth through VSAT's at customer premises equipment and central hub at Mahape under the VSAT Commercial License and also provides Internet Services under the PAN India ISP License

### 2. Significant Accounting Policies

#### 2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 2013.

#### 2.2 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### 2.3 Fixed Assets, Depreciation & Amortization

- 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.

Foreign Exchange (loss)/gain is amortized over a period of the balance life of the fixed assets as per amended AS-11 dated 31.03.2009

- b) Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule II Part "C" (Section 123) to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under:

VSAT remotes: Depreciation on VSAT remotes is provided on the straight line method over the useful life as estimated by the Management. The Management estimates the useful life to be 5 years.



Intangible assets are amortized over their useful life as follows:

- License Fees – VSAT : 20 years (7 years remaining as at the Balance sheet date)
- License Fees – ISP : 15 years (7 years remaining as at the Balance sheet date)
- Testing Software : 5 years (3 years remaining as at the Balance sheet date)

#### 2.4 Revenue Recognition

Sales from services are recognized on rendering of services to the customers.

#### 2.5 Income Taxes

- Current Tax:** Provision for Income Tax is determined in accordance with the provisions of the Income Tax Act 1961.
- 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)

#### 2.6 Segment Reporting

As per AS- 17, a segment can be either a Business Segment or a Geographical Segment.

**Business Segment** is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments

**Geographical Segment** is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Revenues from provision of VSAT Bandwidth and Internet Service does not constitute a segment whether business or geographical within the meaning of segment as per AS-17

#### 2.7 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on date of transaction. Monetary items are translated at the year-end rates. Any premium or discount arising at the inception of a forward exchange contract is recognised as income or expense over the life of contract.



### 3. Notes to Accounts (All figures are rupees in 000' except per share data)

#### 3.1 Earnings per share (EPS)

	2015-16 12 mths	2014-15 12 mths
a) Weighted Average Number of Shares at the beginning and end of the period (Nos.)	49,00,000	49,00,000
b) Net Profit / (Loss) after Tax available for Equity Share holders	22,502	(38,675)
c) Basic and diluted earnings Per Share (Rupees) – Face value	4.59	(7.89)

#### 3.2 Value of Imports calculated on CIF basis

Particulars	2015-16 12mths	2014-15 12mths
i) Capital Goods	46,109	30,566

#### 3.3 Contingent Liabilities:

		Rs in '000	
	Particulars	2015-16	2014-15
a)	Claims against the company not acknowledged as debt comprises of:		
	i) Sales Tax claims disputed by the company relating to issues of applicability	3,83,557	3,83,557
	Future cash outflows in respect of above matters are determinable only on receipt of judgments/ decisions pending at various forums / authorities		

#### 3.4 Major components of Deferred Tax Assets/ (Liabilities) are:

	2015-16	2014-15
<b><u>Deferred Tax Assets</u></b>		
(a) Provision for Doubtful Debts ***	1,168	2,205
(b) Difference between Book and IT Block ***	13,534	8,352
Less: - <b><u>Deferred Tax Liability</u></b>		



(a) Difference between Book and Income Tax  
Depreciation

Net Deferred Tax Assets / (Liabilities)

5,200

**Note: \*\*\*** Deferred Tax assets are recognized only to the extent that there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Since the company doesn't have a virtual certainty that sufficient future taxable income will be available, deferred tax asset has been recognized to the extent of provision for taxation of Rs. 52 Lakhs. The Deferred Tax asset of Rs. 1168 ('000) has been utilized fully and balance of Rs. 4032 ('000) is utilized against point (b) above.

**3.5 Auditor's Remuneration:**

The Auditor's Remuneration as appearing in Note 22 – Other Expenses is the amount payable to Auditor as follows:

	2015-16 12 mths	2014-15 12 mths
As Auditor	165	130
For Taxation Matters	65	93
For other services	35	42
For reimbursement of expenses	00	60
<b>TOTAL</b>	<b>265</b>	<b>325</b>

**3.6 Related Party Disclosure**

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

**Details of related parties:**

Description of relationship	Names of related parties
Ultimate Holding Company	Tata Power Company Limited
Holding Company	Nelco Limited
Key Management Personnel (KMP)	1. Mr. R.R. Bhinge 2. Mr. Sanjay Dube 3. Mrs. Hema Hattangady 4. Mr. P. J. Nath 5. Mr. Uday Banerjee

\*\*\* Note: Related parties have been identified by the Management.





Transactions with the related parties as identified above are as follows:

Period 01.04.2015 to 31.03.2016

Details of Related Party Transactions

(Rupees in  
000')

Sr.No.	Particulars	Nelco Limited	Directors
1)	<b>Purchases :</b>	-	-
a)	Goods	-	-
b)	Fixed Assets	-	-
c)	Expenses	2,03,818	-
		(1,68,320)	-
2)	<b>Investments :</b>	-	-
a)	Sale of Investment	-	-
3)	<b>Deputation of Personnel :</b>		
	To Related Parties	-	-
4)	<b>Finance :</b>		
a)	Inter Corporate Loans taken	-	-
b)	Inter Corporate Loans Repayment	-	-
c)	Interest Paid on Deposit	12,816	-
		(15,994)	-
d)	Security Dep. received during the period	20,000	-
		(18,300)	-
e)	Security Dep. paid during the period	22,000	-
		(39,200)	-
5)	Guarantees and collaterals recd/(refunded)	1,07,500	-
		-	-
6)	<b>Other Transactions :</b>		
a)	Reimbursements made to parties	-	-
		(4,734)	-
b)	Reimbursements received from parties	-	-



		-	-
c)	Directors Sitting Fees	-	340
			(120)
7)	<b>Balance o/s as on 31.03.2016</b>		
a)	Creditors (Net)	60,794	-
		(36,695)	-
b)	Debtors (Net)	-	-
		-	-
c)	Inter Corporate Loans	-	-
		-	-
d)	Interest Accrued, but not due	-	-
e)	Deposits received	1,11,032	-
		(1,13,032)	-
f)	Guarantees and collaterals	3,07,500	-
		(2,00,000)	-
g)	Other Recoverable	-	-
		-	-

Note : Figures in brackets pertain to the previous period of 12 months  
i.e. (April 2014 to March 2015)

### 3.7 Foreign Currency Outgo:

		2015-16	2014-15
		Amount in Foreign Currency	
Particulars	Foreign Currency	Twelve Mths	Twelve Mths
Paid	USD	64,566	4,98,700
Paid	EUR	10,000	3,700
Paid	GBP	1,335	0
Paid	AUD	1,796	1,994

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

As at 31 March, 2016		As at 31 March, 2015	
Particulars	(Payable) in Foreign currency	Particulars	(Payable) in Foreign currency
Payable	US\$ Nil	Payable	US\$ 13,700



### 3.8 Capital & Other Commitments

	2015-16	2014-15
	12mths	12mths
Estimated amount of contracts remaining to be executed on <b>Capital account</b> and not provided for (net of advances paid)	Nil	Nil
Estimated amount of contracts remaining to be executed on <b>other account</b> and not provided for (net of advances paid)	1,755	532

### 3.9 Effect of Amended AS-11 on the loss for the year ending 31.03.2016

Tatanet Services Limited had chosen to avail option to the Amended AS 11 relating to the effects of changes in Foreign Exchange Rates notified under the Companies Accounting Standard Rules 2009 whereby foreign exchange fluctuations pertaining to fixed assets/Capital Work in Progress are capitalized and depreciated over the remaining useful life of the fixed asset.

On account of this, depreciation for the period is higher by Rs. 14 (000') - resulting in the profit for the period being lower by Rs. 14 (000')

### 3.10 Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act):

There are no Micro and Small Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006, to whom the company owes dues which are outstanding for more than 45 days as at 31<sup>st</sup> March, 2016. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

3.11 Previous year's figures have been re-stated wherever necessary to conform to current year's classification.

As per our report attached

For and on behalf of the Board


For M. H. Dalal & Associates  
Chartered Accountants



  
Devang M. Dalal  
Partner  
M No: 109049

Mumbai - 29.04.2016

  
R. R. Bhinge  
Director  
DIN: 00036557

  
P. J. Nath  
Director  
DIN: 05118177

**TATANET SERVICES LIMITED****Note 4**

(Rupees in 000')

Share Capital	As at 31.03.2016		As at 31.03.2015	
	Number	AMT	Number	AMT
<b>Authorised:-</b>				
Non-Cumulative Redeemable Preference Shares of Rs.100/- each	-	-	-	-
Equity Shares of Rs. 10/- each	5,000,000	50,000	5,000,000	50,000
<b>TOTAL</b>	<b>5,000,000</b>	<b>50,000</b>	<b>5,000,000</b>	<b>50,000</b>

<b>Issued, Subscribed &amp; Paid up:-</b>				
Equity Shares of Rs. 10/- each fully paid	4,900,000	49,000	4,900,000	49,000
<b>TOTAL</b>	<b>4,900,000</b>	<b>49,000</b>	<b>4,900,000</b>	<b>49,000</b>

**Note 4.1**

Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Equity Shares		Preference Shares	
	Number	Number	Number	Number
	31.03.16	31.03.15	31.03.16	31.03.15
Shares outstanding at the beginning of the year (6000 Equity Shares of Rs. 100/- each have been reclassified into 60000 Equity Shares of Rs. 10/- each)	4,900,000	60,000	-	-
Shares Issued during the period	-	4,840,000	-	-
Shares bought back during the period	-	-	-	-
Shares outstanding at the end of the period	4,900,000	4,900,000	-	-

**Note 4.2**

Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates:

Name of Shareholder	As at 31st March 2016		As at 31 March 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Nelco Limited - Holding Company	4,900,000	100%	4,900,000	100%



**TATANET SERVICES LIMITED****Note 5**

(Rupees in 000')		
Reserves & Surplus	As at 31.03.2016	As at 31.03.2015
<b>Surplus</b>		
Opening Balance	(32,237)	15,797
<b>Add / (Less):</b>		
Adjustment in retained earnings	-	(9,359)
<b>Add / (Less):</b>		
Profit/(Loss) for period	22,502	(38,675)
<b>TOTAL</b>	<b>(9,735)</b>	<b>(32,237)</b>

**Note 6**

(Rupees in 000')		
Long Term Borrowings	As at 31.03.2016	As at 31.03.2015
<b>(a) Term Loan from Bank</b>		
Secured - Considered Good		
From The Zoroastrian Co-op Bank Ltd	29,350	45,134
(Term of Payment: Payable in 5 years)		
(Secured by hypothecation by way of first charge on the Equipments purchased out of the Bank's Term Loan and Corporate Guarantee of the Parent Company - Nelco Ltd)		
<b>TOTAL</b>	<b>29,350</b>	<b>45,134</b>

**Note:** For the current maturities of long-term borrowings, refer item (a) in Note 9-Other current liabilities.

**Note 7**

(Rupees in 000')		
Other Long Term Liabilities	As at 31.03.2016	As at 31.03.2015
<b>(b) Deposits</b>		
Unsecured - Considered Good		
(i) Security Deposit from Holding Company - Nelco Limited	111,032	113,032
<b>TOTAL</b>	<b>111,032</b>	<b>113,032</b>



**TATANET SERVICES LIMITED****Note 8**

Short term borrowings	(Rupees in 000')	
	As at 31.12.2015	As at 31.03.2015
<b>(a) Loans repayable on demand</b>		
From Axis Bank Limited (Overdraft)		
Secured	10,367	-
(Security: First hypothecation charge over fixed assets and negative lien on the VSAT License, first charge on current assets of the company & Corporate Guarantee from Nelco Ltd)		
<b>TOTAL</b>	<b>10,367</b>	<b>-</b>

**Note 9**

Other Current Liabilities	(Rupees in 000')	
	As at 31.03.2016	As at 31.03.2015
(a) Current maturities of Long-Term debt	15,623	15,623
(b) Income received in advance	48,221	56,496
(c) Other payables		
(i) Statutory remittances		
(a) Tax deducted at source	2,629	2,668
(ii) On purchase of fixed assets	52,399	7,379
(iii) D.O.T Revenue Share	351	254
<b>TOTAL</b>	<b>119,223</b>	<b>82,419</b>



TATANET SERVICES LIMITED

Note 10

	FIXED ASSETS					Gross Block				Accumulated Depreciation				NET BLOCK	
	Balance as at 01.04.2015	Additions/ (Disposals)	Capitalisation of Exchange (Gain)/ Loss	Deductions	Balance as at 31.03.2016	Balance as at 01.04.2015	Depreciation for the year ended 31.03.2016	Depreciation on Capitalisation of Exchange (Gain)/Loss	Adjustment	Note	Balance as at 31.03.2016	Balance as at 31.03.2016			
I															
	403,790	8,212	-	-	412,002	270,758	39,907	10	-		310,675	101,326			
	(369,731)	(33,976)	(83)	-	(403,790)	(220,385)	(41,013)	(2)	(9,359)	***	(270,758)	(133,031)			
	952	598	-	-	1,549	71	171	-	-		242	1,307			
	(952)	(952)	-	-	(952)	-	(71)	-	-		(71)	(880)			
	443	47	-	-	490	75	148	-	-		222	267			
	-	(443)	-	-	(443)	-	(75)	-	-		(75)	368			
II															
	3,000	-	-	-	3,000	1,950	150	-	-		2,100	900			
	(3,000)	-	-	-	(3,000)	(1,800)	(150)	-	-		(1,950)	(1,050)			
	2,000	-	-	-	2,000	928	133	-	-		1,061	939			
	(2,000)	-	-	-	(2,000)	(795)	(133)	-	-		(928)	(1,072)			
	2,729	-	-	-	2,729	479	543	3	-		1,024	1,705			
	(1,848)	(865)	(16)	-	(2,729)	(34)	(444)	(1)	-		(479)	(2,251)			
	<b>412,913</b>	<b>8,857</b>	-	-	<b>421,770</b>	<b>274,261</b>	<b>41,051</b>	<b>14</b>	-		<b>315,326</b>	<b>106,444</b>			
	(376,579)	(36,235)	(99)	-	(412,913)	(223,014)	(41,886)	(3)	(9,359)		(274,261)	(138,652)			
III															
												<b>55,910</b>			

Figures given in the bracket indicate figures as on 31.03.2015



**TATANET SERVICES LIMITED****Note 11**

(Rupees in 000')

Non-Current Investments	As at 31.03.2016	As at 31.03.2015
(a) Non-Trade - Unquoted Investment in equity shares (i) of The Zoroastrian Bank Ltd (2,000 shares of Rs 25/- each fully paid up as per the terms of the sanction letter of The Zoroastrian Co-op Bank Ltd)	50	50
<b>TOTAL</b>	<b>50</b>	<b>50</b>

**Note 12**

(Rupees in 000')

Long Term Loans and Advances	As at 31.03.2016	As at 31.03.2015
(a) Security deposits		
(i) Caution Deposit with Antrix Corporation Limited Unsecured, considered good	-	12,014
	-	<b>12,014</b>
(b) Advance Tax (Net of Provision) Unsecured, considered good	93,496	81,398
<b>TOTAL</b>	<b>93,496</b>	<b>93,412</b>

**Note 13**

(Rupees in 000')

Other Non-Current Assets	As at 31.03.2016	As at 31.03.2015
(a) Others Unamortised portion of Term Loan Processing fees	61	183
<b>TOTAL</b>	<b>61</b>	<b>183</b>





**TATANET SERVICES LIMITED****Note 14**

(Rupees in 000')

Trade Receivables	As at 31.03.2016	As at 31.03.2015
(a) Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
- Unsecured, Considered Good	4,138	521
- Considered Doubtful	3,533	6,797
Less: Provision for Doubtful Debts	3,533	6,797
	<b>4,138</b>	<b>521</b>
(b) Other Trade receivables		
- Unsecured, Considered Good	97,187	46,489
- Considered Doubtful	-	-
Less: Provision for Doubtful Debts	-	-
	<b>97,187</b>	<b>46,489</b>
<b>TOTAL</b>	<b>101,325</b>	<b>47,011</b>

**Note 15**

(Rupees in 000')

Cash and Bank Balances	As at 31.03.2016	As at 31.03.2015
(a) Balances with Bank		
(i) In current accounts	5,235	16,561
<b>TOTAL</b>	<b>5,235</b>	<b>16,561</b>



**TATANET SERVICES LIMITED****Note 16**

(Rupees in 000')		
Short Term Loans & Advances	As at 31.03.2016	As at 31.03.2015
<b>(a) Prepaid Expenses</b>		
Secured, considered good	3,432	10,101
<b>(b) Security Deposits</b>		
Secured, considered good	59	322
	<b>3,491</b>	<b>10,423</b>
<b>(c) Balance with government authorities</b>		
<b>(i) Service Tax credit receivable</b>		
Unsecured, considered good	13,681	13,177
<b>(ii) Cenvat Credit</b>		
Unsecured, considered good	1,798	2,313
	<b>15,478</b>	<b>15,490</b>
<b>(d) Others</b>		
SACFA Deposits	2,458	644
	<b>2,458</b>	<b>644</b>
<b>TOTAL</b>	<b>21,427</b>	<b>26,557</b>

**Note 17**

(Rupees in 000')		
Other Current Assets	As at 31.03.2016	As at 31.03.2015
<b>(a) Unbilled Revenue</b>	15,222	6,832
<b>TOTAL</b>	<b>15,222</b>	<b>6,832</b>



**TATANET SERVICES LIMITED****Note 18**

(Rupees in 000')

Revenue from Operations	For the year ended 31.03.2016	For the year ended 31.03.2015
<b>(a) Sale of Services</b>		
VSAT Bandwidth Services	690,241	507,476
Internet Services	596	738
<b>TOTAL</b>	<b>690,837</b>	<b>508,214</b>

**Note 19**

(Rupees in 000')

Other Income	For the year ended 31.03.2016	For the year ended 31.03.2015
<b>(a) Interest Income</b>		
Interest received on Income Tax Refund	3,934	-
<b>(b) Dividend Income</b>		
On Shares of The Zoroastrian Co-op Bank	-	8
<b>(c) Other Income</b>		
Interest on FD with Bank	17	41
<b>TOTAL</b>	<b>3,952</b>	<b>49</b>



**TATANET SERVICES LIMITED****Note 20**

Operating Expenses	(Rupees in 000')	
	For the year ended 31.03.2016	For the year ended 31.03.2015
Licence Fees to D.O.T (As Revenue Share)	83,789	60,956
Transponder Charges	276,983	205,345
Connectivity Charges	8,972	7,636
ISP Monitoring & Support Charges	325	325
Internet Charges	800	425
Network Management Fees	132,049	115,200
Marketing Services Fees	71,101	52,800
<b>TOTAL</b>	<b>574,019</b>	<b>442,687</b>

**Note 21**

Finance Costs	(Rupees in 000')	
	For the year ended 31.03.2016	For the year ended 31.03.2015
Interest Expense		
(i) On borrowings	18,787	21,352
(ii) Other Interest	2,250	31
Other Borrowing Costs*	2,681	2,230
<b>TOTAL</b>	<b>23,717</b>	<b>23,613</b>

\* Note - Other borrowing cost includes bank charges for guarantees and loan processing



**TATANET SERVICES LIMITED**

**Note 22**

Other Expenses	(Rupees in 000')			
		For the year ended 31.03.2016		For the year ended 31.03.2015
Power and fuel		2,034		5,012
Space Charges (Rent)		10,450		6,781
Repairs to machinery		5,014		4,731
Migration Charges		2,000		10,520
Insurance		137		114
Expenses for increase in Share Capital		48		568
Directors Sitting Fees		340		120
<b>(i) Miscellaneous expenses,</b>				
Provision for Doubtful Debts		(401)		3,223
Bad Debts Written Off	3,332		3,533	
Less: Prov for Doubtful Debts made in earlier years	3,332	-	3,533	
Professional & Legal Charges		4,965		-
Auditors Remuneration (Refer Note No 3.5)		265		3,026
Commission		6,459		325
Other Expenses		2,175		2,757
				1,573
<b>TOTAL</b>		<b>33,487</b>		<b>38,748</b>



*(Handwritten signature)*