



## TOUCHING & TRANSFORMING LIVES



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

|                        |                                    |
|------------------------|------------------------------------|
| Mr. Manoj G. Tirodkar  | Chairman                           |
| Mr. N. Balasubramanian | Vice Chairman                      |
| Mr. Vinod Agarwala     | Director                           |
| Dr. Anand Patkar       | Director                           |
| Mr. Vivek Kulkarni     | Director (upto September 27, 2012) |
| Mr. Charudatta K. Naik | Director                           |
| Mr. Milind Naik        | Whole-time Director & Co-COO       |
| Mr. Satya Pal Talwar   | Director                           |
| Mr. Vijay M. Vij       | Director                           |

### COMPANY SECRETARY

Mr. Nitesh A. Mhatre

### JOINT AUDITORS

Chaturvedi & Shah, Chartered Accountants  
Yeolekar & Associates, Chartered Accountants

### LIST OF LENDERS

|                       |                                     |                          |
|-----------------------|-------------------------------------|--------------------------|
| Andhra Bank           | Dena Bank                           | State Bank of India      |
| Axis Bank             | IDBI Bank                           | State Bank of Patiala    |
| Bank of Baroda        | Indian Bank                         | State Bank of Travancore |
| Bank of India         | Indian Overseas Bank                | Union Bank of India      |
| Canara Bank           | Life Insurance Corporation of India | United Bank of India     |
| Central Bank of India | Oriental Bank of Commerce           | Vijaya Bank              |
| Corporation Bank      | Punjab National Bank                |                          |
| DEG, Germany          | State Bank of Bikaner and Jaipur    |                          |

### REGISTERED OFFICE

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## Dear Shareholder,

The telecom sector which was going through troubled times, has started seeing signs of revival. The recent policy announcements of allowing 100 % FDI in telecom, giving infrastructure status to telecom and the various announcements pertaining to bringing in fresh investments into the Indian economy should improve the business climate moving forward.

Despite the negative developments like the cancellation of 2G licenses and the exit of certain telecom players, we have more or less maintained our revenue and EBITDA margins.

Post the proposed merger of Chennai Network Infrastructure Limited with GTL Infrastructure, to be approved by all the competent authorities and becoming effective, the operational and financial highlights for the year ending March 31, 2013 would be as follows:

### Operational snapshot (on combined basis)

- No. of towers after considering the impairment of assets due to cancellation of 2G licenses are 29,432
- No. of tenants are 39,782

### Financial snapshot (on combined basis)

- Revenue is ₹ 1,458.55 Cr.
- EBITDA is ₹ 757.43 Cr.
- EBITDA margin of 51.93 %

### Debt Restructuring

We had completed the restructuring of debt from Banks and Financial Institutions last year and completed restructuring of Foreign Currency Convertible Bonds (FCCB) this year, the details of which are available in the Directors' Report.

### Industry Outlook

India is still one of the fastest growing telecom markets, with substantial scope for increasing the penetration of Internet and Broadband networks. We envisage the following factors to be the demand drivers for the tower industry:

#### (a) Expansion by existing Operators

Clarity of telecom policy may lead to much awaited capital inflow in telecom sector. For example the recent policy announcement of 100 % FDI in telecom should help. Also, the much awaited new telecom policy should be able to spur the consolidation among the industry and growth of the industry. Existing Operators are likely to expand their networks into additional circles, such as Class B and C circles for their growth. The launching of new services is expected to create demand for co-location on towers in these areas. This will increase the demand for the telecom towers.

#### (b) Increase in usage of data services

The 3G license winners have started providing data services on 3G networks. However, the demand for such services was low because of higher tariffs and high cost of 3G enabled smart phones. We expect that the demand for such services will increase since many of the operators have launched attractive tariff plans and the cost of smart phone handsets has decreased. Since 3G operates on higher frequency, the demand for towers is higher for 3G networks as compared to 2G networks.

BWA operators have yet to start rolling out networks. We expect that they will start rolling out new networks within the next 12 months in all metros and other A and B class cities. This will lead to increase in demand for towers in metros and large towns.

#### (c) Rural Expansion

With teledensity in metros already crossing 100 % mark it has become inevitable for the operators to approach the rural market for further growth. As the ARPU is low in rural markets, the operators are opting for sharing of passive infrastructure to bring down both capital as well as operational expenditure.

### Strategy

#### Maximize use of existing tower capacity

Our goal is to increase per tower revenue and cash flows. This can be done only by increasing occupancy on the towers. Rural expansion by incumbent operators, and 3G, BWA license winners are expected to drive tenancy growth as they have launched in very limited geographical areas

for the time being. In coming years, when the licenses for 4G services are issued, we expect that 4G will further drive tenancy on our towers.

#### **Minimize capital expenditure**

We consider building new towers only if we have order from at least two operators for the same. This will ensure that we incur minimum capital expenditure and generate quicker returns.

#### **Increasing efficiency and reducing operational cost**

We intend to improve our returns on our tower portfolio by entering into arrangement with other players in the industry on bilateral basis for single tenant towers.

We are also in the process of rationalizing our tower portfolio to reduce operating cost. We will reduce the overlap between GTL Infra and acquired towers from Aircel. We are also planning to monetize some unoccupied towers.

For maintaining better network uptime and serving our customers, we have centralized our network operations at Pune and also restructured our

organization. Our employees have also offered their support by accepting pay cuts in the range of 10–20 % and letting go of their several benefits and incentives.

#### **The Road Ahead**

We expect that the policy clarity from the Government, the growth of 3G and 4G networks to be growth drivers for the telecom infrastructure business in the medium to long term.

For all that our Company has accomplished over the years, we would like to thank all our stakeholders, customers, financial institutions, partners and employees for their unwavering interest and support and look forward for the same in future.



Place : Mumbai

Date : May 9, 2013

**Manoj G. Tirodkar**

Chairman

## INDUSTRY STRUCTURE AND DEVELOPMENT

GTL Infra is in the business of providing telecom towers to the operators on shared basis.

### Indian Telecom Industry

The Indian Telecom Industry is the 3<sup>rd</sup> largest in the world and the second largest among the emerging economies of Asia. The Indian Telecommunication industry has experienced stupendous growth in the last decade. The telecom industry has shown marginal decrease in subscriber base in the last year. The number has decreased to 861.66 Mn. subscribers at end of February 2013 as against 919.17 Mn. at the end of March 2012, registering a de-growth of 6.26 %. The share of urban subscribers that was giving higher average revenue per user has declined to 60.50 % in February 2013 from 64.83 % in March 2012 whereas share of Rural subscribers has increased to 39.50 % in February 2013 from 35.17 % in the month of March 2012. With this, the overall Teledensity in India has fallen to 70.42 at the end of February 2013. Revenues from operations have also not increased, due to cut throat competition in the offering tariff.

While the mobile subscriber base has seen a fall, the Average Revenue Per User (ARPU) has also steadily declined as competing operators offer cheaper tariffs; at the same time usage levels have remained reasonably high thus slowing the decline in revenues. The Financial year 2012–13 could be termed as de-growth year in the history of Indian telecom industry faced with the consequences of corruption, pricing war, regulatory uncertainty and over competition which lowered the investors' confidence in the sector. This has had effect on the business and the growth prospects of the Tower companies who have suffered and lost on potential revenues vis-à-vis profit margins that were expected.

### Indian Telecom Tower Industry and Sharing of Telecom Towers

Telecom towers form the backbone of the wireless networks and provide last mile connectivity to subscribers. To sum up, the Indian tower space can be categorized into the following:

- Operator owned Tower companies (Bharti Infratel, Reliance Infratel, VIOM, Indus etc.)
- Independent Tower companies (GTL Infra, American Towers, Tower Vision etc.)
- In addition to this, there are towers owned by Government Operators like BSNL and MTNL

### Major Developments in the Telecom Industry

Some developments in the Telecom Sector have had negative impact on the Telecom Tower companies affecting their earnings and Growth prospects. A few crucial reasons have been listed below:

- a. Cancellation of 2G licenses by SC upheld: The licences cancellation

has lead to a halt of all 2G capital expenditure plans of Operators as the future Return on their Investments are hampered.

- b. Failed Spectrum auctions: High reserve prices set for the re-auctions of the cancelled 2G licences have resulted into a poor response from Operators with no single operator bidding for a pan India license. The March 2013 spectrum auctions saw a de-motivated response, with not even a single GSM operator participating leading to stagnation of tenancies on telecom towers.
- c. Slower 3G and BWA growth: a minimal growth in 3G and BWA revenue/subscriber targets has been achieved for which ₹ 1,20,000 Cr. had been spent by Operators towards license fees. Also, ongoing litigations over 3G roaming agreements has further introduced ambiguity in the network roll out plans.
- d. Worsening Performance of Telecom Operators: Falling subscribers and mounting operating losses with even major operators reporting consolidated losses over consecutive quarters.
- e. Difficulty to raise fresh capital: Ambiguity along with negative outlook has induced stress on the financial positions of all the companies related to Telecom along with uncertainty of the consequences of ongoing litigation in the sector have resulted into complete freeze of fresh capital outlays towards the sector.
- f. High penalties: On various counts almost every operator is facing some penalty from the regulator be it for spectrum, 3G roaming pacts, under reporting of revenues, non-compliance of KYC norms.

The Telecom sector still awaits clear policy guidelines that shall define a cohesive direction for development and growth of this industry.

Even in such a dire situation of legislative and regulatory glitches, there is hope that with continued demand for Wireless Network for voice and broadband services and the slow but sure growth in 3G and BWA roll outs expected in the near future; fresh round of capex cycle could be expected to begin, which could in turn raise the demand for Towers. There are also possibilities of 'Consolidation' amongst players in the telecom tower industry to curb the excess supply of towers and to bring down costs.

## OPPORTUNITIES AND THREATS

### Network Service Providers are scaling down their operations

The cancellation of 2G licenses has led to exit of many new entrants/operators and thus reduced the expected roll outs of new networks. Even the existing operators have scaled down their network roll out plans which has lead to less demand for towers as the demand for adding new tenancies has gone down considerably. Thus now the Telecom Tower industry suffers as the supply of towers is more than the demand for them. This is a major threat in the near future and could lead to consolidation or mergers & acquisitions amongst TowerCos.

### Consolidation among tower companies

The Indian tower industry to be profitable on a sustainable basis, needs to consolidate, just like in mature markets where not more than two or three players exist. A fewer operators will mean a better competitive environment and increased tenancies, leading to better profitability.

### Potential demand from 3G/4G operators

The Industry is seeing growth in the 3G use. The 3G spectrum which was allotted at higher frequency of 2100 Mhz requires the operators to set up more cell sites to establish 3G coverage. At this juncture the cost of funding is high and new infrastructure is capital intensive. Operators have been inching up their 2G data tariffs, while 3G data tariffs have come down by ~7x since the beginning of 2012. Thus it is estimated that non-voice revenues could become major contributors to the Operator's revenues and hence it is expected that this would result in good prospects for the telecom tower industry in the form of more tower requirements and higher sharing of towers.

### Potential demand due to Refarming of Spectrum

As the spectrum shall be refarmed from 900 MHz to 1800 MHz, well ahead of 2014 when incumbent operators need to renew their licences, it is expected to bring down the radiation emission which will in turn will increase the demand for towers upto 1.6x times the current tenancies. This in turn will benefit the TowerCos.

### Rural Expansion

As on February 2013 the overall wireless teledensity has been 70.42 as against 76.00 in March 2012. Though a fall in Teledensity majority of the telecom growth over past decade has taken place in urban areas which is 60.50 % of the total subscriber base and is seeing a fall in the wireless teledensity from 162.82 in March 2012 to 139.83 in February 2013. However, rural areas continue to be unserved market but with great potential as it is seeing a rise in the wireless teledensity from 38.33 in March 2012 to 40.01 in February 2013. The operators facing a stagnated growth in urban areas will seek to penetrate their network in rural areas with an objective of increasing their market share. While companies with good footprint in rural India could benefit from the growing demand. The tower industry plays a major role in enhancing the rural connectivity so any Tower company that already provides infrastructure and services in these rural areas will benefit from very low network operating cost. GTL Infra has a good footprint in Rural India and expects revenues to grow in the long run as a result of growth in demand from the Rural areas.

### Future growth drivers

This current slowdown is result of uncertainties in the industry due to policy paralysis and cancellation of licenses to be allotted once again. But in the light of these issues there are certain drivers that could lead to sharing of towers which are discussed below:

- Demand for Towers in future: The National Telecom Policy (NTP) has targeted 100 % tele-density and 600 Mn. broadband connections by 2020, which includes connecting 250,000 Gram Panchayats by optical fibre network. This will translate into demand for an additional 400,000 base stations and 50,000 towers with average tenancy of 2.3 at an investment of ₹ 50, 000 Cr.
- Growth of Data Services in Indian Telecom Market: In effect, the NTP is visualizing doubling the current telecom capacity and increasing its reach to 95+% of India while providing broadband level of internet capability so the BWA will see a growth in the near future. Along with that smart phones, laptops and other devices increasingly become integral to consumers' mobile experiences, mobile data demand is expected to grow between 25 and 50 times current levels within 5 years
- Launch of 4G networks: Using 4G technology, Operators such as Reliance Communication with collaboration with Reliance Jio which has the pan India licence for 4G can provide high speed data services to subscribers. The launch of these networks is expected to give further fillip to the requirement of telecom towers

## OPERATIONS

The Company is a pioneer in the telecom tower business in India and has emerged to be the largest independent and neutral telecom tower company in India by number of towers. The Company's approach towards business growth and delivery is focused on leveraging its leading position to take advantage of the growth opportunities in the fastest growing and second largest telecom market in the world.

### Operations strategy

The Company focuses on increasing the demand for its towers by providing the customers well managed tower portfolio covering all the 23 telecom circles. This is achieved by increasing the saleability of the towers which revolves around two core principles, which are as follows:

#### (A) Enhancing tenancy with minimal capital expenditure

The sudden and major slowdown in the telecom sector last year resulted into very few new towers being rolled out in the industry. With pan India network footprint and a substantial scale the Company believes that fresh rollout of towers may be limited to cater to the current demand from the operators. However the newer concepts like bartering, swapping and trading of tenancies is rapidly gaining traction among the tower companies, making fresh rollouts unnecessary.

#### (B) Increasing efficiency and reducing operational cost

The Company intends to improve returns on its tower portfolio by entering into arrangement with other players in the industry on bilateral basis for single tenant towers.

The Company is also in the process of rationalising its tower portfolio to

reduce its operating cost. The Company will reduce the overlap between its tower portfolio and CNIL tower portfolio. The Company has already impaired towers where tenancies were lost due to the cancellation of the 122 2G licenses also planning to monetize some unoccupied towers. The Company expects that these efforts will result into rationalizing its tower portfolio and saving of operational costs on these impaired towers.

## Portfolio Details

### Capacity Availability

All the telecommunication towers of the Company are configured to host multiple wireless service providers. The number of antennae its towers can accommodate varies depending on the type of tower (GBT or RTT). Generally, a GBT site can accommodate around 3–4 Operators, while a RTT site can accommodate upto 2–3 Operators. The breakup of the Company's combined tower portfolio as on March 31, 2013 across India is as shown in the table below:

| Region       | Up to March 2013 |
|--------------|------------------|
| North        | 6,245            |
| South        | 9,581            |
| East         | 8,833            |
| West         | 4,773            |
| <b>Total</b> | <b>29,432</b>    |

### Technology Independence

The Company has the unique distinction of designing and owning towers with maximum number of operators in India. These towers host operators who operate on various wireless technologies such as GSM, CDMA and WiMAX.

### Network Uptime

A key measure of the reliability of the tower network that a tower Company offers is its 'Network Uptime'. It is calculated as the ratio of the minutes that the towers are available for use for its customers in a specific period of time divided by the total number of minutes in that period.

### Tower Design & Height

In the last three years, the Company has deployed around 12 ground based tower design variants certified by the Structural Engineering Research Centre (SERC) and Indian Institute of Technology (IIT), Mumbai. These designs ensure adherence to the requirements of multi-operator equipment loading and required wind speed resistance. For roof top towers, Lattice towers or Delta / Pole structures are deployed to suit the structure of the building on which they are based, along with the regular requirements.

The height of the towers rolled out by the Company, is based on the process of height identification in keeping with 'Line of Sight' requirements of multiple Operators. Generally, the height of Company's ground based

towers are in the range of 40–60 meters, and roof top towers are in the range of 15–20 meters.

## Tower Operations

### Cellsite Operational expenditure

The major elements of tower operating expenses include monthly site rentals, Operations & Maintenance (O&M) expenses and energy & fuel expenses. Tower O&M expenses consists primarily of repairs and maintenance charges, Annual Maintenance Charges (AMC), rates & taxes and security expenses.

The energy & fuel expenses are reimbursable from Operators and are apportioned equally among all tenants. Overhead expenses for tower O&M include Selling, General and Administrative (SG&A) expenses to support the services. SG&A expenses remain almost unchanged on addition of incremental customers to our sites.

### Site Ownership

The average size of the land for ground-based and roof top towers are approximately 4,000 sq.ft. and 500 sq.ft. respectively.

Most of the land acquired by the Company for cellsite rollout is owned by third parties. These tower premises have been taken on lease or 'Leave and License' basis, wherein the agreements are for approximately 10 to 15 years and provide for escalation once in every three to five years. The Company has the right to cancel or exit the lease at any point of time.

### Site Security

The Company has site security arrangements in place for its tower sites wherever required. In case of roof top towers, the building owners generally take responsibility for maintaining security.

Ground-based towers are typically protected either by site security service arrangements with agencies which ensures security guards at all the cellsites or delegation of site security to the land lord of the cellsite premises.

### Site O&M

The Company has signed Master Service Agreement (MSA) with its customers which include the key SLA parameters of maintaining DC power availability uptime, ensuring right temperature inside the shelter and overall upkeep of the cellsite. Effective Operation and Maintenance services are key to ensuring compliance to SLA parameters and customer satisfaction. The site O&M activities include Diesel filling, Payment of energy & fuel charges, Field level maintenance, Warranty and Annual Maintenance Contract (AMC) coordination, Energy management, Remote monitoring, and Remote metering facility.

The Company has outsourced the O&M of a section of its cellsites to GTL Limited. It has set up internal supervisory teams which centrally monitor the O&M activities of each circle and collect periodic reports on the critical performance parameters.

## Power and Fuel

The Company sources power for its cellsites from local electricity boards. The supply of electricity from local and regional power grids within India is generally not adequate or reliable. Thus the Company cellsites are also equipped with batteries and diesel generator sets as back-up power arrangements. Typically, the Company passes on the power and fuel costs to its tenants, and in cases where the Company has multiple tenants at a site the total charges are apportioned among tenants. As mentioned earlier the company has signed a contract with GTL Ltd. which will bring down the energy costs at company's towers.

## Information Systems

The Company's web based software tool called 'Site Locator' allows indentifying existing GTL Infra tower nearest to the RF of the operator and thus enables effective response to customer inquiries. The Company has an Enterprise Project Management system for close monitoring of the progress of the sites during their implementation stage across India.

In addition, the Company uses Oracle Financial to make the processes of billing and accounts, efficient and accurate. The Company has implemented a nation wide portal integrating the various Management Information Systems, which provides selective access to concerned sales, planning, site implementation and O&M personnel.

## Merger of CNIL and GTL Infra

Post CDR of GTL Infra and CNIL, the financials and capital structure of both the Companies have changed substantially. Therefore the Company has decided to modify the Scheme of Arrangement and submit it afresh for the approval of the Hon'ble Courts, subject to all approvals of shareholders, CDR EG, Banks and relevant statutory authorities.

## FUTURE OUTLOOK

The Company intends to maintain its leadership position, as the leading third party Independent Telecom Tower Infrastructure Company in India. The Company plans to capitalize on the 3G & BWA rollouts by providing comprehensive and value enhanced services to the Operators in cost efficient manner. This could increase the occupancy on the tower and the Company will continue to explore organic & inorganic growth opportunities to strengthen its footprint in the Tower Infrastructure business.

Overall, the Company expects the tenancy growth to be driven by the upcoming rollouts of 3G / 4G and BWA networks and the focused expansion by operators in limited circles.

The clarity in the telecom sector, would spur the cycle of investments which would help the tower industry as well. The regulators and the government are also working on freeing the sector of the several problems it faces, through the new telecom policy.

## INTERNAL CONTROL SYSTEM

The Company has Internal Control system in place in order to achieve orderly and efficient conduct of its business, including adherence to management policies, safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

The Internal Audit Department is responsible for the internal control function in the Company. It performs audit to monitor and evaluate the effectiveness of the organization's internal control systems and their adherence to management policies and statutory requirements.

The audit coverage in the Internal Audit Department of the Company is in sync with the objectives of Internal Audit as prescribed by the Institute of Chartered Accountants of India (ICAI). The role of Internal Audit Department in the Company is as given below:

- Understanding and assessing the risks and evaluating the adequacies of the prevalent internal controls
- Identifying areas for system improvement and strengthening controls
- Ensuring optimum utilisation of the resources of the Company
- Ensuring proper and timely identification of liabilities, including contingent liabilities of the Company
- Ensuring compliance with internal and external guidelines and policies of the Company as well as the applicable statutory and regulatory requirements
- Safeguarding the assets of the Company
- Reviewing and ensuring adequacy of information systems security control
- Reviewing and ensuring adequacy, relevance, reliability and timeliness of management information system

The Internal Audit Committee meets regularly as may be required to review the functioning of internal audit setup in the Company. The Internal Audit function in the Company is monitored by the Board Audit committee with assistance from the Internal Audit Committee. The Board Audit Committee periodically reviews the audit plans, audit observations of both internal and external audits, audit coverage, risk assessment and adequacy of internal controls.

Thus effective internal controls structure has been set up in the Company to enhance organisational performance and contribute towards accomplishment of its objectives.

## HUMAN RESOURCES

We believe manpower resources at GTL Infra play an important role in providing the quality infrastructure to the telecom operators. Our manpower resources are most important assets for the Company. Human Resource (HR) function at GTL Infra ensures that a favourable work environment with multiple opportunities for leadership growth is created. The HR strategy aims at attracting, developing and retaining talent in the organization.

### Employee Profile

The employee strength of the Company stood at 310 (including CNIL) as on March 31, 2013. The Company continues to invest in resources and to recruit people through various sources.

HR at GTL Infra would continue to strive for betterment of the employees and work towards creating an environment of excellence and innovation.

## QUALITY

GTL Infra is an ISO 9001:2008 certified and is committed to providing its customers with value added services along with its core offerings. The Company has established a set of key principles and processes that ensure high level of 'Quality' along with 'Efficiency' in its services.

Quality Management System at the Company comprises of the standards & initiatives used for the execution and O&M of the sites (Passive Telecom Infrastructure) using the set of Internal & External processes. The system is made up of several processes interlinked/interfaced (software applications) including documents, work instructions, formats, resources, policies, regulations, materials, supplies, tools & equipments, which help us to transform inputs into desirable outputs.

### Project site & Process Quality

As per our philosophy, quality management is doing the right thing right the first time by way of right quality definition and quality improvement at the execution stage. This saved lot of resources in rework and maintenance and has helped the Company to save on its infrastructure provisioning cost and has boosted the Company's EBITDA Margin. This was mainly achieved through categorizing the sites based on their quality into three buckets and bringing majority of the sites under the AAA category from AA & A categories.

### Reducing non conforming sites to near zero levels

Bearing fruits from the optimum utilization of automation and process improvement initiatives like land & legal, I-mist, MIS portal & Incentive management system implemented last year.

Implementing various process improvement initiatives like IQMS (Integrated Quality Management system) which mapped the various

quality standards to the Company's quality road map

## DISCUSSION ON FINANCIALS

The Financial Year ("FY") 2012-13 marked sixth year of operations for the Company. The discussion and analysis of the 'Results of Operations' and 'Balance Sheet' that follows are based upon the Financial Statements, which have been prepared on accrual basis, in accordance with the Accounting Standards referred to in the Section 211 (3C) of the Companies Act, 1956, which have been prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and the Exchange Board of India (SEBI), to the extent applicable. For the purpose of financial analysis, the figures in Rupees for the results for FY 2012-13 and FY 2011-12 have been converted into US\$, using the following conversion rates

| Particulars                                   | FY 2012-13 (₹) | FY 2011-12 (₹) |
|-----------------------------------------------|----------------|----------------|
| Profit and Loss Account –<br>1 US\$ equals to | 54.39          | 49.95          |
| Balance sheet –<br>1 US\$ equals to           | 54.51          | 51.97          |

Note:

- Due to fluctuation in conversion rate, the figures for current financial year mentioned in US\$ Mn. are not truly comparable with those of previous year. The Exchange rates for FY 2011-12 are as per last annual report.

## SEGMENT-WISE REPORTING

The Company is predominantly in the business of providing 'Telecom Towers' on shared basis and as such there are no separate reportable segments.

## Result of Operations

### Net Income from Operations

Net Income from operations of the Company for FY 2012-13 stood at ₹ 566.39 Cr. (US\$ 104.14 Mn.) witnessing a y-o-y increase of 2.88 % as compared to ₹ 550.56 Cr. (US\$ 110.22 Mn.) in FY 2011-12.

Despite the loss in tenancies during FY 2012-13, the net income was higher, largely due to annual escalations in monthly provisioning fees.

### Other Income

The Other Income stood at ₹ 4.53 Cr. (US\$ 0.83 Mn.) in FY 2012-13 as compared to ₹ 6.61 Cr. (US\$ 1.32 Mn.) in FY 2011-12. This includes interest income, profit on sale of current investments and miscellaneous income.

**Infrastructure Operation & Maintenance cost (Net) – (Infra O&M cost)**

The Infra O&M cost consists of rentals for cell site premises, cell site security costs, cell sites operation & maintenance costs, annual maintenance charges for towers, diesel generators, and air conditioners, power & fuel expenses and its reimbursements.

The Infra O&M cost for the year ended March 31, 2013 was ₹ 197.11 Cr. (US\$ 36.24 Mn.) as compared to ₹ 183.79 Cr. (US\$ 36.79 Mn.) for the year ended March 31, 2012.

The Power & Fuel expenses comprise diesel costs and electricity charges. These are incurred by the Company, on behalf of the Telecom Operators for operating the cell sites. These expenses are reimbursable from the operators as per respective agreements.

**Employee Benefit Expense**

The 'Employee Benefit Expense' includes employee compensation costs, employees related benefits & welfare costs and Employee Stock Option Scheme (ESOS) costs. It was ₹ 18.53 Cr. (US\$ 3.41 Mn.) for FY 2012–13 as compared to ₹ 15.68 Cr. (US\$ 3.14 Mn.) for FY 2011–12.

**Other Expenses**

The 'Other Expenses' consist mainly of Legal and Professional charges, Office Rent and related expenses, Travel and Conveyance, Insurance Premium, Provision for Doubtful Debts, Advertisement and Business promotion expenses and Loss on sale of Fixed Assets.

The 'Other Expenses' stood at ₹ 71.75 Cr. (US\$ 13.19 Mn.) for FY 2012–13 as compared to ₹ 56.59 Cr. (US\$ 11.33 Mn.) for FY 2011–12 out of which the Company has provided ₹ 19.52 Cr. (US\$ 3.59 Mn.) towards doubtful debts on account of cancellation of 2G license of operators etc.

**Earnings before Interest Depreciation Tax and Amortisation (EBIDTA)**

The EBIDTA for FY 2012–13 was ₹ 279 Cr. (US\$ 51.30 Mn.) as compared to ₹ 294.50 Cr. (US\$ 58.96 Mn.) in FY 2011–12. The operating costs for a tower are relatively fixed and does not increase proportionately with additional tenancy.

| Particulars               | FY 2012–13 | FY 2011–12 | Y-o-Y change | FY 2012–13 | FY 2011–12 |
|---------------------------|------------|------------|--------------|------------|------------|
|                           | (₹ Cr.)    | (₹ Cr.)    | (%)          | (US\$ Mn.) | (US\$ Mn.) |
| Revenue                   | 566.39     | 550.56     | 2.88         | 104.14     | 110.22     |
| Less: Infra O&M           | 197.11     | 183.79     | 7.25         | 36.24      | 36.79      |
| Less: Employee Cost       | 18.53      | 15.68      | 18.18        | 3.41       | 3.14       |
| Less: Administration Cost | 71.75      | 56.59      | 26.79        | 13.19      | 11.33      |
| EBITDA                    | 279.00     | 294.50     | (5.26)       | 51.30      | 58.96      |
| EBITDA Margin             | 49.26%     | 53.49%     |              | 49.26%     | 53.49%     |

**Depreciation/Impairment and Amortization Expenses etc.**

The Depreciation/Impairment and Amortization Expenses for FY 2012–13 was ₹ 486.43 Cr. (US\$ 89.44 Mn.) as compared to ₹ 243.42 Cr. (US\$ 48.73 Mn.) in FY 2011–12.

**Impairment of Assets & Exceptional Items:**

The Company in accordance with the Accounting Standard (AS 28) issued by the Institute of Chartered Accountants of India carried out an exercise of identifying assets that may have been impaired. The Company has identified certain assets as impaired considering the impact of cancellation of 2G licenses by Hon'ble Supreme Court and due to the unfavorable telecom environment prevailing in the country. The carrying cost of these assets exceeds its recoverable value based on current estimate and accordingly an impairment of ₹ 221.14 Cr. (US\$ 40.66 Mn.) has been charged to the Profit & Loss for the year ended March 31, 2013. Similarly exceptional item represents provision of ₹ 133.21 Cr. (US\$ 24.49 Mn.).

**Finance Costs (Net)**

Finance Costs (Net) comprises of Interest expenses and Bank charges, net of Foreign Exchange Gain / Loss.

| Particulars                              | FY 2012–13     |                   | FY 2011–12     |                   |
|------------------------------------------|----------------|-------------------|----------------|-------------------|
|                                          | Amount (₹ Cr.) | Amount (US\$ Mn.) | Amount (₹ Cr.) | Amount (US\$ Mn.) |
| Interest expense – (A)                   | 347.81         | 63.95             | 392.63         | 78.60             |
| Bank Charges – (B)                       | 2.73           | 00.50             | 35.34          | 7.07              |
| <b>Total – (A+B)</b>                     | <b>350.54</b>  | <b>64.45</b>      | <b>427.97</b>  | <b>85.67</b>      |
| Foreign Exchange Gain/(Loss) (Net) – (C) | NIL            | NIL               | (0.54)         | (0.11)            |
| <b>Total – (A+ B – C)</b>                | <b>350.54</b>  | <b>64.45</b>      | <b>428.51</b>  | <b>85.78</b>      |

From July 1, 2011, the interest has been provided on effective rate of 10.75 % over the tenure of the restructuring facility in terms of the Company's financial restructuring package approved by CDR Empowered Group (CDR EG) vide its letter dated December 23, 2011 ('CDR Letter').

However, the rate of interest in the first quarter of FY 2011–12 reflects the commercial rate of interest which is higher than the effective rate of interest as per CDR letter.

In view of the above, the aggregate annual interest for FY 2012–13 shows a dip against that of FY 2011–12.

## Balance Sheet items

### Shareholder's Funds

#### Paid up Share Capital

The paid up Share Capital of the Company was at ₹ 2,306.80 Cr. (US\$ 423.19 Mn.) as on March 31, 2013 as compared to previous year ₹ 957.35 Cr. (US\$ 184.21).

| Particulars                              | Amount<br>(₹ Cr.) | Amount<br>(US\$ Mn.) |
|------------------------------------------|-------------------|----------------------|
| Equity Capital (As on April 1, 2012)     | 957.35            | 175.63               |
| Add: Conversion of FCCBs                 | 397.51            | 72.92                |
| Add: Conversion of CCDs                  | 951.94            | 174.64               |
| Equity Capital<br>(As on March 31, 2013) | 2,306.80          | 423.19               |

#### Reserves & Surplus

As on March 31, 2013, Reserves & Surplus of the Company had a debit balance of ₹ 663.18 Cr. (US\$ 121.66 Mn.). The movement in the Reserves and Surplus during FY 2012–13 is as follows:

| Particulars                                                           | Amount<br>(₹ Cr.) | Amount<br>(US\$ Mn.) |
|-----------------------------------------------------------------------|-------------------|----------------------|
| Reserves & Surplus (As on April 1, 2012)                              | 309.79            | 56.83                |
| Add: Securities premium account                                       | (279.46)          | (51.27)              |
| Add: Employee Stock option Outstanding (Net)                          | 0.32              | 0.06                 |
| Add: Foreign Currency Monetary Item<br>Translation Difference Account | (7.19)            | (1.32)               |
| Add: Deficit for the current Year                                     | 686.64            | 125.96               |
| Reserves & Surplus (as on March 31, 2013)                             | (663.18)          | (121.66)             |

#### Net worth as on March 31, 2013

| Particulars        | Amount<br>(₹ Cr.) | Amount<br>(US\$ Mn.) |
|--------------------|-------------------|----------------------|
| Equity Capital     | 2,306.80          | 423.19               |
| Reserves & Surplus | (663.18)          | (121.66)             |
| <b>Net worth</b>   | <b>1,643.62</b>   | <b>301.53</b>        |

### Loan Funds

#### Borrowings

The Borrowings as on March 31, 2013 stood at ₹ 4,880.62 Cr. (US\$ 895.36 Mn.) as against ₹ 3,334.49 Cr. (US\$ 641.62 Mn.) as at

March 31, 2012. It mainly comprises of:

| Particulars                    | FY 2012–13      |               | FY 2011–12      |               |
|--------------------------------|-----------------|---------------|-----------------|---------------|
|                                | ₹ Cr.           | US\$ Mn.      | ₹ Cr.           | US\$ Mn.      |
| <b>Rupee Term Loans:</b>       |                 |               |                 |               |
| – Banks                        | 3,382.04        | 620.44        | 2,999.95        | 577.25        |
| – Financial Institutions       | 82.73           | 15.18         | 107.30          | 20.65         |
| <b>Foreign Currency Loans:</b> |                 |               |                 |               |
| – Financial Institutions       | 73.58           | 13.50         | 83.37           | 16.04         |
| <b>Unsecured Loans:</b>        |                 |               |                 |               |
| – FCCB                         | 1,342.27        | 246.24        | NIL             | NIL           |
| – Acceptances                  | NIL             | NIL           | 143.87          | 27.68         |
| <b>Total</b>                   | <b>4,880.62</b> | <b>895.36</b> | <b>3,334.49</b> | <b>641.62</b> |

#### Fixed Assets

The Fixed Asset block (Net block + Capital Work In Progress) as on March 31, 2013 is ₹ 4,015.77 Cr. (US\$ 736.70 Mn.). The Capital work-in-progress comprises mainly of capital goods inventory, pre-operative and carrying costs.

#### Investments

The Total Investments in the book of Company stood at ₹ 1,892.51 Cr. (US\$ 347.19 Mn.) as on March 31, 2013 as compared to ₹ 1,852.47 Cr. (US\$ 356.45 Mn.) as on March 31, 2012. This includes investment made by the Company for acquisition of Aircels' towers.

#### Current Assets

The Current Assets of the Company excluding current investments were worth ₹ 599.45 Cr. (US\$ 109.97 Mn.) as on March 31, 2013 as compared to ₹ 441.63 Cr. (US\$ 84.98 Mn.) as on March 31, 2012. The Current Assets primarily consist of Trade Receivables, Loans and Advances and Cash and Bank Balances.

#### Other Current Liabilities and Provisions

The Other Current Liabilities of the Company were ₹ 162.15 Cr. (US\$ 29.75 Mn.) as on March 31, 2013. It primarily consists of current maturities of rupee term loans from banks and financial institutions and foreign currency term loans from financial institutions.

Long-Term and Short-Term Provisions of ₹ 0.93 Cr. (US\$ 0.17 Mn.) as on March 31, 2013 consist of provisions for employee benefits such as Gratuity and Leave encashment.

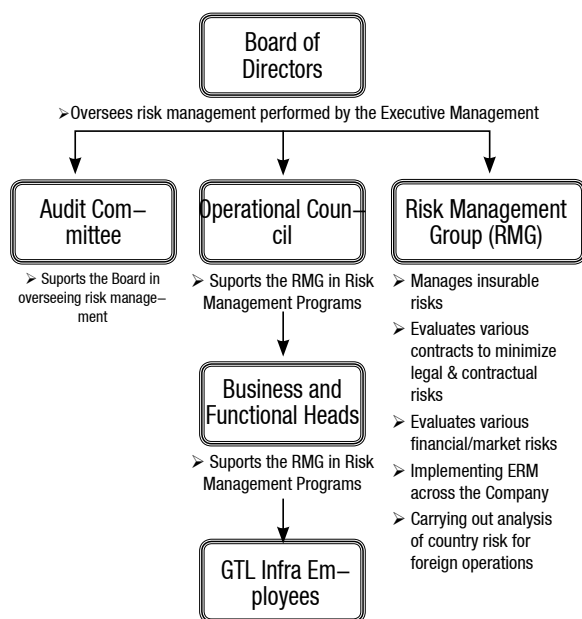
## RISK MANAGEMENT

In today's dynamic business environment 'Risk Management' is an essential function to have a sustainable and effective business model in place. In India, Enterprise Risk Management (ERM) has evolved steadily in progressive companies. It is developing from being merely a risk identification and assessment process to building a risk portfolio that is continually assessed and monitored. The perception that "risk is not my responsibility" has evolved to a more realistic "risk is everybody's responsibility".

We at GTL Infra have a Risk Management Group (RMG) in place to facilitate the execution of risk management across the organization. Our approach is to identify, monitor and evaluate risk throughout the group companies and to manage these risks within our risk appetite. For the very purpose we have an Integrated ERM Framework in place.

This report is prepared in accordance with Clause 49 (IV) of the Listing Agreement with Stock Exchanges in India, sets out the ERM practiced by GTL Infra Limited (the Company). Shareholders and other readers are cautioned that the risks outlined here are not exhaustive and are for information purposes only. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us.

### Risk Management Structure



### Overview

GIL took a decision to restructure its financial indebtedness and has now completed and implemented the Corporate Debt Restructuring (CDR) of a substantial portion of its debt. The current progress under the CDR plan is outlined in the Directors Report.

## I. FINANCIAL RISK

### Market Risk

#### The global perspective

- Though the slowdown in high-income economies is sharper, developing countries are also affected. Downside risks related to the loss of markets confidence in the ability of one or more high-income countries especially in the euro area to repay their debt remains a serious concern.
- Global GDP growth forecast is significantly downgraded. The global economy was expected to expand at 3.6 % for 2012 projected in June 2011. The Growth rate recorded in 2012 has been 3.2 % only. The growth rate in the advanced economies, which are our major markets, declined from 1.6 % in 2011 to 1.3 % in 2012
- The World Bank cut its forecast for growth in developing economies to 5.4 % for 2012 from its previous forecast of 6.2 %, saying expansion in Brazil and India and to a lesser extent Russia, South Africa and Turkey, had slowed already.
- If the euro area debt crisis may bring a stagnancy in their growth which would see a fall. The negative outlook for many European countries due to the after effects of the debt crisis is affecting investor sentiment throughout the world.
- Rise in global inflation and cost of financing has affected earnings of many companies and has led to a loss of investor confidence, thus making international financial markets extremely volatile
- The consequences of these global economic issues is that it may push the global economy slowly into an untimely recession thus Countries need to prepare for a Real Risk which constitutes for the escalation in euro area debt crisis that could tip the world economy in slump on par with the global downturn experienced in 2008–09.

#### The Indian perspective

- Central Banks of developed nations are keeping their interest rates low to stimulate growth and are even willing to accept inflationary pressures in the short term. In India, however RBI has not reduced interest rate due to inflationary pressures
- The RBI had hiked its key-policy rates thirteen times since March 2010 to curb demand and tame inflation
- Currently Market risk is moderate for the Company owing to the CDR that has been completed thus helped bring down both interest rate risks to the extent of the rupee term loan exposure. The domestic currency risk has thus been successfully postponed for 10 years
- The Company has External Commercial Borrowings of 12 Mn. Euro and FCCB of US\$ 245.976 Mn. This poses both a foreign currency risk as this is un-hedged as well as a liquidity risk. The Company

has restructured the FCCB and successfully has postponed the liabilities for 5 years

- As the revenues from our existing business lines are all dependent on the sustainability of Telecom sector, we believe that macroeconomic factors, including the growth of the Indian economy, interest rates, as well as the political and economic environment, have a significant direct impact on our business, results of operations and financial position

## Liquidity & Leverage Risk

- The Telecom industry, which is the only contributor to the Company's revenues, is facing intense liquidity and cost pressures which are adding to the strain on margins and timely payments to the Company from customers thus intensifying the liquidity pressure on the Company. If the telecom sector continues to be bleak, pressure will mount on liquidity of GIL.
- Due to the sectoral developments in the beginning of the financial year 2011–12, the Company faced severe liquidity crunch and had referred itself to the CDR to restructure its debt which it has successfully implemented. But the Moratorium period has expired and the pressure to repay debt and the interest has built in the liquidity pressure and due to the current state of the Tower Cos it is not possible to raise further loans from banks in the immediate future.
- The Company's market capitalization has been eroded considerably due to external environment and other factors mentioned in this report. This has made it difficult to raise further capital in the form of equity from financial markets or strategic investors at the moment. Thus, liquidity risks will continue to remain high in the near future

## Credit Risk

- The Company focuses on business of Shared Passive Telecom Infrastructure in India. Hence, the customer base is the Telecom Industry in India. As the Telecom sector is facing growth and profitability issues payments from customers continue to be delayed

## II. STRATEGIC RISK

### Industry Risk

- The telecom operator's growth plans have been affected due to various factors like low ARPU, lack of liquidity, high domestic interest rates and some operators who are facing various litigations due to the 2G scam. The consequences of the Supreme Court's verdict of canceling 122 licenses for mobile networks issued in 2008 have been disastrous for the telecom industry. Many new operators have exited the business, while some have reduced the scale of operations and the industry as a whole is facing difficulty
- The significant investments in 3G licenses by Telecom Operators

continue to strain their financial capabilities. The 3G services have yet to attract the desired level of customers and witness the estimated returns. Since the roll out is slow against the anticipation it's affecting the Company's business prospects and growth

- India has the lowest mobile–phone penetration rate in Asia, and less than 10 % of the population has access to broadband. That is changing fast. The number of mobile users will rise about 50 % over the next five years and telecommunication–industry revenue will grow 37 % to \$30 billion by 2016, according to technology consultant Ovum. The after effects of the licence cancellation are bound to affect the growth of the industry therefore affecting the business of Tower companies in the short term. We believe in the long term it is beneficial to the industry
- Financial institutions and Banks are not willing to infuse more liquidity into this sector due to the uncertainties faced by the sector

## Business Concentration Risk

- Historically, the Company has been in the telecom sector functioning as an ancillary to Telecom Operators and the customer profile has always been Telecom Operators. Also, historically almost 100 % share of the Company's revenues came from India. Therefore, the element of customer concentration risk was always very high. The Company has recently acquired Aircel tower portfolio in a Special Purpose Vehicle called CNIL in which company has a considerable share holding. Therefore the performance of Aircel and CNIL would have an impact on the Company
- Since the Company operates only in India, it continues to face geographical concentration risk as any political, social, economic and or technological factors that govern the country, change or lead to changes in telecom sector have major impact on the profitability of the Company

## Competition Risk

- The competitive landscape for the Company is limited in the tower space. The competition is intense among companies like Indus, Viom, Bharti Infratel and operator run tower companies like BSNL, RComm etc. Thus the Company needs to market its independent status and leverage it to gain more tenancies

## III. OPERATIONAL RISK

### Reputation Risk

- The Company is facing a reputation risk due to the multiple factors like erosion in market capitalization, the CDR, pay cut and other issues discussed in this document

### Manpower Risk

- The Company's ESOS plans have taken a significant value erosion and most options granted to employees are now out of the money

therefore may not be a likely retention tool for employees in the near term leading to higher attrition rates

#### IV. LEGAL & COMPLIANCE RISK

##### Legal and Contractual Risk

- Litigations may arise from non-adherence to timely deliverables and (SLA), though the Company believes there is no significant material impact
- The Company operates across the country. It may face unexpected losses due to deteriorating law and order in some areas, act of God, natural disasters etc.

##### Regulatory Risk

- The Company is not regulated by any regulatory agency and faces the general regulatory environment that is prevalent in the country. The customers on the telecom side are regulated by the Telecom Regulatory Authority of India (TRAI).

#### V. OTHER RISKS

These risks may not have direct impact on the organization and its activities. These risks could affect the stakeholders of the Company thus may affect the Company in the long run.

##### Political Risk

- The Company does not have any interface with the Government or any regulatory authority in its business.

##### Risk Rating Parameters

The Company has identified the following risks as the Top 5 risks facing the Company and these have been discussed in detail in this Chapter. The level of risk that is perceived by the RMG and the suggested mitigation plans are discussed in the following table.

| Rating of risk practices | Relative status                                                                                                                |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Very low risk<br>★       | No or little risk. Manageable by routine procedures. No management intervention required.                                      |
| Low risk<br>★★           | Normal risk exists. Manageable by improving operating procedures (internal risks) or being alert (external risks).             |
| Medium risk<br>★★★       | More than normal risk exists. Requires strong operating procedures (internal risks) and management attention (external risks). |
| High risk<br>★★★★        | Significant risk. Urgent actions required to eliminate or reduce the foreseeable risk.                                         |
| Very high risk<br>★★★★★  | Substantial risk. Immediate actions required to contain risk. Should be kept on a continuous watch—list.                       |

#### Top 3 Risks & Mitigation plans

|    | Type of Risks and Rating           | Mitigation Plan                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Strategic Risk<br>★★★★             | <ul style="list-style-type: none"> <li>• The company needs to concentrate on improving tenancy ratio.</li> <li>• The company should consider the option of consolidating or partnering with other telecom tower companies</li> <li>• If necessary Company could look at options of consolidation or reducing inoperational sites to curb losses.</li> </ul>                                                                        |
| 2. | Liquidity & Leverage Risks<br>★★★★ | <ul style="list-style-type: none"> <li>• The Company needs to adhere to the obligations listed in the MRA documents signed under the CDR plan to avoid any event of default.</li> <li>• The Company needs to work on a proposal to refinance the Debt with cheap foreign loan options and/or bring in new strategic investors with business expertise to ease the liquidity situation and boost operational efficiency.</li> </ul> |
| 3. | Operations Risks<br>★★★★           | <ul style="list-style-type: none"> <li>• Need to infuse liquidity in operations to reduce this risk.</li> <li>• Need to focus on winning new contracts and consolidate business</li> <li>• Need to reduce penalties, control expenses and undertake effective cost cutting measures.</li> <li>• Key insurance policies need to be undertaken to mitigate risks.</li> </ul>                                                         |

In accordance with Clause 49 of the Listing Agreement entered into with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE), the report on compliance of Corporate Governance at GTL Infrastructure Limited is given as under:

## 1. Company's Philosophy on Corporate Governance

The Company's Philosophy on Corporate Governance as adopted by its Board of Directors is to:

- Ensure that the quantity, quality and frequency of financial and managerial information, which the management shares with the Board, fully places the Board Members in control of the Company's affairs.
- Ensure that the Board exercises its fiduciary responsibilities towards shareowners and creditors, thereby ensuring high accountability.
- Ensure that the extent to which the information is disclosed to present and potential investors is maximized.
- Ensure that the decision-making is transparent and documentary evidence is traceable through the minutes of the meetings of the Board/ Committees thereof.
- Ensure that the Board, the Management, the Employees and all concerned are fully committed to maximizing long-term value to the shareowners and the Company.
- Ensure that the core values of the Company are protected.
- Ensure that the Company positions itself from time to time to be at par with any other world-class companies in operating practices.

## 2. Board of Directors

### a) Size and composition of the Board

The current policy is to have an appropriate mix of Executive and Independent Directors to maintain the independence of the Board, and separate its functions of governance and management. As on March 31, 2013, the Company has 8 Directors with a Non-Executive Chairman and a Non-Executive Vice Chairman. Of the 8 Directors, 7 (i.e.87.5%) are Non-Executive Directors and 5 (i.e.62.5%) are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The Board believes that the current size is appropriate and periodically evaluates the need for change in its composition and size.

All the Directors have informed the Company periodically about their Directorship and Membership on the Board Committees of other companies. As per disclosure received from Director(s), none of the Directors on the Board holds Membership in more than ten (10) Committees or Chairmanship in more than five (5) Committees.

The details of the composition, category of directorship, the number of meetings attended and the directorships in other companies of the Directors of the Company are as follows.

| Name of Director      | Category                                          | Attendance            |                 | Number of Directorships in other Indian public limited companies | Number of Committee positions held in other Indian public limited companies* |         |
|-----------------------|---------------------------------------------------|-----------------------|-----------------|------------------------------------------------------------------|------------------------------------------------------------------------------|---------|
|                       |                                                   | At the Board Meetings | At the last AGM |                                                                  | Chairman                                                                     | Members |
| Mr. Manoj Tirodkar@   | Chairman, Non-Independent, Non-Executive Director | 5                     | Yes             | 2                                                                | —                                                                            | 1       |
| Mr. N Balasubramanian | Vice-Chairman, Independent Director               | 3                     | Yes             | 2                                                                | —                                                                            | —       |
| Mr. Milind Naik       | Executive Director                                | 5                     | Yes             | 1                                                                | —                                                                            | —       |
| Dr. Anand Patkar      | Independent Director                              | 5                     | Yes             | 1                                                                | —                                                                            | —       |
| Mr. Charudatta Naik   | Non-Independent / Non-Executive Director          | 4                     | Yes             | 1                                                                | —                                                                            | —       |
| Mr. Vivek Kulkarni #  | Independent Director                              | 1                     | No              | N.A.                                                             | N.A.                                                                         | N.A.    |
| Mr. Vinod Agarwala    | Independent Director                              | 4                     | No              | 2                                                                | —                                                                            | 2       |
| Mr. Vijay Vij         | Independent Director                              | 4                     | Yes             | 2                                                                | 1                                                                            | 2       |
| Mr. Satya Pal Talwar  | Independent Director                              | 5                     | No              | 11                                                               | 2                                                                            | 6       |

@ Mr. Manoj Tirodkar is interested director in Promoter Company. All other Directors are Non-Promoter Directors. There are no inter-see relationships between our Board members.

# Mr. Vivek Kulkarni has retired as Director of the Company at the Annual General Meeting held on September 27, 2012.

\* As required by Clause 49 of the Listing Agreement, the disclosure includes memberships / chairmanship of audit committee and investor grievance committee in Indian public limited companies (listed and unlisted).

### b) Number of Board Meetings held and the dates on which held

The Board of Directors met five (5) times during the year under review. The maximum time gap between any two consecutive meetings did not exceed four (4) months. The details of the Board Meetings are as under:

| Date of Board Meeting | Board Strength | No. of Directors Present |
|-----------------------|----------------|--------------------------|
| May 17, 2012          | 09             | 07                       |
| July 3, 2012          | 09             | 09                       |
| July 25, 2012         | 09             | 06                       |
| October 31, 2012      | 08             | 07                       |
| January 31, 2013      | 08             | 07                       |

### 3. Board Committees

#### i) Audit Committee

- i) **Composition:** The Audit Committee of the Board comprises of three Independent Directors namely Mr. N. Balasubramanian, Mr. Vinod Agarwala, Mr. Vijay Vij and one Non-Executive/Non-Independent Director Mr. Charudatta Naik. All the Members of the Audit Committee possess financial/accounting expertise/exposure. The composition of the Audit Committee meets the requirements of Clause 49 and Section 292A of the Companies Act, 1956. Mr. N. Balasubramanian is the Chairman of the Committee.

Mr. Nitesh A. Mhatre is the Secretary to the Audit Committee.

- ii) **Terms of Reference:** The terms of reference of the Audit Committee are as under:

- Oversight / Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors including cost auditor and the fixation of audit fees.
- Approval of payment to statutory auditors including cost auditor for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory auditors including cost auditor and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors including cost auditor before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- To review on quarterly / annual basis the uses / applications of funds raised through an issue (public issue, rights issue, preferential issue, etc.), and make appropriate recommendations to the Board.
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- To review the CEO / CFO certificates.

17. To carry out any other function as required by the Listing Agreement of the stock exchanges, Companies Act and other regulations.
18. To review the following information:
  - a) the management discussion and analysis of financial condition and results of operations;
  - b) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - c) Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
  - d) Internal audit reports relating to internal control weaknesses; and
  - e) The appointment, removal and terms of remuneration of Chief Internal Auditor.
- iii) The Audit Committee invites such of the executives, as it considers appropriate (particularly the head of finance function), representatives of the Statutory Auditors and representatives of the Internal Auditors to be present at its meetings.
- iv) The previous Annual General Meeting of the Company was held on September 27, 2012 and was attended by Mr. N. Balasubramanian, Chairman of the Audit Committee.
- v) **Number of Audit Committee Meetings held and the dates on which held**

The Audit Committee met four (4) times during the year under review on May 17, 2012, July 25, 2012, October 31, 2012 and January 31, 2013. The details of attendance of each Member at the Audit Committee meetings held during the year are as under:

| Name of the Committee Member     | Category                                | No. of meetings during the year 2012–2013 |          |
|----------------------------------|-----------------------------------------|-------------------------------------------|----------|
|                                  |                                         | Held                                      | Attended |
| Mr. N. Balasubramanian, Chairman | Independent Director                    | 4                                         | 2        |
| Mr. Vinod Agarwala               | Independent Director                    | 4                                         | 3        |
| Mr. Vijay Vij                    | Independent Director                    | 4                                         | 3        |
| Mr. Charudatta Naik              | Non–Independent, Non Executive Director | 4                                         | 3        |

The necessary quorum was present for all the meetings.

## II) Nomination & Remuneration Committee

- a. **Composition:** The Nomination & Remuneration Committee of the Board comprises of two Independent Directors namely Mr. Vijay Vij, Mr. N. Balasubramanian and one Non–Executive/Non–Independent Director Mr. Charudatta Naik. Mr. Vijay Vij is the Chairman of the Committee.  
Mr. Nitesh A. Mhatre is the Secretary to the Nomination & Remuneration Committee.
- b. **Terms of Reference:** The terms of reference of the Nomination & Remuneration Committee are as under:
  1. Frame Company's policies for Board and Directors with the approval of the Board of Directors.
  2. Make recommendations for the appointments on the Board.
  3. Recommend compensation payable to the Executive Directors.
  4. Administer and supervise Employees Stock Option Schemes.
  5. Perform such other functions consistent with applicable regulatory requirements.
- c. **Number of Nomination & Remuneration Committee Meetings held and the dates on which held**

The Nomination & Remuneration Committee met four (4) times during the year under review on May 17, 2012, October 31, 2012, January 31, 2013 and March 5, 2013. The details of attendance of each Member at the Nomination & Remuneration Committee meetings held during the year are as under:

| Name of the Committee Member | Category                                | No. of meetings during the year 2012–2013 |          |
|------------------------------|-----------------------------------------|-------------------------------------------|----------|
|                              |                                         | Held                                      | Attended |
| Mr. Vijay Vij, Chairman      | Independent Director                    | 4                                         | 3        |
| Mr. N. Balasubramanian       | Independent Director                    | 4                                         | 1        |
| Mr. Charudatta Naik          | Non–Independent, Non Executive Director | 4                                         | 4        |

The necessary quorum was present for all the meetings.

- d. **Remuneration Policy:** The Company's Remuneration Policy provides for the following:

### Executive Directors:

- Salary and commission not to exceed limits prescribed under the Companies Act, 1956.
- Remunerate from time to time depending upon the performance of the Company, individual Director's performance and prevailing Industry norms.
- No sitting fees.
- No Employee Stock Option Scheme for Promoter Directors.

**Non-Executive Directors:**

- Eligible for commission based on time, efforts and output given by them.
- Sitting fees and commission not to exceed limits prescribed under the Companies Act, 1956.
- Eligible for Employee Stock Option Scheme (other than Promoter Directors).

e. **Details of the Remuneration for the year ended March 31, 2013:**i. **Executive Directors**

| Name of the Director and period of appointment                 | Salary<br>(₹ Lakh) | Benefits<br>Perquisites<br>and Allowances<br>(₹ Lakh) | Leave<br>Encashment<br>& Company's<br>Contribution to PF<br>(₹ Lakh) | Performance<br>Linked<br>Incentive<br>(₹ Lakh) | Stock Options<br>Held |
|----------------------------------------------------------------|--------------------|-------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------|-----------------------|
| Mr. Milind Naik (w.e.f. July 21, 2011 for a period of 3 years) | 20.09              | 27.16                                                 | *2.41                                                                | 0                                              | Nil                   |

\* This figure does not include Gratuity payable as per the rules of the Company and leave encashment at the end of the tenure.

The Whole-time Director may be terminated by either party giving the other party three (3) months' notice or the Company paying three (3) months' salary in lieu thereof. There is no separate provision of payment of severance fees.

ii. **Non-Executive Directors**

| Name of Director      | Sitting Fees<br>(₹ in Lakh) | Stock Options     |                       |                              |
|-----------------------|-----------------------------|-------------------|-----------------------|------------------------------|
|                       |                             | Allotment Date    | Grant Price<br>(in ₹) | No. of Stock Options<br>Held |
| Mr. Manoj Tirodkar    | 2.03                        | —                 | —                     | —                            |
| Mr. N Balasubramanian | 1.05                        | May 4, 2010       | 30.52                 | 500,000                      |
| Dr. Anand Patkar      | 0.83                        | March 11, 2008    | 33.60                 | 100,000                      |
|                       |                             | May 4, 2010       | 30.52                 | 300,000                      |
| Mr. Charudatta Naik   | 1.50                        | October 9, 2007   | 19.90                 | 175,000                      |
| Mr. Vivek Kulkarni    | 0.15                        | March 11, 2008    | 33.60                 | 200,000                      |
| Mr. Vinod Agarwala    | 0.90                        | November 23, 2009 | 24.37                 | 200,000                      |
|                       |                             | May 4, 2010       | 30.52                 | 300,000                      |
| Mr. Vijay Vij         | 1.35                        | November 23, 2009 | 24.37                 | 200,000                      |
|                       |                             | May 4, 2010       | 30.52                 | 300,000                      |
| Mr. Satya Pal Talwar  | 0.75                        | November 23, 2009 | 24.37                 | 200,000                      |
|                       |                             | May 4, 2010       | 30.52                 | 300,000                      |

## Note:

- Other relevant details of stock options are covered elsewhere in this Annual Report.
- Each option underlie equal number of equity share of face value of ₹ 10/—.
- Apart from above, the Company does not have any other pecuniary relationship or transaction with the Directors.
- Details of shares of the Company held by the Directors as on March 31, 2013 are as under:

| Name of Director      | Number of Shares |
|-----------------------|------------------|
| Mr. Manoj Tirodkar    | 58,97,783        |
| Mr. N Balasubramanian | 5,00,000         |
| Mr. Milind Naik       | 19,000           |
| Dr. Anand Patkar      | 1,00,000         |
| Mr. Charudatta Naik   | 13,25,900        |
| Mr. Vivek Kulkarni    | Nil              |
| Mr. Vinod Agarwala    | 4,59,000         |
| Mr. Vijay Vij         | 63,500           |
| Mr. Satya Pal Talwar  | Nil              |

## III) Shareholders'/Investors' Grievance Committee

The Company has a Shareholders'/Investors' Grievance Committee of Directors to look in to the redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/annual reports etc.

- a. **Composition:** The Shareholders'/Investors' Grievance Committee of the Board comprises two independent directors' namely Dr. Anand Patkar, Mr. Vinod Agarwala and one non-executive/non-independent director Mr. Manoj Tirodkar. Dr. Anand Patkar is the Chairman of the Committee.

Mr. Nitesh A. Mhatre is the Secretary to the Shareholders' / Investors' Grievance Committee.

- b. **Terms of Reference:** The terms of reference of the Shareholders/Investors Grievance Committee are as under:

1. Look into the redressal of Shareholders' and Investors' complaints/grievances like transfer of shares, non receipt of Balance Sheet, non receipt of declared dividends, etc;
2. Review the certificate of the Practicing Company Secretary regarding timely action on transfer, sub-division, consolidation, renewal, exchange or endorsement of calls / allotment monies;
3. Oversee the performance of the Registrar and Share Transfer Agent and recommend measures for overall improvement in the quality of investor services;
4. Ascertain whether the Registrars & Share Transfer Agents (RTA) are sufficiently equipped with infrastructure facilities such as adequate manpower, computer hardware and software, office space, documents handling facility etc to serve the shareholders / investors;
5. Recommend to the Board, the appointment, reappointment, if required, the replacement or removal of the Registrar and Share Transfer Agent and the fixation of their fees; and
6. To carry out any other function as required by the Listing Agreement of the stock exchanges, Companies Act and other Regulations.

- c. One meeting of the Shareholders/Investors Grievance Committee was held during the year on May 17, 2012.

- d. The composition of the Shareholders/Investors Grievance Committee and the details of meetings attended by its members are given as under:

| Name                       | Category                                 | Number of Meetings during the year 2012-2013 |          |
|----------------------------|------------------------------------------|----------------------------------------------|----------|
|                            |                                          | Held                                         | Attended |
| Dr. Anand Patkar, Chairman | Independent Director                     | 1                                            | 1        |
| Mr. Vinod Agarwala         | Independent Director                     | 1                                            | 1        |
| Mr. Manoj Tirodkar         | Non- Independent, Non-Executive Director | 1                                            | 1        |

The necessary quorum was present for the meeting.

## 4. Code of Conduct for Directors and Senior Management :

The Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The said Code of Conduct has been uploaded on the Company's website ([www.gtlinfra.com](http://www.gtlinfra.com)) under the head 'Investors' – 'Code of Conduct'.

## 5. Subsidiary Monitoring Framework

Chennai Network Infrastructure Limited (CNIL) ceased to be subsidiary of the Company effective from December 20, 2012, which is managed by its Board. The Company monitored performance of CNIL inter alia, by the following means.

- (a) Financial statements, in particular the investments made by CNIL were reviewed quarterly by the Audit Committee of the Company.
- (b) All minutes of Board meetings of CNIL were placed before the Company's Board regularly.
- (c) A statement containing all significant transactions and arrangement entered into by CNIL was periodically placed before the Company's Board.
- (d) The Company had appointed Mr. Vijay Vij, Independent Director of the Company as a Director on the Board of CNIL, who continues to be a Director of CNIL.

## 6. General Body Meetings

### i) General Meetings

#### a) Annual General Meetings:

| Financial Year | Date               | Time       | Venue                                                                 |
|----------------|--------------------|------------|-----------------------------------------------------------------------|
| 2009–10        | August 25, 2010    | 11.00 a.m. | Vishnudas Bhawe Natyagruh, Sector 16A, Vashi, Navi Mumbai – 400 703   |
| 2010–11        | December 27, 2011  | 10.30 a.m. |                                                                       |
| 2011–12        | September 27, 2012 | 10.30 a.m. | Marathi Sahitya Mandir Sabhagruh, Sector 6, Vashi Navi Mumbai 400 703 |

- At the Annual General Meeting of the Company held on August 25, 2010, the following Special Resolutions were passed with requisite majority:
  1. Appointment of Mr. Prakash Ranjalkar as a Whole–time Director of the Company for a period of three (3) years with effect from April 1, 2010.
  2. Amendment to the Articles of Association of the Company as per section 31 of the Companies Act, 1956.
- At the Annual General Meeting of the Company held on December 27, 2011, the following Special Resolutions were passed with requisite majority:
  1. Appointment of Mr. Milind Naik as a Whole–time Director of the Company for a period of three (3) years with effect from July 21, 2011.
- At the Annual General Meeting of the Company held on September 27, 2012, the following Special Resolutions were passed with requisite majority:
  1. Appointment of Statutory Auditors of the Company as per Section 224A of the Companies Act, 1956.
  2. Approval for raising of funds by issue of equity/convertible instruments through various means including by way of issue of Foreign Currency Convertible Bonds (FCCBs) up to 200 Crores equity shares as per section 81(1A) of the Companies Act, 1956.
  3. Approval for issue of new FCCBs in place of Outstanding FCCBs.
  4. Alteration of Capital Clause of Articles of Association as per section 31 of the Companies Act, 1956.

#### b) Extraordinary General Meetings:

No Extraordinary General Meeting of the Members was held during the year 2012–13.

### ii) Special/Ordinary Resolutions that were put through postal ballot last year, details of voting pattern:

No Special/Ordinary Resolutions were passed through postal ballot during the year 2012–13.

## 7. Disclosures

- a) The necessary disclosures in respect to transactions with related parties are given in the notes to the Accounts. None of these transactions have potential conflict with the interest of the Company at large.
- b) Details of non–compliance by the Company, penalties and strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority, on any matter related to Capital Markets, during the last three years 2010–11, 2011–12 and 2012–13 respectively: NIL
- c) The Company does not have any whistle blower policy. However, no personnel have been denied access to the senior management.
- d) The Company has fulfilled the following non–mandatory requirements as prescribed in Annexure I–D to the Clause 49 of the Listing Agreement with the stock exchanges:
  - i) The Board has a Non–Executive Chairman. The expenses incurred by him in the performance of his duties are reimbursed. No policy has been laid down on tenure of Independent Directors.
  - ii) The Company has constituted a Nomination and Remuneration Committee and the full details of the same are available elsewhere in this Annual Report.

- iii) The Company is publishing quarterly un-audited financial results in the newspapers and is also displaying it on the Company's website [www.gtlinfra.com](http://www.gtlinfra.com), apart from displaying in stock exchange website. Accordingly, it does not envisage sending the same separately to the households of the shareholders.
- iv) The Company endeavors to maintain a regime of unqualified statements.
- v) Training of Board Members: All new Directors inducted in to the Board are provided with policy dossier containing policies and procedures followed by the Company. Detailed presentation is made to the members of the Board / Committees by executive directors and senior management personnel providing insight of business strategy, business model, clientele, business prospects, nature of transaction etc. This provides a good opportunity for the Directors to understand the Company's business model and strategy.
- vi) Mechanism for evaluating non-executive Board Members: Broad guidelines are given in the policy dossier on the functioning of the Board of Directors.
- e) Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements:
  - a) Pursuant to sub-clause VII (2) of Clause 49 of the Listing Agreement, the Company confirms that it has complied with all mandatory requirements prescribed in Clause 49 of the Listing Agreement for the financial year 2012-13. The Company has obtained a certificate from Joint Auditors Certifying its compliance with the provisions of Clause 49 of the Listing Agreement. This certificate is annexed to the Corporate Governance Report.
  - b) Pursuant to sub-clause V of Clause 49 of the Listing Agreement, the Whole-time Director & Co-CEO and Chief Financial Officer have issued a certificate to the Board, for the year ended March 31, 2013.

## 8. Means of Communication

- **Quarterly Results:** The Company's quarterly financial statements are generally published in the Free Press Journal (English language) and in Mumbai Navshakti (Local language). The financial statements are also displayed on the website of the Company.
- **Website where displayed:** <http://www.gtlinfra.com>
- **Official news releases and presentations:** The Company displays official news releases, presentations made to institutional investors or to the analysts and other coverage in the above website.

## 9. General Shareholder Information:

The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L74210MH2004PLC144367.

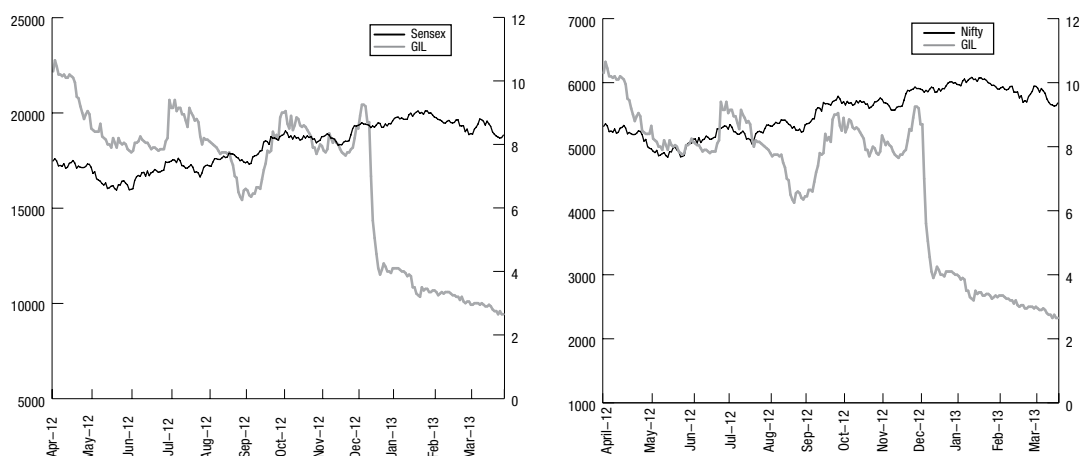
|      |                                                                              |                                                                                                                                                                                                                                  |
|------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i.   | AGM: Date, time and venue                                                    | Tuesday, the September 17, 2013 at 01.30 p.m. at Vishnudas Bhawe Natyagruha, Sector 16A, Vashi, Navi Mumbai 400 703                                                                                                              |
| ii.  | Financial Calendar                                                           |                                                                                                                                                                                                                                  |
|      | For Financial Year 2013-2014:                                                |                                                                                                                                                                                                                                  |
|      | First Quarter Results: Quarter ended June 30, 2013                           | Within 45 days of the end of the Quarter                                                                                                                                                                                         |
|      | Second Quarter Results: Quarter ended September 30, 2013                     | Within 45 days of the end of the Quarter                                                                                                                                                                                         |
|      | Third Quarter Results: Quarter ended December 31, 2013                       | Within 45 days of the end of the Quarter                                                                                                                                                                                         |
|      | Fourth Quarter and Audited Annual Results: Quarter/Year ended March 31, 2014 | Within 60 days from the end of the Quarter / Year                                                                                                                                                                                |
| iii. | Date of book closure                                                         | September 17, 2013                                                                                                                                                                                                               |
| iv.  | Dividend Payment                                                             | No dividend has been recommended.                                                                                                                                                                                                |
| v.   | Listing on Stock exchanges                                                   | <ul style="list-style-type: none"> <li>• Equity shares listed at BSE and NSE.</li> <li>• Foreign Currency Convertible Bonds (FCCB) issued by the Company are listed on Singapore Exchange Securities Trading Limited.</li> </ul> |
| vi.  | Listing Fees for 2013-14                                                     | BSE/NSE listing fees for the financial year 2013-2014 has been paid.                                                                                                                                                             |
| vii. | Stock Exchange Codes:                                                        |                                                                                                                                                                                                                                  |
|      | • BSE – Equity Shares                                                        | 532775                                                                                                                                                                                                                           |
|      | • NSE– Equity Shares                                                         | GTLINFRA                                                                                                                                                                                                                         |
|      | • Reuters Code                                                               | GTLI.BO & GTLI.NS                                                                                                                                                                                                                |
|      | • Bloomberg ticker                                                           | GTLI:IN                                                                                                                                                                                                                          |
|      | • Equity ISIN                                                                | INE221H01019                                                                                                                                                                                                                     |
|      | • Singapore Exchange Securities Trading Limited                              | FCCB Series 'A' XS0854042537<br>FCCB Series 'B' XS0854044822                                                                                                                                                                     |

### viii. Stock Market Price Data

Monthly high and low of closing quotations and volume of shares on BSE and NSE are given below:

| Month    | NSE      |         |               | BSE      |         |               |
|----------|----------|---------|---------------|----------|---------|---------------|
|          | High (₹) | Low (₹) | Volume (Nos.) | High (₹) | Low (₹) | Volume (Nos.) |
| Apr-2012 | 10.65    | 8.80    | 7,661,490     | 10.62    | 8.83    | 3,236,602     |
| May-2012 | 8.95     | 7.85    | 9,873,898     | 8.91     | 7.89    | 4,269,947     |
| Jun-2012 | 8.25     | 7.75    | 9,243,395     | 8.22     | 7.75    | 3,458,498     |
| Jul-2012 | 9.40     | 8.00    | 20,397,288    | 9.42     | 7.96    | 8,084,715     |
| Aug-2012 | 8.15     | 6.25    | 8,013,365     | 8.16     | 6.27    | 3,658,997     |
| Sep-2012 | 8.85     | 6.35    | 19,095,525    | 8.92     | 6.38    | 9,981,236     |
| Oct-2012 | 9.05     | 7.70    | 24,912,400    | 9.02     | 7.72    | 9,908,409     |
| Nov-2012 | 8.35     | 7.65    | 13,375,342    | 8.35     | 7.69    | 8,738,450     |
| Dec-2012 | 9.25     | 3.90    | 149,506,738   | 9.32     | 3.97    | 104,423,764   |
| Jan-2013 | 4.10     | 3.20    | 76,834,298    | 4.13     | 3.22    | 44,235,942    |
| Feb-2013 | 3.40     | 3.00    | 47,191,222    | 3.39     | 3.02    | 44,642,081    |
| Mar-2013 | 3.00     | 2.65    | 25,029,301    | 3.04     | 2.64    | 50,533,185    |

### ix. GTL Infra's performance in comparison to broad based indices (BSE–Sensex; NSE–Nifty):



**Average daily traded volumes:** The average daily traded volume in the Company's shares on BSE and NSE was 1,185,429 and 1,651,142 shares respectively, in the year ended March 31, 2013 as against 1,199,576 and 2,724,605 shares respectively in the previous financial year.

### x. Registrar and Share Transfer Agents

GTL Limited (Investor Services Centre), Electronic Sadan II, MIDC, TTC Industrial Area, Mahape, Navi Mumbai – 400 710.

GTL Limited is registered with the Securities and Exchange Board of India (SEBI) as a Category II Share Transfer Agent.

### xi. Share transfer system in physical form.

As majority of shares of the Company are held in electronic (demat) form, requests for transfer of shares in physical form are negligible. However, majority of share transfer requests are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects. The Board has delegated the authority for approving transfers / transmission etc. of the Company's securities to the Allotment and Transfer Committee of the Company, which meets regularly to approve the share transfers and other related work. A summary of transfer / transmission etc. of securities of the Company so approved by the said committee is placed quarterly at the Board Meetings. The Company obtains from a Company Secretary in Whole-time Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with the stock exchanges and files a copy of the certificate with the stock exchanges.

The total number of physical shares transferred during the year under review were 1,863 (Previous year 8,840).

**xii. Distribution of Shareholding as on March 31, 2013:**
**a. Distribution of Shares according to size of holding:**

| No. of Shares | No. of Shareholders | % of Shareholders | Share amount (₹)      | % to Total     |
|---------------|---------------------|-------------------|-----------------------|----------------|
| Upto 500      | 148,527             | 76.36%            | 252,487,640           | 1.09%          |
| 501 – 1000    | 20,556              | 10.57%            | 173,879,900           | 0.75%          |
| 1001 – 2000   | 11,369              | 5.85%             | 178,092,550           | 0.77%          |
| 2001 – 3000   | 4,326               | 2.22%             | 112,423,760           | 0.49%          |
| 3001 – 4000   | 1,908               | 0.98%             | 69,581,030            | 0.30%          |
| 4001 – 5000   | 2,115               | 1.09%             | 101,630,350           | 0.44%          |
| 5001 – 10000  | 2,983               | 1.53%             | 227,139,330           | 0.99%          |
| 10001 & ABOVE | 2,730               | 1.40%             | 21,952,762,980        | 95.17%         |
| <b>TOTAL</b>  | <b>194,514</b>      | <b>100.00%</b>    | <b>23,067,997,540</b> | <b>100.00%</b> |

**b. Distribution of shares by categories of shareholders:**

| Category                                                                                                      | No. of Shares Held   | Voting Strength |
|---------------------------------------------------------------------------------------------------------------|----------------------|-----------------|
| Promoter & Promoter Group                                                                                     | 453,289,282          | 19.65%          |
| Bodies Corporate (Domestic) / Trusts / Clearing Members                                                       | 61,863,447           | 2.68%           |
| Banks                                                                                                         | 857,313,956          | 37.16%          |
| Mutual Funds                                                                                                  | 214                  | 0.00%           |
| Financial Institutions (FIs)                                                                                  | 205,631,679          | 8.91%           |
| Foreign Institutional Investors (FIIs)                                                                        | 176,670,204          | 7.66%           |
| Non-Resident Individuals (NRIs) / Foreign Corporate Bodies / Overseas Corporate Bodies (OCBs) / Foreign Banks | 362,751,253          | 15.73%          |
| Resident Individuals                                                                                          | 189,279,719          | 8.21%           |
| <b>TOTAL:</b>                                                                                                 | <b>2,306,799,754</b> | <b>100.00%</b>  |

**c. Top 10 shareholders:**

| Name(s) of Shareholders                                     | Category                              | Shares      | %      |
|-------------------------------------------------------------|---------------------------------------|-------------|--------|
| Global Holding Corporation Private Limited (Promoter Group) | Domestic Company                      | 283,062,609 | 12.27% |
| IFCI Ltd                                                    | Financial Institution                 | 175,536,793 | 7.61%  |
| GTL Limited (Promoter)                                      | Domestic Company                      | 170,226,673 | 7.38%  |
| Indian Overseas Bank                                        | Bank                                  | 161,976,510 | 7.02%  |
| Elm Park Fund Limited                                       | Foreign Institutional Investors (FII) | 124,812,354 | 5.41%  |
| Union Bank of India                                         | Bank                                  | 121,034,706 | 5.25%  |
| Technology Infrastructure Limited                           | Other Foreign Body                    | 92,704,491  | 4.02%  |
| Bank of Baroda                                              | Bank                                  | 89,807,214  | 3.89%  |
| Bank of India                                               | Bank                                  | 78,160,268  | 3.39%  |
| Goldman Sachs Investments (Mauritius) I Ltd.                | Other Foreign Body                    | 65,932,675  | 2.86%  |

**xiii. Dematerialization of shares and liquidity:**

Trading in equity shares of the Company on the stock exchanges is permitted only in dematerialized form as per notification issued by the SEBI. The Shares of the Company are available for trading under both the Depository Systems in India – NSDL & CDSL. 99.95% of the Company's shares are held in dematerialized form as on March 31, 2013. The Company's equity shares are among the actively traded shares on the BSE & NSE.

**xiv. Outstanding Warrants or any Convertible instruments, conversion date and likely impact on equity:**

The details are furnished in the Directors' Report under the heading Share Capital.

**xv. Plant Locations:**

The Company is in the business of providing Telecom Towers on a shared basis to multiple wireless telecom service providers. As of March 31, 2013, the Company owns Telecom Towers across all 22 telecom circles in India. List of Branch Offices and addresses are provided elsewhere in this Annual Report.

**xvi. Address for correspondence:****Registered Office**

GTL Infrastructure Limited,  
3rd Floor, "Global Vision",  
Electronic Sadan No. II,  
MIDC, TTC Industrial Area,  
Mahape, Navi Mumbai – 400710,  
Maharashtra, India  
Tel: +91–22–27673500  
Fax: +91–22–27673666

**Investor Correspondence**

All shareholders complaints/queries in respect of their shareholdings may be addressed to; GTL Limited (Investor Service Centre), Electronic Sadan No. II, MIDC, TTC Industrial Area, Mahape, Navi Mumbai – 400710, Maharashtra, India.

**Investor Service Centre**

**Contact Persons:** Mr. Jayendra Pai, AVP – Investor Services

GTL Limited (Investor Service Centre) Tel.: +91–22–27612929–Extn: 2232–35, Fax: +91–22–27680171

Email: [gilshares@gtlinfra.com](mailto:gilshares@gtlinfra.com), Website: [www.gtlinfra.com](http://www.gtlinfra.com)

**xvii. Queries relating to financial statements, the Company's performance etc. may be addressed to:**

Mr. Rahul Desai – Group Head – Investor Relations & Capital Markets

GTL Infrastructure Limited, 412, Janmabhoomi Chambers, 29, W. H. Marg, Ballard Estate, Mumbai 400 038, Maharashtra, India.

Tel : +91–22–22715000, Fax +91–22–22619649

Email : [ir@gtlinfra.com](mailto:ir@gtlinfra.com)

**xviii. Investor Services – complaints, queries and correspondence:**

| Particulars          | Op. Bal. April 1, 2012 | Received | Resolved | Cl. Bal. March 31, 2013 |
|----------------------|------------------------|----------|----------|-------------------------|
| Complaints           | Nil                    | 4        | 4        | Nil                     |
| Other Correspondence | Nil                    | 97       | 97       | Nil                     |
| Total                | Nil                    | 101      | 101      | Nil                     |

**xix. Compliance Officer:**

Mr. Nitesh A. Mhatre, Joint Company Secretary is heading the Company Secretariat and is the Compliance Officer under the Listing Agreement with the Stock Exchanges.

**XX. Equity Shares in the Suspense Account**

The Company has no cases as are referred to in Clause 5 A (I) of the Listing Agreement with Stock Exchanges.

Members are requested to note that in compliance of Clause 5A (II) in the Listing Agreement with the Stock Exchanges, the Company has dematerialised all the unclaimed shares into "GTL Infrastructure Limited – Unclaimed Suspense Account" with one of the Depository Participants. The voting rights of those members shall remain frozen till the rightful owner claims the shares.

As stipulated under Clause 5A(II) of the Listing Agreement with the Stock Exchanges, the Company reports the following details of equity shares lying in the suspense account:

Details of the unclaimed shares as on March 31, 2013, are as under:

| Sr. No. | Particulars                                                                                                    | No. of Shareholders | No. of Shares |
|---------|----------------------------------------------------------------------------------------------------------------|---------------------|---------------|
| (i)     | Aggregate number of shareholders and the outstanding shares lying in the suspense account as on April 1, 2012  | 496                 | 50,370        |
| (ii)    | Number of shareholders who approached the Company for transfer of shares from suspense account during the year | 5                   | 313           |
| (iii)   | Number of shareholders to whom shares were transferred from suspense account during the year                   | 5                   | 313           |
| (iv)    | Aggregate number of shareholders and the outstanding shares lying in the suspense account as on March 31, 2013 | 491                 | 50,057        |

**xxi. Statutory Compliance:**

During the year under review, to the best of our knowledge and belief, the Company has complied with all applicable provisions, filed all returns/forms and furnished all relevant particulars as required under the Companies Act, 1956 and allied Acts and Rules, the Securities and Exchange Board of India (SEBI) Regulations and the Listing Agreements with the Exchanges. The Company has voluntarily obtained a certificate of compliance from Mr. Chetan A. Joshi, a Company Secretary in whole-time practice, certifying compliance of the provisions of various applicable regulations and the same is reproduced elsewhere in this annual report.

**xxii. Voting Rights:**

All shares issued by the Company carry equal voting rights. Generally, matters of the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member – One Vote". If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded.

The Chairman may order to take a poll on his own motion. Any member or members present in person or proxy and holding shares in the Company, which confer a power to vote on the resolution, can also demand Poll in respect of any resolution.

Any member or members holding shares not less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up can demand a poll. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands. The person or persons who made the demand may withdraw the demand for poll at any time.

No poll has been demanded in any Annual General Meeting of the Company, till date.

## Auditors' Certificate on Corporate Governance

To the Members of

### **GTL Infrastructure Limited**

We have examined the compliance of conditions of corporate governance by GTL INFRASTRUCTURE LIMITED, for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

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

For **Chaturvedi & Shah**

Chartered Accountants

Firm Reg. No. – 101720W

**R. Koria**

Partner

Membership No. – 35629

For **Yeolekar & Associates**

Chartered Accountants

Firm Reg No. – 102489W

**S. S. Yeolekar**

Partner

Membership No. 36398

Place : Mumbai

Date : May 9, 2013

## Declaration of Whole-time Director

Pursuant to the provisions of Clause 49 of the Listing Agreement, it is hereby declared that all the Board Members and Senior Management Personnel of GTL Infrastructure Limited have affirmed compliance with the Code of Conduct for Directors and Senior Management for the Financial Year ended March 31, 2013.

Milind Naik  
Whole-time Director

Place: Navi Mumbai  
Dated: May 9, 2013

## Certificate of Practising Company Secretary on Secretarial Compliance

To

The Board of Directors,

**GTL Infrastructure Limited.**

I have examined the registers, records, books and papers of GTL Infrastructure Limited ("the Company") as required to be maintained under the Companies Act, 1956 ("the Act"), the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company ("the requirements") for the year ended March 31, 2013. Based on my examination as well as information and explanation furnished by the Company to me, I hereby report that:

1. The requisite statutory registers and other records required under the Act and the Rules made there under have been maintained in accordance with the Act either in physical or electronic mode as applicable;
2. The requisite forms, returns and documents required under the Act and the Rules made thereunder to be filed with the Registrar of Companies and other authorities have been duly filed as per the requirements of the Act;
3. The requirements relating to the meetings of Directors and its Committee(s) thereof and of the Shareholders as well as relating to the minutes of the proceedings have been duly complied with;
4. Due disclosures under the requirements of the statutes have been made by the Company. The Company has also complied with the requirements in pursuance of the disclosures made by its Directors;
5. The Company has complied with the provisions of section 293(1)(a) and 293(1)(d) of the Act in respect of monies borrowed from financial institutions and banks and falling within the purview of those sections;
6. The Company has complied with the provisions of Section 372A in respect of investments made during the financial year ending on March 31, 2013;
7. The Company has, wherever required, obtained the necessary approvals of the Board, Committee thereof, Shareholders or any other authorities as per the requirements of the Act;
8. The Company has not defaulted in any of the provisions given under Section 274 (1) (g) of the Act, which would otherwise disqualify the Directors of the Company from acting as a Director of any other Company.
9. The Company has not accepted any Fixed Deposits.
10. The Annual Returns and the Annual Reports have been filed within due date as required under the Act;
11. The Company has complied with the requirements of the Act, FEMA, RBI Regulations and other allied Rules and Regulations in respect of the Foreign Direct Investment received by it.
12. The Company has complied with the relevant provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines.

**CHETAN A. JOSHI**

Practising Company Secretary

ACS: 20829/CP:7744

Place : Thane

Date : May 9, 2013

## Information on Directors Recommended for Appointment/ Re-Appointment at the ensuing Annual General Meeting

### Mr. Vijay Vij, Independent Director

Mr. Vijay Vij is a Non-Executive Independent Director. He is a Practicing Chartered Accountant and has an experience of 21 years in almost every facet of taxation, auditing and consulting profession. He is an expert in direct taxation, valuations, financial modeling, business consultancy, system implementation, mergers & acquisitions and special economic zone. He has effectively handled business restructuring and start up ventures in competitive business environments. He has experience in providing advice on tax efficient entry strategy for India, transfer pricing and tax treaty implications.

He is also holds directorship in GTL Limited and Chennai Network Infrastructure Limited. He is a Chairman of Audit Committee of GTL Limited and also a Member of Shareholders'/Investors' Grievance & Nomination and Remuneration Committee in GTL Limited. He is a Member of Audit and Remuneration Committee of Chennai Network Infrastructure Limited. In GTL Infrastructure Limited, he is Chairman of Nomination and Remuneration Committee and also a Member of the Audit Committee.

Mr. Vij holds 63,500 shares and holds 5,00,000 options under Employee Stock Option Scheme of the Company.

### Mr. Vinod Agarwala, Independent Director

Mr. Vinod Agarwala is a Non-Executive Independent Director. Mr. Agarwala is Advocate & Solicitor, Mumbai. He is also Solicitor, Supreme Court of England & Wales and Advocate of Supreme Court of India. He practices in Mumbai for the last 35 years. Mr. Agarwala specializes in corporate laws, Securities laws, Project Finance, Property Law, FDI and Commercial Laws. He is a Partner in Vigil Juris, Solicitors and Advocates, Mumbai.

He holds Directorships in Supreme Infrastructure India Limited, Chennai Network Infrastructure Limited, Suditul Trading and Investment Company Private Limited, SBM Chemicals & Instruments Private Limited and V-Magnum Opus Strategic Solutions Private Limited. He is Member of Audit Committee and Remuneration Committee in Supreme Infrastructure India Limited and Chennai Network Infrastructure Limited. In GTL Infrastructure Limited, he is a Member of Audit Committee and Shareholders'/Investors' Grievance Committee.

Mr. Agarwala holds 4,59,000 shares of the Company and holds 5,00,000 options under Employee Stock Option Scheme of the Company.

To  
The Members,

Your Directors are pleased to present their Tenth Annual Report together with the Audited Accounts for the year ended March 31, 2013.

## 1. FINANCIAL RESULTS

( in Cr.)

| Particulars                                    | 2012-13  | 2011-12  |
|------------------------------------------------|----------|----------|
| Total Income                                   | 570.92   | 557.17   |
| PBDIT                                          | 283.53   | 301.10   |
| Depreciation                                   | 486.43   | 243.42   |
| PBIT                                           | (202.90) | 57.68    |
| Interest and Finance Charges (Net)             | 350.53   | 428.51   |
| Profit / (Loss) Before Exceptional Items & Tax | (553.43) | (370.83) |
| Exceptional Item                               | 133.21   | —        |
| Profit / (Loss) before tax                     | (686.64) | (370.83) |
| Provision for Taxation                         | —        | —        |
| Net Profit / (Loss)                            | (686.64) | (370.83) |

Figures regrouped / reclassified wherever necessary to make them comparable.

### Financial Performance

During the year, despite the deceleration in growth rate in the Indian Economy and a challenging macroeconomic environment, revenue of the Company grew to 570.92 Cr. in comparison to previous year's revenue at 557.17 Cr. Operating Profit (before Depreciation, Interest and Tax) was at 283.53 Cr. in comparison to previous year's Operating Profit (before Depreciation, Interest and Tax) of 301.10 Cr. Net Loss for the year was at (686.64) Cr. in comparison to previous year's Net Loss of (370.83) Cr.

The factors contributing to the financial performance are discussed more elaborately in the Management Discussion and Analysis Report which forms part of this Annual Report.

## 2. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, on the Company's performance, industry trends and other material changes with respect to the Company is presented in a separate section forming part of this Annual Report.

## 3. SUBSIDIARY COMPANY

Chennai Network Infrastructure Limited (CNIL) ceased to be a subsidiary of the Company with effect from December 20, 2012,

consequent upon allotment of equity shares to CDR Lenders and Promoters in terms of Corporate Debt Restructuring Scheme.

## 4. SCHEME OF ARRANGEMENT

In the year 2010-11, the Company and CNIL filed petitions in the High Courts of Judicature at Bombay & Madras respectively for approval of the Scheme of Arrangement between the Company and CNIL. The Hon'ble Bombay High Court has sanctioned the Scheme of Arrangement for the merger of CNIL with the Company, however, approval is awaited from the Hon'ble Madras High Court.

In the meantime the Company and CNIL had approached the Lenders with a proposal to restructure its debts under the CDR Mechanism which has been implemented successfully in both the entities. Consequent to these approvals the financials and capital structure of both the Companies have undergone substantial changes and therefore the Company and CNIL have decided to modify the Scheme of Arrangement and shall seek various approvals inter alia Shareholders, CDR EG, Lenders and the Hon'ble Courts. Once the modified Scheme of Arrangement between CNIL and Company is approved by the Hon'ble Bombay and Madras High Courts, the Company's financial statements will be re-casted / re-stated with effect from the Appointed Date as may be approved.

## 5. RECENT DEVELOPMENTS AT MACRO AND MICRO ECONOMIC LEVEL

The Indian telecom industry has shown marginal decrease in subscriber base in the year under review. The mobile subscriber base in India has decreased to 861.66 Mn. at end of February 2013 as against 919.17 Mn. at the end of March 2012, registering a de-growth of 6.26 %. The share of Urban subscribers that was giving higher average revenue per user has declined to 60.50 % in February 2013 from 64.83 % in March, 2012 whereas share of Rural subscribers has increased to 39.50 % in February 2013 from 35.17 % in the month of March 2012. With this, the overall Teledensity in India has fallen to 70.42 at the end of February 2013.

The Telecom Industry today is undergoing stress and has been dealing with several challenges on the financial, revenue and profitability fronts on one hand and Regulatory Policies on the other.

Some of the developments we believe that had negative impact on the sector are:

- Cancellation of 2G licenses by Hon'ble Supreme Court upheld:** Cancellation of 122 telecom licenses including that of Uninor, Videocon, Etisalat by the Hon'ble Supreme Court of India in February 2012 and the rejection of their final plea in January 2013 leading to a grinding halt of all 2G capital expenditure plans of these Operators;

- b. Slower 3G and BWA growth:** While Operators have invested ₹ 1,20,000 Cr. towards 3G and BWA services, their initial rollouts have been very selective. Further, ongoing litigations over 3G roaming agreements has dented the growth prospects of data service revenues;
- c. Spectrum auction response:** Due to high reserve prices set for the November 2012 auction, the response from Operators was mild with no single operator bidding for a pan India spectrum. Further, in March 2013 spectrum auction, GSM operators refrained themselves from participation;
- d. Declining Performance of Telecom Operators:** On account of falling subscribers along with operating losses, even leading operators like Bharti reported consolidated losses over 12 consecutive quarters;
- e. Operators' defaults and penalties:** Several Operators faced huge penalties from regulator, on various counts, including for spectrum, 3G roaming pacts, under reporting of revenues, non-compliance of KYC norms etc.

As the telecom sector is facing difficulty in raising fresh capital from banks or investors, this has resulted in their reduced ability to spend and lower capital expenditure. Nevertheless, the Operators are in process for aggressive rollouts for network expansion for financial year 2013–14. The factors that will drive growth for network services business in India are as follow:

- a. Growth of Data Services in Indian Telecom Market:** The increasing usage of smart phones, and the growth of Value Added Services and the resultant growth in the data usage would require further investments in augmenting the network;
- b. Focus on rural expansion:** Though mobile coverage is increasing, the rural area still holds large untapped potential. With Rural teledensity at 40.01 as at February 2013, there is good opportunity for growth in rural areas. With a good footprint in rural India, our Company expects revenue to grow in the long run as a result of growth in demand from the Rural areas;
- c. Roll out of 3G and BWA services:** The expansion of the 3G networks and rollout of BWA networks will also impact positively, leading to growth in network services;

- d. Quality of Services:** As the coverage targets have been achieved by most of the operators, the focus has now shifted to the quality of service and differentiating the customer experience. This is expected to drive consulting revenue in terms of benchmarking networks and optimization.

It is general consensus among market participants and policy makers that given the current state of associated uncertainties in telecom sector, it may take 2–3 years for this sector to recover, stabilize and get into growth mode.

## 6. DEBT RESTRUCTURING

Further to information furnished in the Directors' Report for financial year 2011–12, after successful implementation of Corporate Debt restructuring (CDR) package for its Rupee Term Loans, as approved by CDREG, the Company has complied and continues to comply with the terms and conditions of CDR package. Further, during the year, Promoter, Global Holding Corporation Pvt. Ltd. (GHC), have infused ₹ 90.16 Cr. towards Promoter Contribution into the Company.

## 7. RESTRUCTURING OF FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

During the year under review, the Company, with the approval of shareholders and the Reserve Bank of India has restructured its outstanding principal amount of FCCBs of US\$ 228.30 Mn. (issued in 2007 and due in 2012) aggregating US\$ 319.286 Mn. (including redemption premium) by way of cashless exchange with and for the following:

- (i) 111,740 Zero Coupon Convertible Bonds, having face value of US\$ 1,000 due 2017 ("Series A Bonds"), aggregating principal amount of US\$ 111.740 Mn. at a conversion price of 10 per share; and
- (ii) 207,546 Interest Bearing Convertible Bonds, having face value of US\$ 1,000 due 2017 ("Series B Bonds"), aggregating principal amount of US\$ 207.546 Mn. at conversion price of:
  - a. 10 per share for upfront conversion within 60 days from the date of allotment of FCCBs; and/or
  - b. 12.64 per share for other than upfront conversion.

The Status of FCCBs allotted is as under:

| Particulars               | No. of Series A<br>FCCBs<br>(of US\$ 1,000 each) | No. of Series B<br>FCCBs<br>(of US\$ 1,000 each) | Total No. of<br>FCCBs<br>(of US\$ 1000 each) | No. of<br>Equity Shares<br>upon conversion |
|---------------------------|--------------------------------------------------|--------------------------------------------------|----------------------------------------------|--------------------------------------------|
| FCCBs allotted            | 11,740                                           | 207,546                                          | 319,286                                      | –                                          |
| Conversion till date      | 59,307                                           | 14,003                                           | 73,310                                       | 397,512,905                                |
| Balance as on May 9, 2013 | 52,433                                           | 193,543                                          | 245,976                                      | –                                          |

## 8. SHARE CAPITAL

- a. The authorized share capital was increased from 3,500 Cr. to 5,000 Cr. by creation of 150 Cr. equity shares of 10 each;
- b. The movement of Equity Capital due to allotment of shares is as under:

| Particulars                                                         | No. of Equity Shares |
|---------------------------------------------------------------------|----------------------|
| Equity Share Capital as on April 1, 2012                            | 957,348,604          |
| Add: Allotments of Equity Shares during the year:                   |                      |
| a) CDR Lenders (on conversion of Zero Percent & One Percent CCDs)   | 880,609,132          |
| b) Promoters (on conversion of Zero Percent CCDs)                   | 71,329,113           |
| c) FCCBs Holders (on conversion of restructured FCCBs Series A & B) | 397,512,905          |
| Equity Share Capital as on May 9, 2013                              | 2,306,799,754        |

## 9. DIVIDEND

The Company is in the business of providing telecom towers on a shared basis to multiple wireless telecom service providers which is capital intensive in nature. In view of high depreciation, interest and in the absence of distributable profits, no dividend has been recommended.

## 10. FIXED DEPOSITS

The Company has not invited or accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

## 11. CORPORATE GOVERNANCE

The Company is complying with Clause 49 of the Listing Agreement with the Stock Exchanges. A separate Report on Corporate Governance along with the Certificate of the Joint Auditors, M/s. Chaturvedi & Shah, Chartered Accountants and M/s. Yeolekar & Associates, Chartered Accountants confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges is given elsewhere in this Annual Report.

## 12. DIRECTORS

Mr. Vijay Vij, Mr. Vinod Agarwala and Mr. Satya Pal Talwar, Directors retire by rotation at the forthcoming Annual General Meeting. Mr. Vijay Vij and Mr. Vinod Agarwala being eligible offer themselves for re-appointment.

Mr. Satya Pal Talwar has conveyed that due to his health problem, he is not seeking re-appointment as a Director of the Company at the ensuing Annual General Meeting.

The background of the Directors proposed for reappointment is given under the Corporate Governance Section of this Annual Report.

## 13. PROMOTER GROUP

The Company is a part of Global Group and is promoted by GTL Limited (GTL). The members may note that beside GTL, the Promoter Group comprises of Global Holding Corporation Private Limited and such other persons as defined under the SEBI Regulations. The Promoter Group holding in the Company is currently 19.65% of the Company's Paid-up Share Capital.

### Pledge of Promoter shareholding in the Company:

Further to the information furnished in the Directors' Report for the financial year 2011-12, GTL (Promoter) and Chennai Network Infrastructure Limited (CNIL) have arrived at an agreement to resolve the dispute with IFCI Limited (IFCI). Successful completion of the same would result in restoration of promoters' shareholding in the Company to 27.26 %.

## 14. AUDITORS & AUDITORS' REPORT

M/s. Chaturvedi & Shah, Chartered Accountants and M/s. Yeolekar & Associates, Chartered Accountants, were appointed as Joint Auditors of the Company at the Ninth Annual General Meeting of the Company to hold office from the conclusion of the said meeting till the conclusion of the next Annual General Meeting. The Company has received the necessary certificates from the Joint Auditors respectively, pursuant to Section 224(1B) of the Companies Act, 1956, regarding their eligibility for re-appointment. Accordingly, approval of the members to the appointment of M/s. Chaturvedi & Shah, Chartered Accountants and M/s. Yeolekar & Associates, Chartered Accountants as Joint Auditors of the Company is being sought at the ensuing Annual General Meeting.

The Auditors' Report to the shareholders on the Accounts of the Company for the financial year ended March 31, 2013 does not contain any qualification or adverse remarks.

## 15. COST AUDITORS

The Cost Audit Branch of Government of India, Ministry of Corporate Affairs (MCA), New Delhi vide Cost Order No. 52/26/CAB-2010 dated November 6, 2012 have issued industry wise Orders, which includes Infrastructure Providers (IP-1), for appointment of

Cost Auditors. Accordingly, the Board of Directors has appointed Mr. Vikas V. Deodhar, a Cost Accountant as a Cost Auditor of the Company for the financial year 2013–14.

## 16. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, the Directors, to the best of their knowledge and belief, state, in respect of the year ended March 31, 2013, that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. the Directors have selected such accounting policies and 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 as at the end of financial year and of the loss of the Company for that period;
- c. the Directors have taken proper and sufficient care 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; and
- d. the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

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

The Company has enhanced its focus on reduction of diesel consumption at telecom tower sites through several initiatives of energy efficiency and fuel savings. Further, trials of various green energy solutions are carried out through pilot deployment of Solar Photovoltaic panels, Deep discharge and Lithium Ion batteries which have technological superiority.

The details relating to conservation of energy and environmental improvement are given in the Annexure to this Report.

The Company is engaged in the business of providing Passive Infrastructure Services and has no manufacturing activities. During the year under review, the Company has not absorbed, adopted any technology and innovated any new technology. Hence, the details relating to Technology Absorption are not furnished. During the year under review, the Company has carried out R&D activity for reduction of energy consumption at Telecom Tower Sites. The details relating to R&D are given in the Annexure to this Report.

In line with DoT directives dated January 23, 2012 on Green initiatives to Telecom Service Providers, the Company as a member of Tower And Infrastructure Providers Association (TAIPA), has been actively in the tower industry's collective efforts for renewable energy solutions on Opex model, through RESCO (Renewable Energy Service Companies) concept. It is planned to engage through this model in phase-wise manner.

There were no Foreign Exchange Earning during the year and the particulars regarding Foreign Exchange Expenditures appear at item numbers 37 and 38 in Notes on Financial Statements to the Balance Sheet as at March 31, 2013 forming part of this Annual Report.

## 18. PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, names and other particulars of the employees are required to be set out in an annexure to this Report. However, in terms of the Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office. None of the employees listed in the said annexure are related to any Director of the Company.

## 19. EMPLOYEE STOCK OPTION SCHEME (ESOS)

ESOS was introduced and implemented in the year 2005 for the benefits of the employees of the Company. The shareholders have authorized issue of shares, not exceeding 5% of issued equity capital of the Company, to its employees in the form of stock options. As on March 31, 2013 a total 166 employees hold 13,465,454 stock options allotted under various scheme. As required by Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the particulars of ESOS are furnished in Annexure to this Report. However, considering current market conditions, the stock options granted to employees became unfavourable for conversions and hence, the management has proposed to cancel all pending options in the hands of employees and also to close the entire ESOS 2005.

## 20. SPECIAL BUSINESS

As regards the items of the Notice of the Annual General Meeting relating to special business, the resolutions incorporated in the Notice and the Explanatory Statement relating thereto, fully indicate the reasons for seeking the approval of members to

those proposals. Members' attention is drawn to these items and Explanatory Statement annexed to the Notice.

**21. GENERAL**

Notes forming parts of the Accounts are self-explanatory.

**22. ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by the clients, vendors, bankers, financial institutions, investors, media and both the Central and State Governments and

their Agencies and look forward to their continued support. Your Directors also thank the employees at all levels, who through their dedication, co-operation and support, have enabled the Company to achieve sustained growth.

For and on behalf of the Board of Directors

Mumbai  
May 9, 2013

**Manoj G. Tirodkar**  
Chairman

## Annexure to Directors' Report

### ESOS 2005

At the Extraordinary General Meeting held on November 26, 2005, the Shareholders of the Company approved issue of shares, not exceeding 5% of the issued equity capital of the Company, to its employees in the form of Stock Options. The Scheme has been amended from time to time. The exercise price for conversion of options issued prior to listing of the shares of the Company is the face value of each share at the time of grant. However, the exercise price for conversion of options issued after listing of the shares of the Company i.e. after November 9, 2006 will be at a discount up to 25% of the market price (latest available closing price) of each share at the time of grant up to April 28, 2009 and at a discount to the market price of each share at the time of grant thereafter, as may be decided by the Board/ Committee of the Company.

The Company has granted following options each carrying the right to be allotted one equity share (Face Value of 10/- each) at an exercise price mentioned against each grant to the employees.

| Grant | Date of Allotment | No. of options allotted | Exercise Price                                                                                 |
|-------|-------------------|-------------------------|------------------------------------------------------------------------------------------------|
| 1.    | November 26, 2005 | 1,550,000               | 10.00                                                                                          |
| 2.    | February 12, 2007 | 7,490,000               | 29.81 (re-priced at 19.90 per share on account of Right Issue compensation on October 9, 2007) |
| 3.    | February 27, 2007 | 25,000                  | 29.81 (re-priced at 19.90 per share on account of Right Issue compensation on October 9, 2007) |
| 4.    | October 9, 2007   | 899,000                 | 26.48                                                                                          |
| 5.    | October 9, 2007   | 1,007,500               | 10.00 (Issued to Grant 1 option holders towards Right Issue compensation)                      |
| 6.    | October 9, 2007   | 7,190,000               | 19.90 (Issued to Grant 2 option holders towards Right Issue compensation)                      |
| 7.    | October 9, 2007   | 25,000                  | 19.90 (Issued to Grant 3 option holders towards Right Issue compensation)                      |
| 8.    | March 11, 2008    | 1,700,000               | 33.60                                                                                          |
| 9.    | November 23, 2009 | 600,000                 | 24.37                                                                                          |
| 10.   | December 9, 2009  | 5,907,850               | 28.00                                                                                          |
| 11.   | May 4, 2010       | 1,800,000               | 30.52                                                                                          |

The disclosures required as per the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are as under:

| Sr. No. | Particulars                                                       | Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A       | Options Granted                                                   | 28,194,350                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| B       | Pricing formula                                                   | Prior to Listing: Face value of each share at the time of grant.<br>After Listing i.e. after November 9, 2006 and up to April 28, 2009: At a discount of up to 25% of the market price (latest available closing price) of each share at the time of grant as may be decided by the Board/Committee of the Company; and<br>From April 29, 2009: At a discount to the market price of each share at the time of grant as may be decided by the Board/Committee of the Company.                                                                                                                                                                                                                                   |
| C       | Options vested                                                    | 25,369,200                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| D       | Options exercised                                                 | 12,443,746                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| E       | Total number of shares arising as a result of exercise of Options | 12,443,746                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| F       | Options lapsed                                                    | 2,285,150                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| G       | Variation of terms of Options                                     | ESOS 2005 was modified to the extent of the following by taking Shareholders approval in the 6th Annual General Meeting held on July 10, 2009:<br>a) Terms of Part A, B and C of Clause 8 of Part II of the Scheme replaced with uniform terms;<br>b) Early vesting of all Options outstanding as on April 29, 2009 in respect of Part A & B of Clause 8 of Part II of the Scheme;<br>c) Amended Vesting Period to a maximum period of 3 Years in respect of Part A, B and C of Clause 8 of Part II of the Scheme; and<br>d) The Board/Committee has been authorized to grant discount (to the Market Price) without any limit /restriction as against the limit of 25% to the Market Price authorized earlier. |

| Sr. No. | Particulars                                                                                                                                                                                                  | Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |              |              |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| H       | Money realized by exercise of Options                                                                                                                                                                        | 231,902,384                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |              |              |
| I       | Total number of Options in force                                                                                                                                                                             | 13,465,454                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |              |              |
| J       | Employee wise details of Options granted to:                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |              |              |
|         | (i) Senior Managerial Personnel                                                                                                                                                                              | Details are furnished herein below                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |              |              |
|         | (ii) Any other employee who receives a grant in any one year of Option amounting to 5% or more of Option granted during that year.                                                                           | NIL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |              |              |
|         | (iii) Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant | NIL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |              |              |
| K       | Diluted Earnings Per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 "Earning per Share"                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | FY 11–12 ( ) | FY 12–13 ( ) |
|         |                                                                                                                                                                                                              | #EPS Intrinsic Value Method                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | (3.87)       | (3.55)       |
|         |                                                                                                                                                                                                              | EPS Fair Value Method                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (3.87)       | (3.55)       |
|         |                                                                                                                                                                                                              | (#For details please refer Note No. 33 to the Balance Sheet as at March 31, 2013 forming part of this Annual Report).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |              |              |
| L       | Disclosure regarding the Employee Compensation Cost                                                                                                                                                          | <p>The Company has calculated Employee Compensation Costs on the basis of Intrinsic Value Method and has amortised 3,152,818 (Previous year 8,921,353) for the year ended on March 31, 2013.</p> <p>However, had the Company followed Fair Value Method for calculating Employee Compensation Costs, such cost for the year would have been lower by 3,152,360 (Previous Year 7,281,869) and the Net Profit after Taxes would have been lower by the like amount resulting in loss and consequently, the Basic as well as Diluted EPS would have been ( 3.55) (#)</p>                                                                                                                                                                                                                                                                                                                                                                                                                          |              |              |
| M       | Weighted–Average exercise prices & Weighted–Average fair values of Options                                                                                                                                   | Weighted–Average exercise prices of the Options outstanding as at the year end – 24.30 and Weighted– Average fair value of options outstanding as at the year end – 0.88.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |              |              |
| N       | The description of the method and significant assumptions used during the year to estimate the fair value of the options.                                                                                    | <p>The Company has adopted Black–Scholes Model for determining the fair value of Options and the significant assumptions used are:</p> <ul style="list-style-type: none"> <li>(i) Risk–free interest rate:– Normally the yield of Government backed securities with maturity similar to that of the option is taken into consideration.</li> <li>(ii) Expected life:– Full life of the option is the period up to which it can be exercised.</li> <li>(iii) Expected volatility:– Calculated by using the closing market prices of the company's shares during the last one year.</li> <li>(iv) Expected dividends:– Yield has been calculated on the basis of dividend yield of the financial year preceding the date of the grant, if any.</li> <li>(v) The price of the underlying share in market at the time of option grant:– Closing market price on previous trading day on which the Options are allotted on the Stock Exchange where the volume of shares traded is more.</li> </ul> |              |              |

Details of Options granted to Senior Managerial Personnel:

| Sr. No. | Name                     | Grants issued up to<br>March 31, 2013 | Outstanding as on<br>March 31, 2013 |
|---------|--------------------------|---------------------------------------|-------------------------------------|
| 1       | Ashutosh Chandratrey     | 900,000                               | 750,000                             |
| 2       | Bhupendra Kiny           | Nil                                   | Nil                                 |
| 3       | M. R. Bharath            | 1,000,000                             | 911,750                             |
| 4       | Milind Naik              | Nil                                   | Nil                                 |
| 5       | Prasanna Bidnurkar       | 1,000,000                             | 964,500                             |
| 6       | Rupinder Singh Ahluwalia | 1,000,000                             | 894,750                             |
| 7       | Savio F. Furtado         | 300,000                               | 100,000                             |

### Conservation of Energy

The Company is in the business of providing passive infrastructure services. It has taken the following initiatives for conservation of energy in respect of its Telecom Towers.

| Sr. No. | Particulars                                                                                                                  | Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a.      | Energy Conservation measures taken                                                                                           | <ul style="list-style-type: none"> <li>• Installation of Free Cooling / Emergency Free Cooling systems to utilize cool ambient temperatures for saving electrical energy consumption of air-conditioning systems.</li> <li>• Installation of High Efficiency Rectifiers with wide input voltage range SMPS with minimum derating at lower input voltages</li> <li>• Deployment on Deep discharge batteries for better utilization of backup power and thereby reducing diesel consumption</li> <li>• Fuel optimizer feature of DG controller for optimum utilization of battery backup and air-conditioning system</li> <li>• Implemented Stage-wise capacity enhancement with upgradeability as and when site load increased</li> <li>• Deployment of DC type Diesel Generator of smaller capacity at pilot sites</li> </ul> |
| b.      | Additional Investments and proposals, if any, being implemented for reduction of consumption of energy                       | <ul style="list-style-type: none"> <li>• Deployment of Integrated Power Management Units for AC power line conditioning and AC to DC conversion</li> <li>• Remote monitoring of site health parameters through NOC (Network Operations Centre)</li> <li>• Lithium Ion batteries for faster charging</li> <li>• Upgradation of DC power plants with compatible high efficiency rectifiers</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                           |
| c.      | Impact of measures at (a) & (b) for reduction of energy consumption and consequent impact on the cost of production of goods | <p>With the above solutions, the Company expects to reduce energy costs up to 6 to 8% and reduction in Carbon foot-print.</p> <p>The Company is providing its Towers to the Telecom Operators on a sharing basis. Apart from this, the Company is also engaging the services of GTL Limited for reducing the cost of energy. Thus, these efforts would further help the Company to reduce the energy cost.</p>                                                                                                                                                                                                                                                                                                                                                                                                                |

## FORM – B

(See rule 2)

### Disclosure of particulars with respect to Technology absorption:

#### Research and Development (R&D)

1. **Specific areas in which R & D carried out by the Company:** The Company has focused on reduction of energy consumption at Telecom Tower Sites through several initiatives for deployment of Energy Efficient Solutions.
2. **Benefits derived as a result of the above R & D:** Through Energy Management Solutions carried out on pilot basis, the Company has generated valuable knowledge–base which will be essentially used for large scale deployment on Telecom Tower Sites. The Company has successfully installed SPV based Renewable Energy Solutions for reduction of fossil fuel consumption and for reduction of Green House Gases.
3. **Future plan of action:** The Company has strategic intent of improving energy efficiency at each Telecom Tower Site. This will ensure operational expenditure benefits to the Company's Customers.
4. **Expenditure on R & D:**

|    |                                              |   |  |   |                                                            |
|----|----------------------------------------------|---|--|---|------------------------------------------------------------|
| a. | Capital                                      | : |  | } | No significant expenditures were incurred during the year. |
| b. | Recurring                                    | : |  |   |                                                            |
| c. | Total                                        | : |  |   |                                                            |
| d. | Total Expenditure as a percentage of Revenue | : |  |   |                                                            |

#### Technology absorption, adaptation and innovation:

- |    |                                                                                                                                                         |   |  |   |                                                                                                                                                 |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|---|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Efforts in brief made towards technology absorption, adaption and innovation                                                                            | : |  | } | The Company has not absorbed, adopted and innovated any new technology. Hence, the details relating to technology absorption are not furnished. |
| 2. | Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.               | : |  |   |                                                                                                                                                 |
| 3. | In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year) following information may be furnished. | : |  |   |                                                                                                                                                 |
| a. | Technology imported                                                                                                                                     | : |  |   |                                                                                                                                                 |
| b. | Year of import                                                                                                                                          | : |  |   |                                                                                                                                                 |
| c. | Has technology been fully absorbed?                                                                                                                     | : |  |   |                                                                                                                                                 |
| d. | If not fully absorbed, the areas where this has not taken place, reasons thereof and future plans of action                                             | : |  |   |                                                                                                                                                 |

For and on behalf of the Board of Directors

Mumbai  
May 9, 2013

**Manoj G. Tiroadkar**  
Chairman

## Independent Auditors' Report

To  
The Members of  
**GTL INFRASTRUCTURE LIMITED**

### Report on the Financial Statement

We have audited the accompanying financial statements of **GTL INFRASTRUCTURE LIMITED** ("the Company"), which comprises Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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 (Indian GAAPs), including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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: –

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- ii. in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

### Emphasis of Matter

We draw attention to Note No.30 regarding Scheme of Arrangement under section 391 to 394 of the Act pending for the necessary modifications and approvals and preparation of account without giving any effect of this scheme and to give the effect as and when the scheme becomes effective. Our opinion is not qualified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required under provisions of section 227(3) of the Act, we report that:
  - a. 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;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.
  - e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **Chaturvedi & Shah**  
Chartered Accountants  
Firm Reg. No. – 101720W

**R. Koria**  
Partner  
Membership No. – 35629

Mumbai  
Date: 9th May 2013

For **Yeolekar & Associates**  
Chartered Accountants  
Firm Reg. No. – 102489W

**S. S. Yeolekar**  
Partner  
Membership No. – 36398

## Annexure to Auditors' Report

(Referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date)

- i. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
  - b. As explained to us, the Company has physically verified certain assets, in accordance with a phased program of verification, which in our opinion is reasonable, having regard to the size of the Company. No material discrepancies were noticed on such physical verification.
  - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of its inventories:
  - a. As explained to us, inventories have been physically verified by the management at reasonable intervals.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. According to the information and explanations given to us and on the basis of our examination of inventory records, we are of the opinion that the Company is maintaining proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
- iii. According to the information and explanations given to us, the Company has not granted or taken loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clause (iii) of Paragraph 4 of the Companies (Auditors' Report) Order 2003 is not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - b. Based on information and explanation given to us, in our opinion, the transactions made in pursuance of the contracts or arrangements, entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 5 lacs or more in respect of each party, have been made at prices, which are reasonable. The Company has not entered into transactions of similar nature with any other party.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under are not applicable for the year under audit.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Government of India under section 209 (1) (d) of the Act and are of the opinion that prima facie the prescribed records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- ix. According to the information and explanations given to us in respect of statutory dues:
  - a. The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at March 31, 2013 for a period of more than six months from the date they became payable except for Gram Panchayat and Municipal Taxes aggregating to ₹ 22,963,394.
  - b. The disputed statutory dues aggregating to ₹ 59,417,478 that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

| Name of the Statute                                              | Nature of the Dues                     | Period to which the amount relates | Amount (in ₹) (*) | Forum where dispute is pending    |
|------------------------------------------------------------------|----------------------------------------|------------------------------------|-------------------|-----------------------------------|
| Central Sales Tax Act, 1956 and Sales Tax Acts of various states | Sales Tax/Trade Tax/ VAT and Entry Tax | 2007-08 to 2010-11                 | 50,759,937        | Deputy Commissioner (Appeals)     |
|                                                                  |                                        | 2007-08 & 2009-10                  | 2,733,283         | Additional Commissioner (Appeals) |
|                                                                  |                                        | 2008-09 to 2010-11                 | 4,942,330         | Joint Commissioner (Appeal)       |
|                                                                  |                                        | 2006-07 , 2009-10 & 2010-11        | 981,928           | Sales Tax Tribunal                |
|                                                                  |                                        | Total                              | 59,417,478        |                                   |

(\*) Net of amount deposited under protest as mentioned in Note No. 25 to the financial statements.

- x. The Company has accumulated losses at the end of the financial year, which is less than fifty percent of its net worth. The Company has incurred cash losses during the year covered by the audit and in the immediately preceding financial year.
- xi. Based on our audit procedures, information and explanations given by the management, and considering the Corporate Debt Restructuring (CDR) scheme and other restructuring schemes with foreign lender and FCCB holders, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or bond holders.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by 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 and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures & other investments. The Company has maintained proper records of transactions and contracts in respect of investments in shares and Mutual funds and timely entries have been made therein. All the investment in shares and mutual funds have been held by the Company in its own name.
- xv. The Company has given corporate guarantee aggregating to ₹ 10,810,000,000 for loans taken by Chennai Network Infrastructure Limited (CNIL), the erstwhile subsidiary of the Company, from banks and financial institutions as at 31st March, 2013. CNIL is in the process of the amalgamation with the Company as mentioned in Note no.30 to the financial statements. The management is of the opinion that since these guarantees were given when CNIL was the subsidiary of the Company and CNIL is getting merged with the Company, the terms and conditions of the Corporate Guarantee are not prejudicial to the interest of the Company. We are, however, unable to comment on the same.
- xvi. To the best of our knowledge and according to the information and explanations given to us the term loans outstanding at the beginning of the year and those raised during the year have been applied for the purposes for which they were raised.
- xvii. On the basis of review of utilization of funds, which is based on overall examination of the Balance Sheet of the Company as at March 31, 2013, related information as made available to us and as represented to us, by the management, we are of the opinion, that funds raised on short term basis have not prima facie been utilized for long term purposes.
- xviii. During the year, the Company has made preferential allotment of 71,329,113 equity shares of ₹ 10/- each on conversion of 9,016,000 Compulsorily Convertible Debentures (CCDs) to a Company covered in the Register maintained under Section 301 of the Act. According to the information & explanation given to us these shares are issued in terms of Corporate Debt Restructuring Scheme and in accordance with Securities and Exchange Board of India (Issue Of Capital and Disclosure Requirements) Regulations, 2009 and accordingly, the prices at which these shares are issued are not prima facie prejudicial to the interest of the Company.
- xix. The Company had created security in respect of 110,162,087 Compulsorily Convertible Debentures (CCDs) issued during the year. Subsequently these CCDs got converted in to Equity Shares of the Company and as on March 31, 2013 no CCDs were outstanding.
- xx. During the year covered by our report the Company has not raised any money by public issue.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

**For Chaturvedi & Shah**

Chartered Accountants

Firm Reg. No. – 101720W

**R. Koria**

Partner

Membership No. – 35629

Mumbai

Date: 9th May 2013

**For Yeolekar & Associates**

Chartered Accountants

Firm Reg. No. – 102489W

**S. S. Yeolekar**

Partner

Membership No. – 36398

## Balance Sheet As at March 31, 2013

(Amount in ₹)

|                                        | Notes   | As at March 31, 2013  | As at March 31, 2012  |
|----------------------------------------|---------|-----------------------|-----------------------|
| <b>Equity and Liabilities</b>          |         |                       |                       |
| <b>Shareholder's Funds</b>             |         |                       |                       |
| Share Capital                          | 2       | 23,067,997,540        | 9,573,486,040         |
| Reserves and Surplus                   | 3       | (6,631,753,118)       | 3,097,918,430         |
|                                        |         | <b>16,436,244,422</b> | <b>12,671,404,470</b> |
| <b>Non-Current Liabilities</b>         |         |                       |                       |
| Long-Term Borrowings                   | 4       | 48,806,199,666        | 31,906,186,318        |
| Other Long-Term Liabilities            | 5       | 2,617,804,634         | 1,644,557,714         |
| Other Long-Term Provisions             | 6       | 8,925,913             | 9,719,352             |
|                                        |         | <b>51,432,930,213</b> | <b>33,560,463,384</b> |
| <b>Current Liabilities</b>             |         |                       |                       |
| Trade Payables                         | 7       | 404,234,416           | 984,125,439           |
| Other Current Liabilities              | 8       | 1,621,546,784         | 26,172,627,135        |
| Short-Term Provisions                  | 9       | 376,912               | 539,231               |
|                                        |         | <b>2,026,158,112</b>  | <b>27,157,291,805</b> |
| <b>Total</b>                           |         | <b>69,895,332,747</b> | <b>73,389,159,659</b> |
| <b>Assets</b>                          |         |                       |                       |
| <b>Non-Current Assets</b>              |         |                       |                       |
| Fixed Assets                           | 10      |                       |                       |
| Tangible Assets                        |         | 37,992,469,999        | 41,349,892,662        |
| Intangible Assets                      |         | 550,979               | 2,073,474             |
| Capital Work-in-Progress               |         | 2,164,710,044         | 2,786,067,756         |
|                                        |         | <b>40,157,731,022</b> | <b>44,138,033,892</b> |
| Non-Current Investments                | 11      | 18,489,724,000        | 18,489,724,000        |
| Long-Term Loans and Advances           | 12      | 4,817,945,108         | 6,310,134,745         |
|                                        |         | <b>63,465,400,130</b> | <b>68,937,892,637</b> |
| <b>Current Assets</b>                  |         |                       |                       |
| Current Investments                    | 13      | 435,352,494           | 35,000,000            |
| Inventories                            | 14      | 11,679,166            | 11,661,286            |
| Trade Receivables                      | 15      | 566,825,708           | 361,255,273           |
| Cash and Bank Balances                 | 16      | 303,594,935           | 485,938,818           |
| Short-Term Loans and Advances          | 17      | 3,758,090,416         | 2,483,262,428         |
| Other Current Assets                   | 18      | 1,354,389,898         | 1,074,149,217         |
|                                        |         | <b>6,429,932,617</b>  | <b>4,451,267,022</b>  |
| <b>Total</b>                           |         | <b>69,895,332,747</b> | <b>73,389,159,659</b> |
| <b>Significant Accounting Policies</b> |         |                       |                       |
|                                        | 1       |                       |                       |
| <b>Notes on Financial Statements</b>   |         |                       |                       |
|                                        | 2 to 42 |                       |                       |

As per our report of even date

For and on behalf of the Board of Directors

 For **CHATURVEDI & SHAH**  
 Chartered Accountants

 For **YEOLEKAR & ASSOCIATES**  
 Chartered Accountants

**MANOJ TIRODKAR**  
 Chairman

**MILIND NAIK**  
 Whole-time Director

**R. KORIA**  
 Partner

**S. S. YEOLEKAR**  
 Partner

**VIJAY VIJ**  
 Director

**CHARUDATTA NAIK**  
 Director

 Mumbai  
 Date: May 9, 2013

**BHUPENDRA J. KINY**  
 Chief Financial Officer

**NITESH MHATRE**  
 Company Secretary

## Statement of Profit and Loss For The Year Ended March 31, 2013

(Amount in ₹)

|                                                                       | Notes   | For the Year ended on March 31, 2013 | For the Year ended on March 31, 2012 |
|-----------------------------------------------------------------------|---------|--------------------------------------|--------------------------------------|
| <b>INCOME :</b>                                                       |         |                                      |                                      |
| Revenue from Operations (net)                                         | 19      | 5,663,862,129                        | 5,505,560,167                        |
| Other Income                                                          | 20      | 45,319,771                           | 66,125,501                           |
| <b>Total Revenue</b>                                                  |         | <b>5,709,181,900</b>                 | <b>5,571,685,668</b>                 |
| <b>EXPENSES :</b>                                                     |         |                                      |                                      |
| Infrastructure Operation & Maintenance Cost (Net)                     | 21      | 1,971,093,792                        | 1,837,907,548                        |
| Employee Benefits Expense                                             | 22      | 185,269,888                          | 156,818,321                          |
| Other Expenses                                                        | 23      | 717,513,412                          | 565,919,053                          |
| <b>Total</b>                                                          |         | <b>2,873,877,092</b>                 | <b>2,560,644,922</b>                 |
| <b>Profit before Finance Costs, Depreciation/Amortization and Tax</b> |         | <b>2,835,304,808</b>                 | <b>3,011,040,746</b>                 |
| Finance Costs                                                         | 24      | 3,505,327,998                        | 4,285,076,216                        |
| Depreciation/Impairment and Amortization Expenses                     | 10      | 4,864,263,644                        | 2,434,237,506                        |
| <b>LOSS BEFORE EXCEPTIONAL ITEMS AND TAX</b>                          |         | <b>(5,534,286,834)</b>               | <b>(3,708,272,976)</b>               |
| Exceptional Item                                                      | 28      | 1,332,100,863                        | —                                    |
| <b>LOSS BEFORE TAX</b>                                                |         | <b>(6,866,387,697)</b>               | <b>(3,708,272,976)</b>               |
| Tax Expenses                                                          |         | —                                    | —                                    |
| <b>LOSS FOR THE YEAR</b>                                              |         | <b>(6,866,387,697)</b>               | <b>(3,708,272,976)</b>               |
| <b>Earnings Per Equity Share of ₹ 10 each</b>                         | 33      |                                      |                                      |
| <b>Basic and Diluted</b>                                              |         | <b>(3.55)</b>                        | <b>(3.87)</b>                        |
| <b>Significant Accounting Policies</b>                                | 1       |                                      |                                      |
| <b>Notes on Financial Statements</b>                                  | 2 to 42 |                                      |                                      |

As per our report of even date

For and on behalf of the Board of Directors

For **CHATURVEDI & SHAH**  
Chartered AccountantsFor **YEOLEKAR & ASSOCIATES**  
Chartered Accountants**MANOJ TIRODKAR**  
Chairman**MILIND NAIK**  
Whole-time Director**R. KORIA**  
Partner**S. S. YEOLEKAR**  
Partner**VIJAY VIJ**  
Director**CHARUDATTA NAIK**  
DirectorMumbai  
Date: May 9, 2013**BHUPENDRA J. KINY**  
Chief Financial Officer**NITESH MHATRE**  
Company Secretary

## Cash Flow Statement For The Year Ended March 31, 2013

(Amount in ₹)

| PARTICULARS                                                                           | For the<br>Year ended<br>March 31, 2013 | For the<br>Year ended<br>March 31, 2012 |
|---------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                                         |                                         |                                         |
| Net Profit/(Loss) before tax as per Statement of Profit and Loss                      | (6,866,387,697)                         | (3,708,272,976)                         |
| <b>ADJUSTED FOR</b>                                                                   |                                         |                                         |
| Depreciation and amortization expenses                                                | 4,864,263,644                           | 2,434,237,506                           |
| Loss on sale of fixed asset                                                           | 196,795,277                             | 99,908,238                              |
| Interest Income                                                                       | (7,831,925)                             | (64,612,533)                            |
| Finance Costs                                                                         | 3,505,327,998                           | 4,285,076,216                           |
| Employee Stock Option Cost                                                            | 3,152,818                               | 8,921,353                               |
| Foreign Exchange (Gain)/Loss (Net)                                                    | 6,433,637                               | 8,574,486                               |
| Profit on sale of Investments                                                         | (35,213,465)                            | (64,983)                                |
| Exceptional Items                                                                     | 1,332,100,863                           | —                                       |
| Bad Debts                                                                             | 20,537,175                              | 5,982,504                               |
| Provision for Doubtful Debts/Advances (Net of Excess Provision Reversal)              | 195,201,702                             | 127,353,912                             |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGE</b>                                 | <b>3,214,380,027</b>                    | <b>3,197,103,724</b>                    |
| <b>ADJUSTMENTS FOR</b>                                                                |                                         |                                         |
| Trade and Other Receivables                                                           | (787,682,570)                           | 585,690,086                             |
| Inventories                                                                           | (17,880)                                | (712,824)                               |
| Trade Payables                                                                        | (493,798,929)                           | 239,903,197                             |
| <b>CASH GENERATED FROM OPERATIONS</b>                                                 | <b>1,932,880,648</b>                    | <b>4,021,984,182</b>                    |
| Direct taxes (paid)/Refund Received (Net)                                             | (239,439,468)                           | 88,183,448                              |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>                                        | <b>1,693,441,180</b>                    | <b>4,110,167,630</b>                    |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                                         |                                         |                                         |
| Purchase of Fixed Assets and Capital Work-in-progress                                 | (1,442,701,086)                         | (3,778,526,813)                         |
| Sale of Fixed Assets                                                                  | 111,772,426                             | 1,159,950,107                           |
| Advance to associate*                                                                 | 281,364,692                             | (622,561,478)                           |
| Purchase of Investments                                                               | (19,543,844,235)                        | (4,079,513,367)                         |
| Sale of Current Investments                                                           | 19,178,705,207                          | 4,046,054,669                           |
| Realised Gain/(Loss) on Settled Derivatives Contracts/Currency Swap Arrangement (Net) | —                                       | (10,946,769)                            |
| Interest Income                                                                       | 24,566,884                              | 192,048,159                             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                          | <b>(1,390,136,112)</b>                  | <b>(3,093,495,492)</b>                  |

## Cash Flow Statement For The Year Ended March 31, 2013

(Amount in ₹)

| PARTICULARS                                                                              | For the<br>Year ended<br>March 31, 2013 | For the<br>Year ended<br>March 31, 2012 |
|------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                                            |                                         |                                         |
| Proceeds from Equity – Promoter Contribution                                             | 449,100,000                             | –                                       |
| Refund of unclaimed share Application Money                                              | –                                       | (1,850)                                 |
| CCD Application Money                                                                    | –                                       | 452,500,000                             |
| Refund of CCD Application Money                                                          | (290)                                   | –                                       |
| FCCB Issue Expenses                                                                      | (137,993,398)                           |                                         |
| Repayment of Long–Term Borrowings                                                        | (23,230,426)                            | (1,384,679,551)                         |
| Short–Term Loan (Net)                                                                    | –                                       | (5,535,000)                             |
| Interest and Finance charges Paid                                                        | (773,524,837)                           | (2,251,042,176)                         |
| Fixed Deposit – Others                                                                   | (4,606,975)                             | –                                       |
| Fixed Deposits with Banks pledged as Margin Money and Debt Service Reserve Account (Net) | 231,470,759                             | 1,469,317,180                           |
| <b>NET CASH FLOW/(USED) FROM/(IN) FINANCING ACTIVITIES</b>                               | <b>(258,785,167)</b>                    | <b>(1,719,441,397)</b>                  |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                         | <b>44,519,901</b>                       | <b>(702,769,259)</b>                    |
| <b>Cash and Cash Equivalents (Opening Balance)</b>                                       | <b>241,255,157</b>                      | <b>944,024,416</b>                      |
| <b>Cash and Cash Equivalents (Closing Balance)</b>                                       | <b>285,775,058</b>                      | <b>241,255,157</b>                      |

\* Subsidiary till December 19, 2012

- (i) The above Cash Flow Statement has been prepared under the “Indirect Method” as set out in Accounting Standard – 3 “Cash Flow Statements”.
- (ii) Figures in brackets indicate Outflows.
- (iii) a. Refer Note No. 16 for Cash and Cash Equivalents as at year end.
- b. Following transactions do not involve any cash flow, hence not considered above:
- Conversion of loans, FCCBs and debentures application money into shares of ₹ 14,993,422,385.
  - Assignment of capital advances of ₹ 1,500,064,874 To an associate company.
- (iv) Previous year’s figures have been regrouped/rearranged/recasted wherever necessary to make them comparable with those of current year.

As per our report of even date

For **CHATURVEDI & SHAH**  
Chartered Accountants

For **YEOLEKAR & ASSOCIATES**  
Chartered Accountants

**R. KORIA**  
Partner

**S. S. YEOLEKAR**  
Partner

Mumbai  
Date: May 9, 2013

For and on behalf of the Board of Directors

**MANOJ TIRODKAR**  
Chairman

**MILIND NAIK**  
Whole–time Director

**VIJAY VIJ**  
Director

**CHARUDATTA NAIK**  
Director

**BHUPENDRA J. KINY**  
Chief Financial Officer

**NITESH MHATRE**  
Company Secretary

## Notes to Financial Statements

### Note – 1 SIGNIFICANT ACCOUNTING POLICIES

#### i. Basis of Preparation of Financial Statements:

The Accounts have been prepared on a going concern basis under historical cost convention on accrual basis and in accordance with the generally accepted accounting principles in India and the provisions of Companies Act, 1956.

#### ii. Use of Estimate:

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The difference between the actual results and estimates are recognised in the year in which the results are known/materialised.

#### iii. Revenue Recognition:

- Revenue from Infrastructure/Equipment provisioning is recognised in accordance with the Contract/ Agreement entered into. Revenues are recognised when it is earned and no significant uncertainty exists as to its ultimate collection and includes service tax, wherever applicable.
- Interest income is recognised on a time proportion basis. Dividend is considered when the right to receive is established.

#### iv. Fixed Assets:

- Fixed Assets are stated at cost net of eligible Cenvat and VAT less accumulated depreciation, amortisation and impairment loss, if any. All costs, including borrowing costs up to the date asset is ready to use and exchange difference on Long-Term Foreign Currency Monetary Items related to fixed assets are capitalised.
- The Fixed Assets at the cellular sites, which are ready to use during a particular month are capitalised on the last day of that month.
- Expenses incurred relating to project, prior to commencement of commercial operation, are considered as pre-operative expenditure and shown under Capital Work-In-Progress.

#### v. Depreciation:

- Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except in respect of certain Fixed Assets where the higher rates are applicable considering the estimated useful life as mentioned below and Towers:

| Sr.   | Asset                                | Years   |
|-------|--------------------------------------|---------|
| i.    | Shelters                             | 20      |
| ii.   | Network Operation Assets             | 4 to 10 |
| iii.  | Air Conditioners                     | 9       |
| iv.   | Electrical & Power Supply Equipments | 6 to 9  |
| v.    | Computers                            | 3       |
| vi.   | Office Equipments                    | 3 to 5  |
| vii.  | Furniture & Fittings                 | 5       |
| viii. | Vehicle                              | 5       |

- The towers have been depreciated on straight line method at the rate of 2.72% per annum in terms of specific approval received from Ministry of Corporate Affairs, Government of India vide Order no.45/2/2010-CL-III dated May 26, 2010 issued under Section 205(2)(d) of the Companies Act, 1956.
- The leasehold improvements have been depreciated over lease period.
- In respect of additions forming an integral part of existing assets and exchange difference capitalised, depreciation has been provided over residual life of the respective fixed assets.
- In respect of Fixed Assets whose actual cost does not exceed ₹ 5,000, depreciation is provided at 100% in the year of addition.
- In respect of Fixed Assets acquired upon demerger pursuant to the Scheme of Arrangement between GTL Infrastructure Limited and GTL Limited, depreciation is provided for the balance period of economic useful life of those assets.
- The revised carrying amount of the assets identified as impaired have been depreciated over residual life of the respective assets.

## Notes to Financial Statements

### vi. Intangible Assets:

Intangible Assets are stated at cost of acquisition less accumulated amortisation. Software which is not an integral part of the related hardware is classified as an Intangible Asset and is amortised over the useful life of three years.

### vii. Impairment of Assets:

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which the carrying amount of an asset exceeds its recoverable amount. The impairment loss recognised in prior accounting periods is reversed if there is a change in the estimate of recoverable amount.

### viii. Investments:

Current Investments are carried at the lower of cost or quoted/fair value computed scrip wise, Long-Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such decline is other than temporary.

### ix. Assignment of Recoverables:

In case of assignment of recoverables, the amounts are derecognised when all the rights and titles in receivables are assigned. The charges paid on assignment are charged to Statement of Profit and Loss.

### x. Inventory of Stores, Spares and Consumables:

Inventory of stores, spares and consumables are accounted for at costs, determined on weighted average basis, or net realisable value, whichever is less.

### xi. Foreign Currency Transactions:

- Transactions in Foreign Currencies are normally recorded at the exchange rate prevailing on the date of the transaction.
- Monetary items denominated in Foreign Currency at the Balance Sheet date are restated at the exchange rates prevailing at the Balance Sheet date. In case of the items which are covered by forward exchange contracts, the difference between the exchange rates prevailing at the Balance Sheet date and rate on the date of the contract is recognised as exchange difference. The premium on forward contracts is amortised over the life of the contract.
- Non monetary Foreign Currency items are carried at cost.
- Gains or losses on account of exchange difference either on settlement or on translation are recognised in the Statement of Profit and Loss except in respect of Long-Term Foreign Currency Monetary Items which, if related to acquisition of depreciable fixed assets, are adjusted to the carrying cost of the depreciable fixed assets and in other cases transferred to Foreign Currency Monetary Item Translation Difference Account and amortised over the balance period of such Long-term Foreign Currency Monetary items but not beyond March 31, 2020.

### xii. Employee Benefits:

- Short-term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered.
- Post employment and other long-term employee benefits are recognised as an expense in the Statement of Profit and Loss for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the Statement of Profit and Loss.
- In respect of employee's stock options, the excess of market price on the date of grant over the exercise price is recognised as deferred employee compensation expense amortised over vesting period.

### xiii. Borrowing Costs:

Borrowing costs that are attributable to acquisition or construction of a qualifying asset (net of income earned on temporary deployment of funds) are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Statement of Profit and Loss.

### xiv. Leases:

In respect of operating leases, lease rentals are expensed with reference to the terms of lease and other considerations except for lease rentals pertaining to the period up to the asset put to use, which are capitalised.

### xv. Provision for Current and Deferred Tax:

- Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961.
- Deferred tax resulting from the timing differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realised in the future.

## Notes to Financial Statements

**xvi. Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

**xvii. Financial Derivatives Hedging Transactions:**

In respect of derivatives contracts, premium paid, provision for losses on restatement and gains/losses on settlement are recognised in the Statement of Profit and Loss.

**xviii. Issue Expenses:**

Expenses related to issue of equity and equity related instruments are adjusted against the Securities Premium Account.

**xix. Premium on Redemption of Bonds/Debentures**

Premium on redemption of bonds/debentures, net of tax impact, is adjusted against the Securities Premium Account.

**xx. Provision for Doubtful receivables and Loans and Advances:**

Provision is made in the accounts for doubtful receivables and loans and advances in cases where the management considers the debts, loans and advances, to be doubtful of recovery.

**Note – 2 Share Capital**

(Amount in ₹)

| Particulars                                                                        | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Authorised</b>                                                                  |                         |                         |
| 4,500,000,000 (Previous Year 3,000,000,000) Equity Shares of ₹ 10 each             | 45,000,000,000          | 30,000,000,000          |
| 50,000,000 (Previous Year 50,000,000) Preference Shares of ₹ 100 each              | 5,000,000,000           | 5,000,000,000           |
|                                                                                    | <b>50,000,000,000</b>   | <b>35,000,000,000</b>   |
| <b>Issued, subscribed and fully paid-up</b>                                        |                         |                         |
| 2,306,799,754 (Previous Year 957,348,604) Equity Shares of ₹ 10 each fully paid-up | 23,067,997,540          | 9,573,486,040           |
| <b>Total</b>                                                                       | <b>23,067,997,540</b>   | <b>9,573,486,040</b>    |

**2.1 Reconciliation of the shares outstanding at the beginning and at the end of the year**

| Particulars                                                               | As at March 31, 2013 |                       | As at March 31, 2012 |               |
|---------------------------------------------------------------------------|----------------------|-----------------------|----------------------|---------------|
|                                                                           | Number               | Rupees                | Number               | Rupees        |
| Equity Shares at the beginning of the Year                                | 957,348,604          | 9,573,486,040         | 957,348,604          | 9,573,486,040 |
| Issued during the Year                                                    |                      |                       |                      |               |
| – On conversion of Compulsory Convertible Debentures (Refer Note No. 2.4) | 951,938,245          | 9,519,382,450         | –                    | –             |
| – On conversion of Foreign Currency Convertible Bonds                     | 397,512,905          | 3,975,129,050         | –                    | –             |
| Equity Shares at the end of the Year                                      | <b>2,306,799,754</b> | <b>23,067,997,540</b> | 957,348,604          | 9,573,486,040 |

**2.2 Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all the preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**2.3 Shares reserved for issue under options:**

- The Employee Stock Option Schemes (ESOS) holders under the ESOS have the option to exercise/convert ESOS into 13,465,454 (Previous Year 13,495,004) Equity Shares. (Refer Note No. 22.1)
- The Foreign Currency Convertible Bonds (FCCB) holders have the option to convert FCCB into 1,115,163,217 (Previous Year 169,158,948) Equity Shares (Refer Note No. 4.3)
- Refer Note No. 30 in respect of Shares to be issued pursuant to the Scheme of Arrangement

**2.4 Pursuant to the approval of Corporate Debt Restructuring (CDR) Package of the Company by the CDR Empowered Group (CDR EG), during the year ended March 31, 2013, the Company has Issued 119,178,087 Compulsorily Convertible Debentures (CCDs) against part conversion of outstanding debt due to the lenders and contribution by the promoters. These CCDs have been converted into 951,938,245 equity shares of ₹ 10/- each, during the year.**

## Notes to Financial Statements

### 2.5 Details of shareholders holding more than 5% shares in the Company

| Name of shareholders                       | As at March 31, 2013  |                            | As at March 31, 2012  |                            |
|--------------------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
|                                            | Number of Shares held | % holding in Share Capital | Number of Shares held | % holding in Share Capital |
| GTL Limited                                | 170,226,673           | 7.38%                      | 170,226,673           | 17.78%                     |
| Global Holding Corpoartion Private Limited | 283,062,609           | 12.27%                     | 211,733,496           | 22.12%                     |
| IFCI Limited                               | 175,536,793           | 7.61%                      | 175,536,793           | 18.34%                     |
| Indian Overseas Bank                       | 161,976,510           | 7.02%                      | —                     | —                          |
| ELM Park Fund Limited                      | 124,812,354           | 5.41%                      | —                     | —                          |
| Union Bank of India                        | 121,034,706           | 5.25%                      | —                     | —                          |
| Technology Infrastructure Limited          | 92,704,491            | 4.02%                      | 222,345,700           | 23.23%                     |

### Note – 3 Reserves and Surplus

(Amount in ₹)

| Particulars                                                                               | As at March 31, 2013    | As at March 31, 2012   |
|-------------------------------------------------------------------------------------------|-------------------------|------------------------|
| <b>Reconstruction Reserve</b>                                                             | <b>199,302,121</b>      | 199,302,121            |
| Balance as per last Balance Sheet<br>(Created in terms of the Scheme of Arrangement)      |                         |                        |
| <b>Capital Reserve</b>                                                                    | <b>184,600,000</b>      | 184,600,000            |
| Balance as per last Balance Sheet<br>(On Forfeiture of Preferential Convertible Warrants) |                         |                        |
| <b>Securities premium account</b>                                                         |                         |                        |
| Balance as per last Balance Sheet                                                         | 8,649,701,157           | 8,649,701,157          |
| Add : Addition during the year                                                            |                         |                        |
| — On Issue of Equity Shares                                                               | 2,400,510,885           | —                      |
|                                                                                           | <u>11,050,212,042</u>   | 8,649,701,157          |
| Less: Redemption Premium on Foreign Currency Convertible Bonds (FCCB)                     | 5,057,103,939           | —                      |
| Less: FCCB Issue Expenses*                                                                | <u>137,993,398</u>      | —                      |
|                                                                                           | <u>5,195,097,337</u>    | —                      |
|                                                                                           | <b>5,855,114,705</b>    | 8,649,701,157          |
| <b>Employee stock option outstanding</b>                                                  |                         |                        |
| Balance as per last Balance Sheet                                                         | 106,413,920             | 107,880,000            |
| Less : Options exercised/lapsed during the year                                           | <u>276,293</u>          | <u>1,466,080</u>       |
|                                                                                           | <u>106,137,627</u>      | 106,413,920            |
| <b>Less: Deferred employee stock compensation</b>                                         |                         |                        |
| Balance as per last Balance Sheet                                                         | 3,599,800               | 13,987,233             |
| Less : Amortised/lapsed during the year                                                   | <u>3,429,111</u>        | <u>10,387,433</u>      |
|                                                                                           | <u>170,689</u>          | 3,599,800              |
|                                                                                           | <b>105,966,938</b>      | 102,814,120            |
| <b>Foreign Currency Monetary Item Translation Difference Account</b>                      | <b>(71,850,217)</b>     | —                      |
| <b>Surplus/(Deficit) in the Statement of Profit and Loss</b>                              |                         |                        |
| Balance as per last Balance Sheet                                                         | (6,038,498,968)         | (2,330,225,992)        |
| Loss for the year                                                                         | <u>(6,866,387,697)</u>  | <u>(3,708,272,976)</u> |
|                                                                                           | <b>(12,904,886,665)</b> | (6,038,498,968)        |
| <b>Total</b>                                                                              | <b>(6,631,753,118)</b>  | <b>3,097,918,430</b>   |

\*Includes Rs. 10,00,000 paid to the Auditors.

## Notes to Financial Statements

**Note – 4 Long–Term Borrowings**

(Amount in ₹)

| Particulars                                               | As at March 31, 2013  | As at March 31, 2012  |
|-----------------------------------------------------------|-----------------------|-----------------------|
| <b>Secured Loans</b>                                      |                       |                       |
| Rupee Term Loans from                                     |                       |                       |
| – Banks                                                   | 33,820,440,604        | 29,999,529,913        |
| – Financial Institution                                   | 827,320,111           | 1,072,985,685         |
|                                                           | <b>34,647,760,715</b> | <b>31,072,515,598</b> |
| Foreign Currency Term Loan from                           |                       |                       |
| – Financial Institution                                   | 735,751,170           | 833,670,720           |
|                                                           | <b>35,383,511,885</b> | <b>31,906,186,318</b> |
| <b>Unsecured Loans</b>                                    |                       |                       |
| – Foreign Currency Convertible Bonds (Refer Note No. 4.3) | 13,422,687,781        | –                     |
| <b>Total</b>                                              | <b>48,806,199,666</b> | <b>31,906,186,318</b> |

**4.1 Rupee Term Loans from Banks & Financial Institutions are secured by way of**

- Mortgage by first *pari-passu* charge on all immovable assets, both present and future and on all movable assets, both present and future, including first floating charge on all the current assets of the Company.
- Sponsor support from Global Holding Corporation Private Limited (GHC) and Mr. Manoj Tirodkar (Promoter) towards debt servicing of CDR Lenders and Personal guarantee aggregating to ₹ 6,010,400,000 by Mr. Manoj Tirodkar.

**4.2 Terms of Repayment**

- Rupee Term Loans from Banks and Financial Institutions and Current Maturities of Long–term borrowings having an effective yield of 10.75% over the tenure of the facility aggregating to ₹ 30,485,672,372 are repayable in 53 structured quarterly instalments starting from June 30, 2013 and ending on June 30, 2026.

The Maturity Profile of these loans is as set below:

| 2013–14         | 2014–15         | 2015–16         | 2016–17         |
|-----------------|-----------------|-----------------|-----------------|
| ₹ 22,864,254    | ₹ 152,428,362   | ₹ 304,856,724   | ₹ 914,570,171   |
| 2017–18         | 2018–19         | 2019–20         | 2020–21         |
| ₹ 1,829,140,342 | ₹ 2,133,997,066 | ₹ 2,438,853,790 | ₹ 2,743,710,513 |
| 2021–22         | 2022–23         | 2023–24         | 2024–25         |
| ₹ 3,353,423,961 | ₹ 3,810,709,046 | ₹ 3,810,709,046 | ₹ 3,810,709,046 |
| 2025–26         | 2026–27         |                 |                 |
| ₹ 3,963,137,408 | ₹ 1,196,562,643 |                 |                 |

- Rupee Term Loans from Banks and Financial Institutions and Current Maturities of Long–term borrowings having an Interest rate of 3% p.a aggregating to ₹ 2,437,624,176 are repayable in 16 structured quarterly instalments starting from June 30, 2013 and ending on March 31, 2017.

The Maturity Profile of this loan is as set below:

| 2013–14       | 2014–15       | 2015–16       | 2016–17       |
|---------------|---------------|---------------|---------------|
| ₹ 365,643,628 | ₹ 487,524,836 | ₹ 731,287,252 | ₹ 853,168,460 |

- The Foreign Currency Term Loan and Current Maturities of Long–term borrowings relating to Foreign Currency Term Loan are repayable in 32 equated quarterly instalments of Euro 375,000 starting from June 15, 2013 and ending on March 15, 2021. The loan carries Interest rate of 3 months Euribor+200 bps.
- Rupee Term Loans from Banks having an Interest rate of 8% p.a aggregating to ₹ 2,112,972,049 are repayable only after the Final Settlement date of all other restructured Loans, i.e., June 30, 2026.

## Notes to Financial Statements

### 4.3 Foreign Currency Convertible Bonds (FCCBs) :

- (i) During the year, the Company has issued 111,740 Zero Coupon Compulsorily Convertible Bonds due 2017 (Series A) and 207,546 Interest Bearing Convertible Bonds due 2017 (Series B) of US\$ 1,000 in exchange of the Existing Foreign Currency Convertible Bonds (FCCBs) of US\$ 228,300,000, along with the redemption premium payable on them aggregating to US\$ 90,986,000 till the date of this issue, for the Series A Bonds and the Series B Bonds pursuant to an exchange offer memorandum dated October 17, 2012 (Offering Circular). Since these bonds were issued against the cashless exchange offer, the Company did not receive any proceeds from the offering of the Series A Bonds and the Series B Bonds.
- (ii) The Series A bonds are mandatorily convertible with Bondholders having an option to convert each bond into 5,425.20 fully paid up equity shares of ₹ 10 each at the conversion price of ₹ 10 per share translated from U S Dollars at the fixed exchange rate of ₹ 54.252 per U S dollars at any time upto the Close of Business on November 2, 2017 except during the 'closed period' as defined in the Offering Circular. As on March 31, 2013 52,433 Series A Bonds were outstanding.
- (iii) The Series B bonds are optionally convertible with Bondholders having an option to convert each bond into 4,292.09 fully paid up equity shares of ₹ 10 each at the conversion price of ₹ 12.64 per share translated from U S Dollars at the fixed exchange rate of ₹ 54.252 per U S dollars at any time on or after January 8, 2013 up to the Close of Business on November 2, 2017 except during the 'closed period' as defined in the Offering Circular. These bondholders were having an upfront optional conversion right upto close of business hours on January 07, 2013 to convert their bond at the conversion price of ₹ 10 per share. Further, after a moratorium period of 1 year from the date of issue each bond carries an interest rate of 0.5335% p.a. payable semi annually on the outstanding principal plus the margin for period under consideration as defined in offering circular. As on March 31, 2013 193,543 Series B Bonds were outstanding.

### Note – 5 Other Long–Term Liabilities

(Amount in ₹)

| Particulars                                 | As at March 31, 2013 | As at March 31, 2012 |
|---------------------------------------------|----------------------|----------------------|
| Redemption Premium payable on FCCBs         | 120,931,612          | –                    |
| Deposits from customers                     | 581,924,989          | 559,507,664          |
| Interest accrued but not due on borrowings* | 1,914,948,033        | 1,085,050,050        |
| <b>Total</b>                                | <b>2,617,804,634</b> | <b>1,644,557,714</b> |

\* Represents the difference between effective rate of interest and step–up interest rate, pursuant to CDR Scheme, payable after one year.

### Note – 6 Other Long–Term Provisions

(Amount in ₹)

| Particulars                        | As at March 31, 2013 | As at March 31, 2012 |
|------------------------------------|----------------------|----------------------|
| Provision for compensated absences | 8,925,913            | 9,719,352            |
| <b>Total</b>                       | <b>8,925,913</b>     | <b>9,719,352</b>     |

### Note – 7 Trade Payables

(Amount in ₹)

| Particulars                      | As at March 31, 2013 | As at March 31, 2012 |
|----------------------------------|----------------------|----------------------|
| Suppliers for goods and services | 404,234,416          | 984,125,439          |
| <b>Total</b>                     | <b>404,234,416</b>   | <b>984,125,439</b>   |

### 7.1 Details of dues to micro, small & medium enterprises as defined under the MSMED Act, 2006

| Particulars                                                                                                            | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| (i) Principal amount remaining unpaid                                                                                  | NIL                     | NIL                     |
| (ii) Interest due thereon                                                                                              | NIL                     | NIL                     |
| (iii) Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 | NIL                     | NIL                     |
| (iv) Interest due and payable for the period of delay in payment                                                       | NIL                     | NIL                     |
| (v) Interest accrued and remaining unpaid                                                                              | NIL                     | NIL                     |
| (vi) Interest remaining due and payable even in succeeding years                                                       | NIL                     | NIL                     |

The Micro, Small and Medium enterprises have been identified based on the information available with the Company.

## Notes to Financial Statements

**Note – 8 Other Current Liabilities**

(Amount in ₹)

| Particulars                                                         | As at March 31, 2013 | As at March 31, 2012  |
|---------------------------------------------------------------------|----------------------|-----------------------|
| Current maturities of long-term borrowings                          |                      |                       |
| – Rupee Term Loans from Banks and Financial Institutions            | 388,507,882          | –                     |
| – Foreign Currency Term Loans from Financial Institutions           | 105,107,310          | –                     |
| – Foreign Currency Convertible Bonds                                | –                    | 11,889,939,339        |
|                                                                     | <b>493,615,192</b>   | 11,889,939,339        |
| Application Money towards Compulsorily Convertible Debentures (CCD) | –                    | 10,994,773,700        |
| Interest accrued but not due on borrowings                          | 5,496,021            | 4,793,606             |
| Unearned revenue                                                    | 37,003,289           | 156,623,073           |
| Advance received from customers                                     | 32,258,798           | 67,594,344            |
| Deposit Received from related parties (Refer Note No. 32)           | 322,500,000          | 2,500,000             |
| Unclaimed Share Application Money *                                 | 44,859               | 44,859                |
| Others                                                              |                      |                       |
| – Statutory dues                                                    | 18,067,848           | 54,819,809            |
| – Capex Creditors (including Acceptances)                           | 40,126,744           | 2,265,442,189         |
| – Other Payable**                                                   | 672,434,033          | 736,096,216           |
|                                                                     | <b>730,628,625</b>   | 3,056,358,214         |
| <b>Total</b>                                                        | <b>1,621,546,784</b> | <b>26,172,627,135</b> |

\* Does not include any amount, due and outstanding to be credited to Investor Education and Protection Fund.

\*\* Mainly includes expenses, salary and restructuring expenses payable.

**Note – 9 Short-term Provisions**

(Amount in ₹)

| Particulars                        | As at March 31, 2013 | As at March 31, 2012 |
|------------------------------------|----------------------|----------------------|
| Provision for compensated absences | 376,912              | 539,231              |
| <b>Total</b>                       | <b>376,912</b>       | <b>539,231</b>       |

**Note – 10 Fixed Assets**

(Amount in ₹)

| Particulars                           | GROSS BLOCK           |                      |                         |                       | DEPRECIATION         |                      |                         |                       | IMPAIRMENT               | NET BLOCK             |                       |
|---------------------------------------|-----------------------|----------------------|-------------------------|-----------------------|----------------------|----------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|
|                                       | As at April 01, 2012  | Additions            | Deductions/ Adjustments | As at March 31, 2013  | As at April 01, 2012 | For the Year         | Deductions/ Adjustments | As at March 31, 2013  | Loss Upto March 31, 2013 | As at March 31, 2013  | As at March 31, 2012  |
| <b>Owned Assets</b>                   |                       |                      |                         |                       |                      |                      |                         |                       |                          |                       |                       |
| <b>A) Tangible Assets:</b>            |                       |                      |                         |                       |                      |                      |                         |                       |                          |                       |                       |
| Land                                  | 59,860,418            | –                    | –                       | 59,860,418            | –                    | –                    | –                       | –                     | –                        | 59,860,418            | 59,860,418            |
| Buildings                             | 3,676,622,000         | 36,431,587           | 5,230,486               | 3,707,823,101         | 8,248,584,790        | 279,967,912          | 2,720,460               | 958,054,574           | –                        | 2,749,768,527         | 2,995,814,878         |
| Plant and Equipments                  | 46,532,414,910        | 1,384,628,906        | 364,277,065             | 47,552,766,751        | 8,248,584,790        | 2,361,643,346        | 93,637,607              | 10,516,590,529        | 1,859,492,257            | 35,176,683,965        | 38,283,830,120        |
| Office Equipments                     | 71,021,041            | 2,000,274            | –                       | 73,021,315            | 68,428,237           | 2,319,342            | –                       | 70,747,579            | –                        | 2,273,736             | 2,592,804             |
| Furniture & Fixtures                  | 57,755,061            | 1,307,509            | 1,780,703               | 57,281,867            | 50,911,218           | 6,428,953            | 1,582,264               | 55,757,907            | –                        | 1,523,960             | 6,843,843             |
| Vehicles                              | 6,700,411             | 2,075,070            | –                       | 8,775,481             | 5,749,812            | 666,276              | –                       | 6,416,088             | –                        | 2,359,393             | 950,599               |
| <b>Total of Tangible Assets (A)</b>   | <b>50,404,373,841</b> | <b>1,426,443,346</b> | <b>371,288,254</b>      | <b>51,459,528,933</b> | <b>9,054,481,179</b> | <b>2,651,025,829</b> | <b>97,940,331</b>       | <b>11,607,566,877</b> | <b>1,859,492,257</b>     | <b>37,992,469,999</b> | <b>41,349,892,662</b> |
| <b>B) Intangible Assets:</b>          |                       |                      |                         |                       |                      |                      |                         |                       |                          |                       |                       |
| Softwares*                            | 22,336,594            | 361,557              | –                       | 22,698,151            | 20,263,120           | 1,884,052            | –                       | 22,147,172            | –                        | 550,979               | 2,073,474             |
| <b>Total of Intangible Assets (B)</b> | <b>22,336,594</b>     | <b>361,557</b>       | <b>–</b>                | <b>22,698,151</b>     | <b>20,263,120</b>    | <b>1,884,052</b>     | <b>–</b>                | <b>22,147,172</b>     | <b>–</b>                 | <b>550,979</b>        | <b>2,073,474</b>      |
| <b>Total of (A) + (B)</b>             | <b>50,426,710,435</b> | <b>1,426,804,903</b> | <b>371,288,254</b>      | <b>51,482,227,084</b> | <b>9,074,744,299</b> | <b>2,652,909,881</b> | <b>97,940,331</b>       | <b>11,629,713,849</b> | <b>1,859,492,257</b>     | <b>37,993,020,978</b> | <b>41,351,966,136</b> |
| Previous Year                         | 42,372,668,142        | 8,310,839,098        | 256,796,805             | 50,426,710,435        | 6,700,163,855        | 2,434,237,506        | 59,657,062              | 9,074,744,299         | –                        | 41,351,966,136        | –                     |
| Capital Work-in-progress              |                       |                      |                         |                       |                      |                      |                         |                       |                          | **2,164,710,044       | 2,786,067,756         |

\* Other than Internally Generated

\*\*Net Off of Impairment Loss of ₹ 351,861,506/–

## Notes to Financial Statements

- 10.1 Buildings include properties having gross block of ₹ 86,259,650 (Previous Year ₹ 86,259,650) for which deeds of conveyance have yet to be executed in favour of the Company and ₹ 7,000 towards cost of 70 shares of ₹ 100 each in a Co-operative Housing Society.
- 10.2 Buildings include of ₹ 2,965,369,801 (Previous Year ₹ 2,938,483,500) towards Leasehold Improvements and Boundry Wall at Sites.
- 10.3 Additions to Plant & Equipments includes Net Foreign Exchange Difference of ₹ 458,383,117 (Previous Year ₹ 1,108,415,769) and borrowing costs is 80,347,961 (Previous Year ₹ 2,939,302,591) Capitalised during the year.
- 10.4 During the year the Company has disposed off CWIP of ₹ 35,219,783 for ₹ 17,242,289 (Previous Year ₹ 1,056,102,908 for ₹ 1,101,058,612.)
- 10.5 **Capital Work–in–Progress includes:**
- Capital goods inventory amounting to ₹ 1,106,549,223 (Previous Year ₹ 1,726,883,133.)
  - Net Foreign Exchange Difference of ₹ 149,043,050 (Previous Year ₹ 104,716,729.)
  - Pre–operative expenses of ₹ 909,117,771 (Previous Year ₹ 954,467,894.)
- 10.6 **Details of Net Pre–operative Expenses Considered as Capital Work –In–Progress:**

| (Amount in ₹)                                 |                    |               |
|-----------------------------------------------|--------------------|---------------|
| Particulars                                   | 2012–13            | 2011–12       |
| <b>Opening Balance</b>                        | <b>954,467,894</b> | 4,424,264,860 |
| Add:                                          |                    |               |
| <b>Expenditure Incurred during the year:</b>  |                    |               |
| Infrastructure Operation and Maintenance Cost | <b>13,569,626</b>  | 92,784,530    |
| Salaries and Allowances                       | <b>11,050</b>      | 26,183,097    |
| Contribution to Provident Fund and Other Fund | –                  | 2,426,576     |
| Rent                                          | <b>179,347</b>     | 30,337,580    |
| Communication Cost                            | –                  | 1,565,545     |
| Travel and Conveyance                         | <b>356,448</b>     | 9,066,949     |
| Legal and Professional Charges                | <b>(264,989)</b>   | 57,903,329    |
| Stamp Duty and Registration Charges           | <b>4,100</b>       | 1,791,890     |
| General and Administrative Expenses           | <b>21,142,086</b>  | 64,156,016    |
| Interest on Term Loan                         | –                  | 264,011,994   |
| Interest Others                               | –                  | 106,955,618   |
| Bank and Financial Charges                    | <b>170</b>         | 29,155,523    |
|                                               | <b>989,465,732</b> | 5,110,603,507 |
| Less:                                         |                    |               |
| Interest Received                             | –                  | 73,126,441    |
| Profit on Sale of Current Investments         | –                  | 1,476,319     |
|                                               | <b>989,465,732</b> | 5,036,000,747 |
| Less: Amount allocated to Fixed Assets        | <b>80,347,961</b>  | 4,081,532,853 |
| <b>Closing Balance</b>                        | <b>909,117,771</b> | 954,467,894   |

### 10.7 Impairment of Assets

The Company, during the year carried out an exercise of identifying assets that may have been impaired. In accordance with the Accounting Standard (AS 28) 'Impairment of Assets'. Considering the impact of cancellation of 2G licenses by Hon'ble Supreme Court, due to unfavourable telecom environment prevailing in the country and consequential under utilization of passive telecom infrastructure, the management has identified certain plant and equipments (including those under installation) as impaired. The carrying cost of such assets exceeds its recoverable amount and accordingly an impairment of ₹ 2,211,353,763 (Includes impairment of CWIP of ₹ 351,861,506) has been charged to Statement of Profit & Loss.

## Notes to Financial Statements

**Note – 11 NON-CURRENT INVESTMENTS**

(Long-term, Trade)

(Amount in ₹)

| Particulars                                                 |                       |                       | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|-------------------------------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|                                                             | <b>Number</b>         | <b>Face Value</b>     |                         |                         |
|                                                             | <b>March 31, 2013</b> | <b>March 31, 2012</b> |                         |                         |
| <b>Unquoted</b>                                             |                       | <b>(₹)</b>            |                         |                         |
| In Equity Shares Others – Fully Paid up                     |                       |                       |                         |                         |
| – Global Rural NETCO Ltd.                                   | <b>33,250,000</b>     | 33,250,000            | <b>10</b>               |                         |
|                                                             |                       |                       | <b>332,500,000</b>      | 332,500,000             |
| – Investment in Corpus of Tower Trust (A Beneficiary Trust) |                       |                       | <b>18,157,224,000</b>   | 18,157,224,000          |
|                                                             |                       |                       | <b>18,489,724,000</b>   | 18,489,724,000          |
| <b>Total</b>                                                |                       |                       | <b>18,489,724,000</b>   | 18,489,724,000          |

- 11.1 Aggregate Amount of Unquoted Investments **18,489,724,000** 18,489,724,000
- 11.2 The Company is the sole beneficiary in the Tower Trust and has contributed ₹ 18,157,224,000 towards the Corpus of the said Trust. The Trust has invested the aforesaid amount in "Chennai Network Infrastructure Ltd." (CNIL) a special purpose vehicle (SPV) and holds 1,815,722,400 Equity Shares of ₹ 10 each (Previous year 1,815,722,400) representing 28.84% (Previous Year 51%) of total issued and paid up Equity Share Capital of CNIL as on March 31, 2013.
- 11.3 Refer Note No. 1 (viii) for basis of valuation.

**Note –12 Long-term Loans & Advances**

(Unsecured, Considered good unless otherwise stated)

(Amount in ₹)

| Particulars                                               | As at March 31, 2013 | As at March 31, 2012 |
|-----------------------------------------------------------|----------------------|----------------------|
| Capital advances                                          |                      |                      |
| – Considered Good                                         | <b>3,908,429,942</b> | 5,754,858,143        |
| – Considered Doubtful                                     | <b>1,332,100,863</b> | –                    |
|                                                           | <b>5,240,530,805</b> | 5,754,858,143        |
| Less: Provision for doubtful advances (Refer Note No. 28) | <b>1,332,100,863</b> | –                    |
|                                                           | <b>3,908,429,942</b> | 5,754,858,143        |
| Security Deposit*                                         | <b>281,782,823</b>   | 166,983,726          |
| Advance income–tax (net of provision for taxation)        | <b>627,732,343</b>   | 388,292,876          |
| <b>Total</b>                                              | <b>4,817,945,108</b> | 6,310,134,745        |

\* Includes ₹ 21,600,000 (Previous Year ₹ 21,600,000) with a related party (Refer Note No. 32).

## Notes to Financial Statements

### NOTE – 13 CURRENT INVESTMENTS (Other than Trade)

(Amount in ₹)

| Particulars                                                 | Number         |                | Face Value (₹) | As at March 31, 2013 | As at March 31, 2012 |
|-------------------------------------------------------------|----------------|----------------|----------------|----------------------|----------------------|
|                                                             | March 31, 2013 | March 31, 2012 |                |                      |                      |
| <b>Unquoted</b>                                             |                |                |                |                      |                      |
| <b>In Unit of Mutual Funds</b>                              |                |                |                |                      |                      |
| Axis Liquid Fund – Institutional Growth                     | 31,422         | –              | 1,000          | 66,773,510           | –                    |
| L&T Cash Fund Direct Plan – Growth                          | 27,879         | –              | 1,000          | 44,173,295           | –                    |
| IDBI Liquid Fund – Growth                                   | 140,322        | –              | 1,000          | 176,467,932          | –                    |
| Birla Sunlife Floating Rate Fund – Short term – IP – Growth | –              | 140,823        | 100            | –                    | 20,000,000           |
| DWS Insta Cash Plus Fund – Super Institutional Plan Growth  | 979,505        | 36,388         | 100            | 147,937,757          | 5,000,000            |
| ICICI Prudential Liquid Super Institutional Plan – Growth   | –              | 64,284         | 100            | –                    | 10,000,000           |
| <b>Total</b>                                                |                |                |                | <b>435,352,494</b>   | <b>35,000,000</b>    |

**Notes:**

13.1 Aggregate Amount of Unquoted Investments

435,352,494 35,000,000

13.2 Refer Note No. 1 (viii) for basis of valuation.

**Note – 14 Inventories**

(Amount in ₹)

| Particulars                    | As at March 31, 2013 | As at March 31, 2012 |
|--------------------------------|----------------------|----------------------|
| Stores, Spares and Consumables | 11,679,166           | 11,661,286           |
| <b>Total</b>                   | <b>11,679,166</b>    | <b>11,661,286</b>    |

Refer Note No. 1(x) for basis of valuation

**Note – 15 Trade Receivables  
(Unsecured)**

(Amount in ₹)

| Particulars                                                                          | As at March 31, 2013 | As at March 31, 2012 |
|--------------------------------------------------------------------------------------|----------------------|----------------------|
| Outstanding for a period exceeding six months from the date they are due for payment |                      |                      |
| – Considered Good                                                                    | 136,549,387          | 57,092,549           |
| – Considered Doubtful                                                                | 152,098,720          | 83,157,051           |
|                                                                                      | <b>288,648,107</b>   | <b>140,249,600</b>   |
| Provision for doubtful receivables                                                   | 152,098,720          | 83,157,051           |
|                                                                                      | <b>136,549,387</b>   | <b>57,092,549</b>    |
| Others                                                                               |                      |                      |
| – Considered Good                                                                    | 430,276,321          | 304,162,724          |
| – Considered Doubtful                                                                | 149,599              | 23,820,522           |
|                                                                                      | <b>430,425,920</b>   | <b>327,983,246</b>   |
| Provision for doubtful receivables                                                   | 149,599              | 23,820,522           |
|                                                                                      | <b>430,276,321</b>   | <b>304,162,724</b>   |
| <b>Total</b>                                                                         | <b>566,825,708</b>   | <b>361,255,273</b>   |

(Refer Note No. 29)

## Notes to Financial Statements

**Note – 16 Cash and Bank Balances**

(Amount in ₹)

| Particulars                            | As at March 31, 2013 | As at March 31, 2012 |
|----------------------------------------|----------------------|----------------------|
| <b>Cash and cash equivalents</b>       |                      |                      |
| Balances with Banks:                   |                      |                      |
| – in current accounts                  | 249,525,011          | 219,123,448          |
| – cheques in hand                      | 35,631,796           | 21,466,411           |
| Cash on hand                           | 618,251              | 665,298              |
|                                        | <b>285,775,058</b>   | 241,255,157          |
| <b>Other Bank Balances</b>             |                      |                      |
| Share Application Money Refund Account | 44,859               | 44,859               |
| Fixed Deposits with Banks*:            |                      |                      |
| – Pledged as Margin Money              | 13,168,042           | 244,638,802          |
| – Others                               | 4,606,976            | –                    |
|                                        | <b>17,819,877</b>    | 244,683,661          |
| <b>Total</b>                           | <b>303,594,935</b>   | <b>485,938,818</b>   |

\* Includes ₹ 368,553 (Previous year ₹ 318,553) having maturity period of more than 12 months.

**Note –17 Short–Term Loans and Advances**

(Unsecured, Considered good unless otherwise stated)

(Amount in ₹)

| Particulars                                              | As at March 31, 2013 | As at March 31, 2012 |
|----------------------------------------------------------|----------------------|----------------------|
| Loan and advances to related parties (Refer Note No. 32) | 3,549,253,315        | 1,775,642,542        |
| Cenvat/Service Tax input credit entitlements             | 32,268,951           | 404,004,478          |
| Prepaid expenses                                         | 26,635,382           | 42,234,042           |
| Deposits                                                 | 110,511,965          | 200,213,823          |
| Other Advances *                                         |                      |                      |
| – Considered Good                                        | 39,420,803           | 61,167,543           |
| – Considered Doubtful                                    | 1,110,653            | 465,953              |
|                                                          | <b>40,531,456</b>    | 61,633,496           |
| Less: Provision for doubtful advances                    | 1,110,653            | 465,953              |
|                                                          | <b>39,420,803</b>    | 61,167,543           |
| <b>Total</b>                                             | <b>3,758,090,416</b> | <b>2,483,262,428</b> |

\* Mainly relating to advances to suppliers, employees and interest receivables.

**Note –18 Other Current Assets**

(Unsecured, Considered good unless otherwise stated)

(Amount in ₹)

| Particulars                        | As at March 31, 2013 | As at March 31, 2012 |
|------------------------------------|----------------------|----------------------|
| Energy Recoverables                |                      |                      |
| Considered Good                    | 1,232,049,603        | 944,157,491          |
| Considered Doubtful                | 149,882,266          | 81,238,929           |
|                                    | <b>1,381,931,869</b> | 1,025,396,420        |
| Provision for doubtful receivables | 149,882,266          | 81,238,929           |
|                                    | <b>1,232,049,603</b> | 944,157,491          |
| Unbilled Income                    | 122,340,295          | 129,991,726          |
| <b>Total</b>                       | <b>1,354,389,898</b> | <b>1,074,149,217</b> |

(Refer Note No. 29)

## Notes to Financial Statements

### Note – 19 Revenue from Operations

(Amount in ₹)

| Particulars                                                    | For the Year ended on March 31, 2013 | For the Year ended on March 31, 2012 |
|----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Service Charges from Telecom/Network Infrastructure Facilities | 6,337,459,880                        | 6,053,291,766                        |
| Equipment Provisioning                                         | 9,078,804                            | 9,078,804                            |
|                                                                | 6,346,538,684                        | 6,062,370,570                        |
| Less: Service Tax Recovered                                    | 682,676,555                          | 556,810,403                          |
| <b>Total</b>                                                   | <b>5,663,862,129</b>                 | <b>5,505,560,167</b>                 |

### Note – 20 Other Income

|                                             |                   |                   |
|---------------------------------------------|-------------------|-------------------|
| Profit on Sale of Current Investments (net) | 35,213,466        | 64,983            |
| Interest Income                             | 7,831,925         | 64,612,533        |
| Miscellaneous Income                        | 2,274,380         | 1,447,985         |
| <b>Total</b>                                | <b>45,319,771</b> | <b>66,125,501</b> |

### Note – 21 Infrastructure Operation & Maintenance Cost (Net)

|                                                     |                      |                      |
|-----------------------------------------------------|----------------------|----------------------|
| Site Rentals                                        | 772,420,320          | 759,686,055          |
| Power, Fuel and Maintenance Charges                 | 3,170,582,238        | 2,780,098,426        |
| Repairs and Maintenance to Plant and Equipments     | 103,276,688          | 125,213,922          |
| Stores & Spares consumption                         | –                    | 429,600              |
| Other Operating Expenditure                         | 629,259,594          | 617,357,320          |
|                                                     | 4,675,538,840        | 4,282,785,323        |
| Less: Recovered from Customers (Net of Service Tax) | 2,704,445,048        | 2,444,877,775        |
| <b>Total</b>                                        | <b>1,971,093,792</b> | <b>1,837,907,548</b> |

#### 21.1 Stores & Spares consumption includes:

| Particulars | 2012–13 |                     | 2011–12 |                     |
|-------------|---------|---------------------|---------|---------------------|
|             | ₹       | % of Total consumed | ₹       | % of Total consumed |
| Imported    | NIL     | NIL                 | NIL     | NIL                 |
| Indigenous  | NIL     | NIL                 | 429,600 | 100%                |

### Note – 22 Employee Benefits Expense

(Amount in ₹)

| Particulars                                                   | For the Year ended on March 31, 2013 | For the Year ended on March 31, 2012 |
|---------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Salaries and Allowances                                       | 155,091,444                          | 124,024,616                          |
| Contribution to Provident Fund, Gratuity fund and Other Funds | 22,914,060                           | 14,693,359                           |
| Employee stock option cost                                    | 3,152,818                            | 8,921,353                            |
| Employee Welfare and other amenities                          | 4,111,566                            | 9,178,993                            |
| <b>Total</b>                                                  | <b>185,269,888</b>                   | <b>156,818,321</b>                   |

## Notes to Financial Statements

- 22.1** a. On February 12, 2007 and February 27, 2007, the Company granted 7,490,000 Options ("Grant 2") and 25,000 Options ("Grant 3"), both, convertible into Equity Shares of ₹ 10 each at an exercise price of ₹ 29.81 per share.
- On October 9, 2007, with a view to compensate the Option holders considering the Rights Issue, the Exercise Price of the Options in respect of ("Grant 2") and ("Grant 3") was re-fixed to ₹ 19.90 per share in place of ₹ 29.81 per share.
- b. On October 9, 2007, the Company granted 650,000 Options ("Grant 4(A)", convertible into Equity Shares of ₹ 10 each at an exercise price of ₹ 26.48 per share.
- c. On October 9, 2007, the Company also granted 249,000 Options ("Grant 4 (B)"), convertible into Equity Shares of ₹ 10 each at an exercise price of ₹ 26.48 per share.
- d. On October 9, 2007, with a view to compensate the Option holders considering the Rights Issue, the Company has granted—
- ❖ 1,007,500 Options ("Grant 5") at the exercise price of ₹ 10 each to ("Grant 1") Option holders.
  - ❖ 7,190,000 Options ("Grant 6") at the exercise price of ₹ 19.90 to ("Grant 2") Option holders.
  - ❖ 25,000 Options ("Grant 7") at the exercise price of ₹ 19.90 each to ("Grant 3") Option holders.
- e. On March 11, 2008, the Company granted 1,700,000 Options ("Grant 8"), convertible into Equity Shares of ₹ 10 each at an exercise price of ₹ 33.60 per share
- f. Pursuant to approval of Shareholders in Annual General Meeting held on July 10, 2009 all the unvested Options as of April 29, 2009 were vested on April 29, 2009.
- g. On November 23, 2009 the Company granted 600,000 Options ("Grant 9") convertible into Equity Share of ₹ 10 each at an exercise price of ₹ 24.37 per share.

The above Options vest over a period ranging from one to three years as follows:—

| Period of vesting from the date of grant | To Vest |
|------------------------------------------|---------|
| At the end of twelve months              | 35%     |
| At the end of twenty four months         | 35%     |
| At the end of thirty six months          | 30%     |

- h. On December 09, 2009 the Company granted 5,907,850 Options ("Grant 10") convertible into Equity Share of ₹ 10 each at an exercise price of ₹ 28 per share. Out of above 156,800 Options lapsed during the year. (Previous years options lapsed 117,100).

These Options vest over a period ranging from one to three years as follows:—

| No. of Years of Service completed by employee in the Company/Global Group as on date of Grant | Exercise at the end of |           |           |           |           |
|-----------------------------------------------------------------------------------------------|------------------------|-----------|-----------|-----------|-----------|
|                                                                                               | 12 Months              | 18 Months | 24 Months | 30 Months | 36 Months |
| >= 5 years                                                                                    | 100%                   | —         | —         | —         | —         |
| >= 4 years                                                                                    | 80%                    | 20%       | —         | —         | —         |
| >= 3 years                                                                                    | 60%                    | 20%       | 20%       | —         | —         |
| >= 2 years                                                                                    | 40%                    | 20%       | 20%       | 20%       | —         |
| >= 1 year                                                                                     | 20%                    | 20%       | 20%       | 20%       | 20%       |

- i. On May 04, 2010 the Company granted 1,800,000 Options ("Grant 11") convertible into Equity Share of ₹ 10 each at an exercise price of ₹ 30.52 per share.

The above Options vest over a period ranging from one to three years as follows:—

| Period of vesting from the date of grant | To Vest |
|------------------------------------------|---------|
| At the end of twelve months              | 35%     |
| At the end of twenty four months         | 35%     |
| At the end of thirty six months          | 30%     |

## Notes to Financial Statements

- j. The Company applies intrinsic-value based method of accounting for determining Employee Compensation Expense for its ESOS. Had the Employee Compensation Expense been determined using the fair value approach, the Company's Net Profit and Loss and basic and diluted earnings per share as reported would have reduced to the proforma amounts as indicated below:

| Particulars                                   | 2012-13         | 2011-12         |
|-----------------------------------------------|-----------------|-----------------|
| Net Profit/Loss as reported                   | (6,866,387,697) | (3,708,272,976) |
| Less:                                         |                 |                 |
| Employee Compensation expenses                | (3,152,360)     | (7,281,869)     |
| P&L Adjusted proforma                         | (6,863,235,337) | (3,700,991,107) |
| Basic & Diluted Earning Per Share as reported | (3.55)          | (3.87)          |
| Proforma Basic & Diluted Earning Per Share    | (3.55)          | (3.87)          |

- k. Following table summarises the Company's Stock Option Activity for ESOS: (Amount in ₹)

| Particulars                                            | For the Year Ended March 31, 2013 |                                 | For the Year ended on March 31, 2012 |                                 |
|--------------------------------------------------------|-----------------------------------|---------------------------------|--------------------------------------|---------------------------------|
|                                                        | No. of options                    | Weighted Average Exercise Price | No. of options                       | Weighted Average Exercise Price |
| Outstanding at the beginning of the year               | 13,495,004                        | 24.30                           | 13,651,804                           | 24.34                           |
| Granted during the year                                | NIL                               | NIL                             | NIL                                  | NIL                             |
| Lapsed during the year                                 | (29,550)                          | 28.00                           | (156,800)                            | 28.00                           |
| Exercised during the year ended                        | NIL                               | NIL                             | NIL                                  | NIL                             |
| Expired during the year                                | NIL                               | NIL                             | NIL                                  | NIL                             |
| Outstanding at the end of the year                     | 13,465,454                        | 24.30                           | 13,495,004                           | 24.30                           |
| Exercisable at the end of the year                     | 12,925,454                        | 22.83                           | 11,900,454                           | 22.30                           |
| Weighted average remaining contractual life (in years) | 1.15                              | —                               | 2.15                                 | —                               |

### 22.2 Employee Benefits:

As per Accounting Standard 15 "Employee Benefits" the disclosure of Employee Benefit, as defined in Accounting Standard are given below:

#### Defined Contribution Plan (Amount in ₹)

| Particulars                               | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|-------------------------------------------|-----------------------------------|-----------------------------------|
| Employer's Contribution to Provident fund | 12,440,584                        | 13,971,360                        |
| Employer's Contribution to Pension fund   | 2,009,895                         | 2,696,625                         |
| <b>Total</b>                              | <b>14,450,479</b>                 | <b>16,667,985</b>                 |

#### Defined Benefit Plan

The employee's Gratuity Fund Scheme, which is a defined benefit plan, is managed by the Trust maintained with Life Insurance Corporation of India [LIC]. The present value of obligation is determined based on actuarial valuation using Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated absences is recognised in same manner as gratuity.

## Notes to Financial Statements

a. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (Amount in ₹)

| Particulars                                              | Gratuity Funded         |                         | Compensated Absences Unfunded |                         |
|----------------------------------------------------------|-------------------------|-------------------------|-------------------------------|-------------------------|
|                                                          | As at<br>March 31, 2013 | As at<br>March 31, 2012 | As at<br>March 31, 2013       | As at<br>March 31, 2012 |
| Defined Benefit Obligation at beginning of the Year      | 17,519,831              | 11,972,133              | 10,258,582                    | 7,794,150               |
| Current Service Cost                                     | 4,046,240               | 4,031,048               | 2,629,132                     | 1,458,055               |
| Current Interest Cost                                    | 1,532,985               | 987,701                 | 897,626                       | 643,017                 |
| Actuarial (Gain)/Loss                                    | (249,313)               | (4,428,976)             | (1,245,941)                   | (1,696,479)             |
| Liability Transfer In                                    | 5,222,376               | 7,111,945               | —                             | 5,828,203               |
| Liability Transfer Out                                   | (1,811,416)             | —                       | —                             | —                       |
| Benefits paid                                            | (2,899,068)             | (2,154,020)             | (3,236,575)                   | (3,768,364)             |
| <b>Defined Benefit Obligation at the end of the Year</b> | <b>23,361,635</b>       | <b>17,519,831</b>       | <b>9,302,824</b>              | <b>10,258,582</b>       |

b. Reconciliation of opening and closing balances of fair value of plan assets (Amount in ₹)

| Particulars                                            | Gratuity Funded         |                         |
|--------------------------------------------------------|-------------------------|-------------------------|
|                                                        | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Fair Value of Plan Asset at beginning of the Year      | 24,910,034              | 12,005,786              |
| Expected Return on Plan Assets                         | 2,142,263               | 990,477                 |
| Actuarial Gain/(Loss)                                  | (3,953,679)             | 528,216                 |
| Contributions                                          | 11,164,798              | 3,617,758               |
| Fund Transfer In                                       | 5,216,753               | 9,921,817               |
| Fund Transfer out                                      | —                       | —                       |
| Benefits paid                                          | (2,899,068)             | (2,154,020)             |
| <b>Fair Value of Plan Asset at the end of the Year</b> | <b>36,581,101</b>       | <b>24,910,034</b>       |

c. Reconciliation of present value of obligations and fair value of plan assets (Amount in ₹)

| Particulars                                                    | Gratuity Funded         |                         | Compensated Absences Unfunded |                         |
|----------------------------------------------------------------|-------------------------|-------------------------|-------------------------------|-------------------------|
|                                                                | As at<br>March 31, 2013 | As at<br>March 31, 2012 | As at<br>March 31, 2013       | As at<br>March 31, 2012 |
| Fair Value of Plan Asset at the end of the Year                | 36,581,101              | 24,910,034              | NIL                           | NIL                     |
| Present Value of Defined Benefit Obligation at end of the Year | 23,361,635              | 17,519,831              | 9,302,824                     | 10,258,583              |
| <b>Liability/(Asset) recognised in the Balance Sheet</b>       | <b>(13,219,466)</b>     | <b>(7,390,203)</b>      | <b>9,302,824</b>              | <b>10,258,583</b>       |

## Notes to Financial Statements

### d. Expense Recognised During the year

(Amount in ₹)

| Particulars                                                | Gratuity Funded                   |                                   | Compensated Absences Unfunded     |                                   |
|------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                                            | For the year ended March 31, 2013 | For the year ended March 31, 2012 | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
| Current Service Cost                                       | 4,046,240                         | 4,031,048                         | 2,629,132                         | 1,458,055                         |
| Interest Cost                                              | 1,532,985                         | 987,701                           | 897,626                           | 643,017                           |
| Expected Return on Plan Assets                             | (2,142,263)                       | (990,477)                         | —                                 | —                                 |
| Actuarial (Gain)/Loss                                      | 3,704,366                         | (4,957,192)                       | (1,245,941)                       | (1,696,479)                       |
| <b>Net Cost Recognised in statement of Profit and Loss</b> | <b>7,141,328</b>                  | <b>(928,920)</b>                  | <b>2,280,817</b>                  | <b>404,593</b>                    |

### e. Amounts for current and previous years: Gratuity

(Amount in ₹)

| Particulars                                                    | 2012–13          | 2011–12          | 2010–11            | 2009–10          | 2008–09   |
|----------------------------------------------------------------|------------------|------------------|--------------------|------------------|-----------|
| Defined Benefit Obligation                                     | 23,361,635       | 17,519,831       | 11,972,133         | 6,793,111        | 4,983,015 |
| Plan Assets                                                    | 36,581,101       | 24,910,034       | 12,005,786         | 7,849,083        | 6,968,743 |
| Suplus/(Deficit)                                               | 13,219,466       | 7,390,203        | 33,653             | 1,055,972        | 1,985,728 |
| Experience Adjustment on Plan Assets – (Gain)/Loss             | 3,953,679        | (528,216)        | (956,022)          | (557,499)        | *         |
| <b>Experience Adjustment on Plan Liabilities – Gain/(Loss)</b> | <b>1,726,017</b> | <b>4,428,976</b> | <b>(2,899,058)</b> | <b>(989,039)</b> | <b>*</b>  |

\* The details are not furnished as the information is not available with the Company.

### f. Amounts for current and previous years: Compensated Absences

(Amount in ₹)

| Particulars                                                    | 2012–13          | 2011–12          | 2010–11        | 2009–10          | 2008–09     |
|----------------------------------------------------------------|------------------|------------------|----------------|------------------|-------------|
| Defined Benefit Obligation                                     | 9,302,824        | 10,258,583       | 7,794,150      | 5,476,076        | 4,635,942   |
| Plan Assets                                                    | NIL              | NIL              | NIL            | NIL              | NIL         |
| Surplus/(Deficit)                                              | (9,302,824)      | (10,258,583)     | (7,794,150)    | (5,476,076)      | (4,635,942) |
| Experience Adjustment on Plan Assets – (Gain)/loss             | NIL              | NIL              | NIL            | NIL              | *           |
| <b>Experience Adjustment on Plan Liabilities – Gain/(Loss)</b> | <b>1,854,449</b> | <b>1,696,479</b> | <b>790,369</b> | <b>1,248,804</b> | <b>*</b>    |

\* The details are not furnished as the information is not available with the Company.

### g. Assumptions used to determine the defined benefit obligation

| Particulars                                       | Gratuity Funded      |                      | Compensated Absences Unfunded |                      |
|---------------------------------------------------|----------------------|----------------------|-------------------------------|----------------------|
|                                                   | As at March 31, 2013 | As at March 31, 2012 | As at March 31, 2013          | As at March 31, 2012 |
| Discount Rate (p.a.)                              | 8.25%                | 8.75%                | 8.25%                         | 8.75%                |
| Estimated rate of return on Plan Assets (p.a.)    | 8.70%                | 8.75%                | NA                            | NA                   |
| <b>Expected rate of increase in salary (p.a.)</b> | <b>5.00%</b>         | <b>5.00%</b>         | <b>5.00%</b>                  | <b>5.00%</b>         |

## Notes to Financial Statements

**Note – 23 Other Expenses**

(Amount in ₹)

| Particulars                                     | For the Year ended on<br>March 31, 2013 | For the Year ended on<br>March 31, 2012 |
|-------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Rent                                            | 60,778,124                              | 77,686,368                              |
| Rates and Taxes                                 | 25,947,388                              | 29,874,254                              |
| Electricity                                     | 9,549,274                               | 12,860,869                              |
| Repairs and Maintenance                         |                                         |                                         |
| – Office Building                               | 1,069,760                               | 1,019,342                               |
| – Office Equipments                             | 2,497,722                               | 2,487,355                               |
| – Others                                        | 2,323,764                               | 2,234,952                               |
| Insurance Premium                               | 6,844,275                               | 9,698,229                               |
| Communication Cost                              | 8,080,470                               | 9,660,199                               |
| Travel and Conveyance                           | 31,909,452                              | 24,031,928                              |
| Legal and Professional Charges                  | 77,489,471                              | 87,511,928                              |
| Payment to Auditors                             | 6,735,000                               | 8,245,393                               |
| Office Expenses                                 | 20,325,987                              | 19,526,129                              |
| Printing and Stationery                         | 4,364,016                               | 6,645,413                               |
| Directors' Sitting Fees                         | 855,000                                 | 1,512,500                               |
| Exchange differences (net)                      | 6,433,637                               | 8,761,409                               |
| Advertisement and Business Promotion            | 18,527,949                              | 1,190,246                               |
| Balances Written Off (Net)                      | 101,180,094                             | 36,423,922                              |
| Less: Provision for Doubtful Debts Written Back | (80,642,919)                            | (30,441,418)                            |
|                                                 | 20,537,175                              |                                         |
| Provision for Doubtful Debts                    | 195,201,702                             | 127,353,912                             |
| Loss on Sale of Fixed Assets (Net)              | 196,795,277                             | 99,908,238                              |
| Miscellaneous Expenses                          | 21,247,969                              | 29,727,885                              |
| <b>Total</b>                                    | <b>717,513,412</b>                      | <b>565,919,053</b>                      |

**23.1 Auditor's Remuneration includes**

(Amount in ₹)

| Particulars        | For the Year ended on<br>March 31, 2013 | For the Year ended on<br>March 31, 2012 |
|--------------------|-----------------------------------------|-----------------------------------------|
| Audit Fees         | 3,000,000                               | 3,000,000                               |
| Tax Audit Fees     | 1,200,000                               | 1,200,000                               |
| Certification Fees | 2,535,000                               | 2,745,393                               |
| Other Matters      | –                                       | 1,300,000                               |
| <b>Total</b>       | <b>6,735,000</b>                        | <b>8,245,393</b>                        |

**Note – 24 Finance Costs**

(Amount in ₹)

| Particulars                                                                      | For the Year ended on<br>March 31, 2013 | For the Year ended on<br>March 31, 2012 |
|----------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Interest                                                                         | 3,478,065,835                           | 3,926,302,385                           |
| Other Borrowing Costs                                                            | 27,262,163                              | 353,373,801                             |
| Exchange difference to the extent considered as an adjustment to borrowing costs | –                                       | 5,400,030                               |
| <b>Total</b>                                                                     | <b>3,505,327,998</b>                    | <b>4,285,076,216</b>                    |

## Notes to Financial Statements

### Note – 25 Contingent Liabilities:

| Sr. No. | Particulars                                                                                                                 | (Amount in ₹)        |                      |
|---------|-----------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|         |                                                                                                                             | As at March 31, 2013 | As At March 31, 2012 |
|         | Contingent Liabilities not provided for (No Cash Outflow is expected)                                                       |                      |                      |
| i.      | Bank Guarantees<br>(Bank Guarantees are provided under contractual/legal obligation)                                        | 20,130,206           | 25,851,074           |
| ii.     | Corporate Guarantee<br>(Given to Banks and Financial Institution for loans taken by the erstwhile subsidiary company)       | 10,810,000,000       | 10,810,000,000       |
| iii.    | Claims against the Company not acknowledged as debts                                                                        | 44,504,728           | 15,234,109           |
| iv.     | Premium on Foreign Currency Convertible Bonds issued                                                                        | NIL                  | 4,073,033,598        |
| v.      | Disputed liability in respect of Sales Tax Matter under appeal (Amount deposited ₹ 31,899,647 (Previous Year ₹ 38,869,569)) | 91,317,125           | 170,931,249          |

**Note – 26** During the year 2008–09 the Company had imported OFC (Optical Fibre Cable) on which the Custom department issued Show Cause Notice for the demand of Custom Duty of ₹ 9,294,731/–. The company deposited the whole amount under protest and subsequently the Commissioner granted the relief to the Company upto amount of ₹ 7,794,792/–. As against the said order of the Commissioner, the Custom department has filed the appeal with the CESTAT, Mumbai on Oct 11, 2010. The Company feels there will not be any further liability on this account.

### Note – 27 Capital Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) as at March 31, 2013 is ₹ 9,585,559,405 (Previous year ₹ 12,031,399,019). Cash outflow is expected on execution of such contracts on progressive basis.

**Note – 28** As per the Business Purchase Agreement of July 2010 between Aircel and the Company, in order to meet their planned deployment of 20,000 contracted tenancies under Right Of First Refusal (ROFR), the Company had placed orders on various parties to procure tower assets. Since the beginning of year 2012, the telecom scenario in the Country changed drastically due to cancellation of 122 2G licenses by the Hon'ble Supreme Court, slower 2G & 3G growth, failure of spectrum auctions, regulatory challenges and general economic downturn. As a result, Aircel failed to honour its ROFR commitment to the Company. The telecom scenario further worsened and the Company was unable to pick up the deliveries against few of its orders. As these orders were backed by letter of credit the bank honoured the commitment aggregating to ₹ 1,332,100,863 and debited to the Company and as prescribed in the Master Restructuring Agreement (MRA) of Corporate Restructuring Debt (CDR) scheme, the same was converted to Rupee term loan. The Company has initiated appropriate steps for recovery of the same. As a matter of prudence ₹ 1,332,100,863 has been provided and disclosed as an exceptional item in the Statement of Profit and Loss.

**Note – 29** The Company has entered into Master Services Agreement (MSA) with the Telecom Operators for a period of 10–15 years. Invoices are raised on these operators for provisioning fees and recovery of pass through expenses as part of the said MSA. The Company has requested for the balance confirmations from these operators and in respect of certain operators, confirmations are still awaited.

**Note – 30** The board of directors of the Company, in the earlier years, had approved the Scheme of Arrangement (the "Scheme") under Section 391 to Section 394 of the Companies Act, 1956, providing for the merger of "Chennai Network Infrastructure Limited" (CNIL) with the Company w.e.f. August 1, 2010 (the appointed date) subject to necessary approvals from various statutory authorities. This scheme was approved by the Hon'ble Bombay High Court and approval of Hon'ble Madras High Court is awaited. Pursuant to the corporate debt restructuring of the borrowings of the Company, the Company is in the process of modifying the scheme and once the scheme is finalised, the same will be subjected to the necessary approval of various competent authorities.

### Note – 31 Segment Reporting:

The Company is predominantly in the business of providing "Telecom Towers" on shared basis and as such there are no separate reportable segments. The Company's operations are predominantly only in India.

### Note – 32 Related Party Disclosures:

- a. Related Parties
  - I. Trust
    - Tower Trust (The Company is sole beneficiary)
  - II. Associates
    - a. GTL Limited
    - b. Chennai Network Infrastructure Limited (subsidiary up to December 19, 2012)
    - c. Global Holding Corporation Private Limited
  - III. Key Managerial Personnel
    - a. Mr. Manoj Tirodkar, Chairman
    - b. Mr. Milind Naik, Whole–Time Director & Co–COO
    - c. Mr. Bhupendra Kiny, Chief Financial Officer

## Notes to Financial Statements

**b. Transactions with Related Parties**

(Amount in ₹)

| I) TRUST                                                                                                                                                          | FY 12-13              | FY 11-12              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Advance Given                                                                                                                                                     | 820,000               | —                     |
| <b>Outstanding At</b>                                                                                                                                             | <b>March 31, 2013</b> | <b>March 31, 2012</b> |
| Investment in Corpus                                                                                                                                              | 18,157,224,000        | 18,157,224,000        |
| Advance Recoverable in Cash or Kind                                                                                                                               | 2,353,122             | 1,533,122             |
|                                                                                                                                                                   |                       |                       |
| II) ASSOCIATES                                                                                                                                                    |                       |                       |
| a) Chennai Network Infrastructure Limited                                                                                                                         | FY 12-13              | FY 11-12              |
| Sale of Fixed Assets                                                                                                                                              | 2,632,866             | 7,601,031             |
| Reimbursement of expense from                                                                                                                                     | 358,457,063           | 618,974,129           |
| Reimbursement of expenses to                                                                                                                                      | 4,727,501             | 4,013,684             |
| Assignment of Capital Advances                                                                                                                                    | 1,500,064,874         | —                     |
| Interest Income                                                                                                                                                   | 2,375,444             | —                     |
| Security Deposit Received                                                                                                                                         | 320,000,000           | —                     |
| Inventory given on loan                                                                                                                                           | 101,650,702           | 433,243,563           |
| <b>Outstanding At</b>                                                                                                                                             | <b>March 31, 2013</b> | <b>March 31, 2012</b> |
| Advance Recoverable in Cash or Kind                                                                                                                               | 3,376,164,755         | 1,735,813,871         |
| Security Deposit received                                                                                                                                         | 320,000,000           | —                     |
| Corporate Guarantee                                                                                                                                               | 10,810,000,000        | 10,810,000,000        |
|                                                                                                                                                                   |                       |                       |
| b) GTL Limited                                                                                                                                                    | FY 12-13              | FY 11-12              |
| Purchase of Fixed Assets                                                                                                                                          | 66,924,940            | 863,038,886           |
| Energy Recoverables assigned during the year                                                                                                                      | —                     | 1,179,106,115         |
| Miscellaneous Income                                                                                                                                              | —                     | 388,808               |
| Finance Charges paid                                                                                                                                              | —                     | 23,326,595            |
| Reimbursement of expenses from                                                                                                                                    | 1,247,237,409         | 1,151,740,900         |
| Operations, Maintenance and Energy Management                                                                                                                     | 3,403,690,928         | 2,597,129,146         |
| Legal and Professional Charges                                                                                                                                    | 1,082,172             | 2,121,653             |
| Rent                                                                                                                                                              | 26,051,566            | 19,928,710            |
| Reimbursement of expenses to                                                                                                                                      | 12,414,877            | 19,916,878            |
| <b>Outstanding At</b>                                                                                                                                             | <b>March 31, 2013</b> | <b>March 31, 2012</b> |
| Sundry Creditors                                                                                                                                                  | 114,350,889           | 890,142,549           |
| Advance Recoverable in Cash or Kind                                                                                                                               | 170,735,438           | —                     |
| Other Liabilities                                                                                                                                                 | 101,639,472           | —                     |
| Energy Recoverables                                                                                                                                               | —                     | 38,295,546            |
| Security Deposit received                                                                                                                                         | 2,500,000             | 2,500,000             |
| Security Deposit given                                                                                                                                            | 21,600,000            | 21,600,000            |
|                                                                                                                                                                   |                       |                       |
| c) Global Holding Corporation Pvt. Ltd.                                                                                                                           | FY 12-13              | FY 11-12              |
| CCD issued during the year and converted in equity                                                                                                                | 901,600,000           | —                     |
| Application Money Received Towards CCD                                                                                                                            | —                     | 452,500,000           |
| <b>Outstanding At</b>                                                                                                                                             | <b>March 31, 2013</b> | <b>March 31, 2012</b> |
| Application Money Received Towards CCD                                                                                                                            | —                     | 452,500,000           |
|                                                                                                                                                                   |                       |                       |
| III) KEY MANAGERIAL PERSONNEL                                                                                                                                     | FY 12-13              | FY 11-12              |
| Salaries & Allowances (*)                                                                                                                                         | 11,445,113            | 14,195,251            |
| Director's Sitting Fees Paid(**)                                                                                                                                  | 202,500               | 265,000               |
| (*) Salaries and allowances include ₹ 4,966,949 paid to Mr. Milind Naik (Whole Time Director) & ₹ 6,478,164 paid to Mr. Bhupendra Kiny (Chief Financial Officer). |                       |                       |
| (**) Director's Sitting Fees Paid is the amount paid to Mr. Manoj Tirodkar ₹ 202,500.                                                                             |                       |                       |

## Notes to Financial Statements

### Note – 33 Earnings Per Share(Basic and Diluted)

(Amount in ₹)

| Particulars                                                     | For the year ended on March 31, 2013 | For the year ended on March 31, 2012 |
|-----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Net profit/(Loss) after tax attributable to Equity Shareholders | (6,866,387,697)                      | (3,708,272,976)                      |
| Weighted average no. of equity shares outstanding               | 1,934,413,434                        | 957,348,604                          |
| Basic & Diluted Earning Per Share of ₹10 each (₹)               | (3.55)                               | (3.87)                               |

The effects of Foreign Currency Convertible Bonds and Employee Stock Option Scheme(ESOS) on the Earnings Per Share are anti-dilutive and hence, the same are not considered for the purpose of calculation of dilutive Earning Per Share.

### Note – 34 Deferred Tax Liability/(Assets)

As required by Accounting Standard 22 on 'Accounting for Taxes on Income' Deferred Tax Comprises of following items:

(Amount in ₹)

| Particulars                               | As at March 31, 2013   | As at March 31, 2012 |
|-------------------------------------------|------------------------|----------------------|
| <b>Deferred Tax Liabilities</b>           |                        |                      |
| Related to Fixed Assets                   | 2,859,237,328          | 3,374,418,546        |
| <b>Total</b>                              | <b>2,859,237,328</b>   | <b>3,374,418,546</b> |
| <b>Deferred Tax Assets</b>                |                        |                      |
| Unabsorbed Depreciation                   | 4,496,265,907          | 4,174,279,881        |
| Disallowance under Income Tax Act         | 1,408,068,898          | 69,638,410           |
| <b>Total</b>                              | <b>5,904,334,805</b>   | <b>4,243,918,291</b> |
| <b>Net Deferred Tax Liability/(Asset)</b> | <b>(3,045,097,477)</b> | <b>(869,499,745)</b> |

As at March 31, 2013, the Company has Net Deferred Tax Assets of ₹ 3,045,097,477. In The absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised, the same has not been recognised in the books of accounts in line with Accounting Standard 22 dealing with "Accounting for taxes on Income".

### Note – 35 Particulars of foreign currency exposures that are not hedged by derivative instruments as at 31st March 2013

- Receivables – ₹ 1,011,298,354 (Previous year ₹ 1,011,312,057)
- Payables – ₹ 14,387,442,124 (Previous year ₹ 12,728,403,666)

### Note – 36 Prior Period Items

(Amount in ₹)

| Particulars   | 2012-13 | 2011-12 |
|---------------|---------|---------|
| Rates & taxes | 13,500  | NIL     |

### Note – 37 Expenditure in Foreign Currency

(Amount in ₹)

| Particulars                | 2012-13            | 2011-12           |
|----------------------------|--------------------|-------------------|
| Interest                   | 20,847,669         | 30,699,045        |
| Bank and Other Charges     | 10,941             | 10,326            |
| Travelling                 | 650,761            | 937,346           |
| FCCB Expenses              | 104,761,948        | –                 |
| Professional & Consultancy | –                  | 4,314,777         |
| Others                     | 1,857,592          | 1,383,309         |
| <b>Total</b>               | <b>128,128,911</b> | <b>37,344,803</b> |

Note: The above does not include FCCB redemption premium provided in the books.

## Notes to Financial Statements

**Note – 38 Value of Imports Calculated on C.I.F. Basis** (Amount in ₹)

| Particulars   | 2012–13    | 2011–12    |
|---------------|------------|------------|
| Capital Goods | <b>NIL</b> | 59,268,758 |

**Note – 39 Operating Lease**

The Company's significant leasing arrangements are in respect of operating leases for premises and network sites. These lease agreements provide for cancellation by either parties thereto as per the terms and conditions of the agreements.

**Note – 40** In the opinion of the Management, Non Current/Current Assets, Loans and Advances are approximately of the value stated, if realised in the ordinary course of business.

**Note – 41** In accordance with clause 32 of Listing Agreement the details of advance is as under:

- To Chennai Network Infrastructure Limited (CNIL), an Associate (Subsidiary upto December 19, 2012), closing balance as on March 31, 2013 is ₹ 3,376,164,755 (Previous year 1,735,813,873). Maximum balance outstanding during the year was ₹ 3,376,164,755 (Previous year ₹ 1,735,813,873).
- CNIL has not made investment in the shares of the Company.
- As per the Company's policy loans to employees are not considered for this clause.

**Note – 42** The previous year's figures, wherever necessary, have been regrouped, reclassified and recast to make them comparable with those of the current year.

As per our report of even date

For and on behalf of the Board of Directors

For **CHATURVEDI & SHAH**  
Chartered Accountants

For **YEOLEKAR & ASSOCIATES**  
Chartered Accountants

**MANOJ TIRODKAR**  
Chairman

**MILIND NAIK**  
Whole-time Director

**R. KORIA**  
Partner

**S. S. YEOLEKAR**  
Partner

**VIJAY VIJ**  
Director

**CHARUDATTA NAIK**  
Director

Mumbai  
Date: May 9, 2013

**BHUPENDRA J. KINY**  
Chief Financial Officer

**NITESH MHATRE**  
Company Secretary

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of GTL Infrastructure Limited will be held on Tuesday, September 17, 2013, at 01.30 p.m. at Vishnudas Bhawe Natyagruha, Sector 16-A, Vashi, Navi Mumbai 400 703, Maharashtra, India, to transact the following business:

1. To consider and adopt the Balance Sheet as at March 31, 2013, the Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vijay Vij, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vinod Agarwala, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED that** Mr. Satya Pal Talwar, Director of the Company, who retires by rotation and does not seek re-appointment, be not re-appointed as Director and the resultant vacancy be not filled up for the time being."

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

**"RESOLVED that** pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, approval of the members be and is hereby accorded for appointment of M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai (FR No.101720W) and M/s. Yeolekar & Associates, Chartered Accountants, Mumbai (FR No.102489W) as Joint Auditors of the Company to hold office from conclusion of this Annual General Meeting, till conclusion of the next Annual General Meeting, on such remuneration as may be mutually agreed between the Board of Directors and the Joint Auditors."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

**"RESOLVED that** pursuant to the applicable provisions of the Companies Act, 1956, if any (including any amendments thereto), and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (including any amendments there to) and in accordance with relevant provisions of the Memorandum and Articles of Association of the Company and subject to such other approvals, consents, sanctions and permissions of the appropriate authorities as may be required, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof to exercise its powers including powers conferred by this resolution), to cancel / rescind the "GTL Infrastructure Limited – Employees

Stock Option Scheme 2005 (ESOS Scheme 2005)", which was approved by the shareholders on November 26, 2005.

**RESOLVED FURTHER that** consequent to the cancellation of ESOS Scheme 2005, all the unvested options, options pending for conversion (vested but not exercised) will be cancelled / lapsed with effect from September 17, 2013.

**RESOLVED FURTHER that** for the purpose of giving effect to this resolution, the Board / Committee be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, without being required to seek any further approval or consent of the shareholders, as it may, in its absolute discretion, deem fit."

#### Notes:

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The instrument of proxy should, however, be deposited at the Registered Office of the Company not less than 48 (forty-eight) hours before the commencement of the meeting.

- 2) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item No. 4 to 6 to be transacted at the 10th Annual General Meeting is annexed hereto.
- 3) The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointments/re-appointment as Directors under item Nos 2 & 3 of the notice are annexed in the Corporate Governance Section forming part of the Annual Report.
- 4) The Register of Members and the Share Transfer Books of the Company shall remain closed on September 17, 2013.
- 5) All documents referred in the Notice and the accompanying Explanatory Statement are open for inspection at the Registered Office of the Company on all working days (except Saturdays, Sundays and holidays) between 10.00 a.m. and 12.30 p.m. up to the date of the Annual General Meeting.
- 6) Members holding shares in physical form are requested to notify, any change in their name, address, e-mail address, Bank Account details, nominations, power of attorney, etc., to the Share Transfer Agent at GTL Limited-Investor Service Centre, Unit: GTL Infrastructure Ltd., Electronic Sadan No. II, M.I.D.C., T.T.C. Industrial Area, Mahape, Navi Mumbai 400 710. Members holding shares in electronic form should update such details with their respective Depository Participants.

- 7) Shareholders holding shares in physical form are requested to get their shares dematerialized by approaching their respective Depository Participants, if they are already operating a Demat Account. Shareholders who have not yet opened a Demat Account are requested to open an account and dematerialize their shares, as the shares of the Company are compulsorily traded in electronic form. For any assistance or guidance for dematerialization, Shareholders are requested to contact the Share Transfer Agent, GTL Limited or send an email to [gilshares@gtlinfra.com](mailto:gilshares@gtlinfra.com).
- 8) In case of joint holder attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- 9) Members are requested to forward their queries on Annual Accounts or other sections of the Annual Report to the Company Secretary at least 10 days in advance for enabling the Company to furnish appropriate details.
- 10) The Company's Equity shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). Further, the Listing Fees in respect of Equity Shares of the Company have been paid to BSE and NSE for the Financial Year 2013–14. The Company's FCCBs are listed on Singapore Exchange (SGX).
- 11) In order to minimize paper cost / work, shareholders / investors are requested to forward their queries pertaining to Annual Accounts and other sections of Annual Report by e-mail to [gilshares@gtlinfra.com](mailto:gilshares@gtlinfra.com).
- 12) Members/proxies are requested to bring the attendance slips duly filled in and signed for attending the Annual General Meeting.
- 13) Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
- 14) The Annual Report of the Company, circulated to the members of the Company will also be made available on the Company's website i.e. [www.gtlinfra.com](http://www.gtlinfra.com)

By Order of the Board of Directors

**Nitesh Mhatre**

Joint Company Secretary

Date: May 9, 2013

**Registered Office:**

3rd Floor, 'Global Vision',  
Electronic Sadan No.II, M.I.D.C.,  
T.T.C. Industrial Area, Mahape,  
Navi Mumbai 400 710, India.

## Annexure to the Notice

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

### Item No. 4

Mr. Satya Pal Talwar, Director of the Company retires by rotation at the ensuing Annual General Meeting. Mr. Talwar is associated with the Company in his capacity as an Independent Director since September 2009. He has conveyed that due to health problem, he is not seeking re-appointment.

The Company has benefited from the vast and varied experience of Mr. Talwar. The Board places on record its deep appreciation and respect for the valuable guidance received from him during his tenure as Director of the Company.

The Board commends passing of the resolution as set out at Item no. 4 of the accompanying notice.

None of the Directors of the Company is concerned or interested in passing of the Resolution.

### Item No. 5

Section 224A of the Companies Act, 1956, ('the Act') provides that in case of a company of which not less than 25% of the Subscribed Capital is held either singly or in any combination by Public Financial Institutions, Government Companies, Nationalized Banks etc., the appointment or re-appointment of an auditor of that Company has to be made by a special resolution.

The shareholders of the Company in its 9th Annual General Meeting held on September 27, 2012 had appointed M/s. Chaturvedi & Shah, Chartered Accountants and M/s. Yeolekar & Associates, Chartered Accountants as the Joint Auditors of the Company to hold office from the conclusion of that Annual General Meeting till the conclusion of next Annual General Meeting.

As the combined shareholding of banks / financial institutions exceeds 25% of Subscribed Share Capital of the Company, the re-appointment of M/s. Chaturvedi & Shah and M/s. Yeolekar & Associates as Joint Auditors of the Company is required to be made by Special Resolution.

As required under Section 224 of the Act, certificate has been obtained from the Auditors to the effect that their appointment, if made, will be in accordance with the limits specified in that Section.

The Board commends passing of the resolution as set out at Item no. 5 of the accompanying notice.

None of the Directors of the Company is concerned or interested in passing of the Resolution.

### Item Nos. 6

The Company had launched Employee Stock Option Scheme (ESOS 2005) at the General Meeting held on November 26, 2005 and the said Scheme was monitored through the Advisory Board (Nomination & Remuneration Committee of the Board).

As per the provisions of the Scheme ESOS 2005, the Exercise Price was defined as a price at a discount upto 25%, at the sole discretion of the Advisory Board, of the closing market price of the Company's shares on the National Stock Exchange on the previous trading day of the day on which warrants are allotted by the Advisory Board. Accordingly the Exercise Price of all warrants allotted under the Schemes during the period November 26, 2005 to May 4, 2010 was ranging between 10 to 33.60 per share.

The Company is having 13,465,454 warrants allotted under the Employees Stock Options Scheme 2005 (ESOS 2005) at exercise price ranging between 19.90 to 33.60 per share, which are pending for conversion as on March 31, 2013.

Due to slowdown in the telecom sector and the resultant fall in the Company's share market price, recent capital market declines and the current macro-economic situation, the stock options granted to employees became unfavourable for conversion and hence it was proposed to cancel 13,465,454 warrants in the hands of employees which are in force and also to close the entire ESOS Scheme 2005.

The Board commends passing of the resolution as set out at Item No.6 of the accompanying Notice.

None of the Directors of the Company are, in any way, concerned or interested in passing of the said resolution, except to the extent of the Options that may be held by them under the Scheme.

By Order of the Board of Directors

**Nitesh Mhatre**

Joint Company Secretary

Date: May 9, 2013

### Registered Office:

3rd Floor, 'Global Vision',  
Electronic Sadan No.II, M.I.D.C.,  
T.T.C. Industrial Area, Mahape,  
Navi Mumbai 400 710

## NOTES

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# GTL INFRASTRUCTURE LIMITED

Regd. Office: "Global Vision", 3<sup>rd</sup> Floor, Electronic Sadan-II, MIDC, TTC Indl. Area,  
Mahape, Navi Mumbai – 400 710, Maharashtra, India.

Tel. : +91-22-2767 3500 Fax : +91-22-2767 3666 E-mail : gilshares@gtlinfra.com Website : www.gtlinfra.com



## ATTENDANCE SLIP

Folio No./Demat A/c. No.: .....

No. of Shares: .....

**NAME AND ADDRESS OF THE MEMBER:**

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

**PLEASE COMPLETE THIS ATTENDANCE SLIP  
AND HAND OVER AT THE ENTRANCE OF THE MEETING HALL**

I certify that I am a registered member/proxy for the registered member of the Company.

I hereby record my presence at the Tenth Annual General Meeting of the Company being held on Tuesday, September 17, 2013 at 01.30 pm at Vishnudas Bhawe Natyagruha, Sector 16-A, Vashi, Navi Mumbai – 400 703.

.....  
Name of the attending Member/Proxy\*

.....  
Member's/Proxy's\* Signature

**GLOBAL**Group Enterprise

\* Strike out whichever is not applicable

# GTL INFRASTRUCTURE LIMITED

Regd. Office: "Global Vision", 3<sup>rd</sup> Floor, Electronic Sadan-II, MIDC, TTC Indl. Area,  
Mahape, Navi Mumbai – 400 710, Maharashtra, India.

Tel. : +91 22 2767 3500 Fax : +91 22 2767 3666 E-mail : gilshares@gtlinfra.com Website : www.gtlinfra.com



## PROXY FORM

Folio No./Demat A/c. No. ....

I/We, (Name/s) ..... of

(Address) .....

..... being a Member/Members of GTL Infrastructure Limited hereby appoint

(Name) ..... of

(Address) .....

or failing him (Name) ..... of

(Address) .....

as my/our proxy to vote for me/us and on my/our behalf at the Tenth Annual General Meeting of the Company to be held on Tuesday, September 17, 2013 at 01.30 pm or at any adjournment thereof.

Signed this ..... day of ..... 2013.

Signed by the said .....

Affix  
Revenue  
Stamp of  
15 paise

**Note :** The proxy form should be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

**GLOBAL**Group Enterprise



## LIST OF BRANCHES IN INDIA

### ANDHRA PRADESH

207/208, Navketan Bldg, 62, 2<sup>nd</sup> Floor,  
Sarojini Devi Road, Near Clock Tower,  
Secunderabad – 500 003,  
Hyderabad, India.

### JHARKHAND

Room No. 308, 3<sup>rd</sup> Floor,  
Commerce House, Sharda Babu Street,  
Near Bargain Bazar, Ranchi – 834 001,  
Jharkhand, India.

### ORRISA

1<sup>st</sup> Floor, Plot No. 760,  
M. J. Plaza, Cuttack Road,  
Bhubaneshwar – 751 009,  
Orissa, India.

### ASSAM

3<sup>rd</sup> Floor, Mayur Garden,  
Opp. Rajeev Bhavan, ABC Bus Stop,  
Bhangagarh, G.S. Road,  
Guwahati – 781 005, India.

### KARNATAKA

No. 3 & 5, Connaught Road,  
Off Queens Road,  
Tasker Town,  
Bangalore – 560 052, India.

### PUNJAB & HARYANA

E–9, Phase 7,  
Industrial Area, SAS Nagar,  
Mohali – 160 055,  
Punjab, India.

### BIHAR

Markandey Complex, 3<sup>rd</sup> Floor,  
Gayatri Mandir Road, Near Paneerwala,  
Kankerbagh, Patna – 800 020,  
Bihar, India.

### KERALA

40/9643, Prabhu Tower,  
1<sup>st</sup> Floor, Opp Chennai Silks,  
M. G. Road North, Ernakulam,  
Kerala – 682 035, India.

### RAJASTHAN

312 to 319, 3<sup>rd</sup> Floor, Geetanjali Tower,  
Civil Lines, Near Bombay Walon Ka Bagh,  
Ajmer Road, Jaipur – 302 006,  
Rajasthan, India.

### COIMBATORE

1168, Sam Surya Towers,  
2<sup>nd</sup> Floor, 4/5 Avinashi Road,  
P. N. Palayam,  
Coimbatore – 641 037, India.

### MADHYA PRADESH

30 Manav Niket, Indira Press Complex,  
Zone 1, Near Dainik Bhaskar Press,  
M. P. Nagar, Bhopal – 462 001,  
Madhya Pradesh, India.

### TAMILNADU

Old No. 34/1DL, New No. 403L,  
7<sup>th</sup> Floor, Samson Tower's,  
Panthcon Road, Egmore,  
Chennai – 600 008, India.

### DELHI

3<sup>rd</sup> Floor,  
Palm Court Building,  
20/4, Sukhrali Chowk,  
Gurgaon – 122 001, India.

### MAHARASHTRA

Plot No. 32/33, Phase 1,  
Rajiv Gandhi InfoTech Park,  
Opp. Persistent Building, Hinjewadi,  
Pune – 411 057, Maharashtra, India.

### UTTAR PRADESH – EAST

6A, 2<sup>nd</sup> Floor, Jeet Palace,  
Sapru Marg, Hazaratganj,  
Lucknow – 226 001,  
Uttar Pradesh, India.

### GUJARAT

B–303, Baleshwar Square,  
Opp. Iscon Temple, S. G. Road,  
Ahmedabad – 380 054,  
Gujarat, India.

### MUMBAI

412–Janmabhoomi Chambers,  
29–Walchand Hirachand Marg,  
Ballard Estate, Mumbai – 400 038,  
Maharashtra, India.

### UTTAR PRADESH – WEST

1<sup>st</sup> Floor, Regalia Towers,  
301/1, Mangal Pandey Nagar,  
Near Kotak Mahindra Bank,  
University Road, Meerut – 250 004, India.

### JAMMU & KASHMIR

1<sup>st</sup> Floor, Sunny Square, Commercial  
Complex, Near J & K Bank Ltd.,  
Gangyal, Srinagar Kashmir,  
Jammu – 180 010, India.

### NAVI MUMBAI

3<sup>rd</sup> Floor, “Global Vision”, ES–II,  
MIDC, TTC Industrial Area,  
Mahape, Navi Mumbai – 400 710,  
Maharashtra, India.

### WEST BENGAL

Cimsys Tower, 3<sup>rd</sup> Floor, Y–13,  
Plot – Ep, Opp – South City Pinnacle,  
Sector V, Salt Lake,  
Kolkata – 700 091, India.

## NOTES

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# TOUCHING & TRANSFORMING LIVES



GTL Infrastructures' Pan India tower footprint is enabling India's leading telecom Operators to offer their services there by ***touching and transforming the lives*** of billions of Indians.





**GLOBAL** Group Enterprise

[www.gtlinfra.com](http://www.gtlinfra.com)

"Global Vision", 3<sup>rd</sup> Floor, Electronic Sadan-II, MIDC, TTC Industrial Area,  
Mahape, Navi Mumbai - 400 710, Maharashtra, India.

Tel: +91 22 2767 3500 | Fax: +91 22 2767 3666



This annual report is printed on Eco-Friendly paper

FORM A

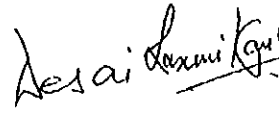
Format of covering letter of the annual report to be filed with the stock exchanges

|    |                                                |                                                          |
|----|------------------------------------------------|----------------------------------------------------------|
| 1. | Name of the Company                            | GTL Infrastructure Limited                               |
| 2. | Annual financial statements for the year ended | March 31, 2013                                           |
| 3. | Type of Audit observation                      | Matter of Emphasis * Refer Independent                   |
| 4. | Frequency of observation                       | Appearing since the financial year ended March 31, 2011. |

Auditors Report in page no. 37 of Annual Report under the heading Emphasis of matter.

For and on behalf of Board of Directors

  
Milind Naik  
(Whole-time Director & Co-COO)

  
L. Y. Desai  
(Chief Financial Officer)

  
N. Balasubramanian  
(Audit Committee Chairman)



AUDITORS

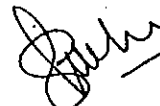
For Chaturvedi & Shah  
Chartered Accountants  
Firm Reg. No - 101720 W



R Koria  
Partner  
Membership No - 35629



For Yeolekar & Associates  
Chartered Accountants  
Firm Reg. No - 102489 W



S. S. Yeolekar  
Partner  
Membership No - 36398



Place: Mumbai  
Date: August 22, 2013