



HQ/CS/CL.24B/16260  
18 September 2017

Ms. Mansi Chheda  
Deputy Manager – Listing Compliance  
National Stock Exchange of India Limited (NSE)  
Exchange Plaza, Bandra Kurla Complex,  
Bandra East, Mumbai – 400051

Madam,

**Sub: News Clarification - Economic Times dated September 18, 2017.**

This has reference to your email dated 18 September 2017 whereby you have asked us to provide certain clarifications on the news item which appeared in the Economic Times dated September 18, 2017. As required please find our response below:

- a. Whether such event stated in published news were taking place? If so, you are advised to provide the said information along with the sequence of events in chronological order.

Response: We are not sure as to what the news item is referring to. However, in our view, the article is perhaps referring to the issue of demerger of surplus land. If so, then the Company has been regularly disclosing the status of demerger of surplus land in its annual reports. Extracts from the Annual Report 2017 is attached. As stated in the Annual Report, significant progress has been made in reconciliation of the Surplus Land and the Board of the Company is hopeful that the outstanding issues on the demarcation of land shall be resolved by the promoters of the Company very soon.

- b. The material impact of this article on the Company.

Response: On the supposition that the article is referring to the demerger of surplus land issue, it may be pointed out that, inter-alia, the article wrongly states that "Tata Communications is expected to hold 5% stake in it and Government and other institutional investors will also be stake holders in the land parcel". Tata Communications will not have any stake in the company in which surplus land is

**TATA COMMUNICATIONS**

Tata Communications Limited

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Regd. Office : VSB Mahatma Gandhi Road Fort Mumbai – 400 001

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CIN no. : L64200MH1986PLC039266 web site : www.tatacommunications.com



to be demerged and there would not be any direct material impact of the article on the Company.

- c. Whether company are aware of any information that has not been announced to the Exchanges under Regulation 30 of Listing Regulations. If so, you are advised to provide the said information and the reasons for not disclosing the same to the Exchange earlier as required under Regulation 30 of the Listing Regulations.

Response: The Company has been and will continue to disseminate all information that is required to be disseminated to the exchanges under regulation 30 of the Listing Regulations. There is no information that has not been announced by us to the Exchanges under Regulation 30 of the Listing Regulations. The Company will keep the exchanges informed as and when there are any significant developments in the Company requiring intimation to the exchanges.

Thanking you,

Yours faithfully,  
For Tata Communications Limited

Manish Sansi  
Company Secretary &  
General Counsel (India)

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Under the terms of the Order, the monies deposited by Tata Sons in the Court by way of Fixed Deposit Receipts, together with interest accrued thereon, shall be retained by the Registrar of the Delhi High Court until requisite clearance from the Competition Commission of India and the Withholding Tax Certificate as mentioned in the consent terms between the parties have been obtained, at which time the funds shall be returned to Tata Sons for onward payment to Docomo in satisfaction of the Award.

Based on the Delhi High Court Order dated April 28, 2017, the Company has made a provision of ₹ 872.01 crores towards the contractual obligation under the Inter-se agreement being difference between the fair value of equity shares to be repurchased (based on the valuation undertaken as at November 18, 2016) and the consideration paid for discharge of the Company's obligation under the Inter-se agreement and Put Option. The provision has been adjusted against the deposit of ₹ 1.058 crores which is included in Non-current – Other financial assets.

The Company's overall investment in the equity shares of TTSL is recognised at fair value through Other Comprehensive Income. During the current year, the Company reassessed the fair value of TTSL and accordingly recognised a loss of ₹ 166.71 crores (₹ 344.40 crores in FY15-16) in Other Comprehensive Income. Due to the continued volatility of market conditions, it was not possible to complete an updated valuation report to determine fair value as at March 31, 2017.

#### **Compliance under the Companies Act, 2013 and additional SEBI stipulations**

As on the date of this Report, the Board comprised of nine directors out of whom two were independent. As reported to stock exchanges, in February 2002, when the Government of India ("GoI") transferred 25% of its stake in the Company to Panatone Finvest Limited ("Panatone"), a shareholders' agreement and a share purchase agreement were signed. These agreements, *inter alia*, set forth the rights and obligations of Panatone and the GoI including appointment of directors on the Board of the Company. The relevant clauses from the agreements were incorporated in the Articles of Association of the Company which in part provide that the Board is to comprise of twelve directors, four of whom must be

independent. The GoI and Panatone are entitled to indicate the names of two independent directors each.

The two independent directors indicated by the GoI and appointed to the Board resigned in May 2011. Since the resignation of these two independent directors, the GoI has indicated only one independent director to replace them – Dr. Uday B. Desai, who has been duly appointed. Further, Mr. Subodh Bhargava, an independent director has ceased to be a director with effect from March 30, 2017. Ms. Renuka Ramnath, an independent director, has been elected as the Chairperson of the Board w.e.f. April 14, 2017.

The Company is pursuing with the GoI and Panatone for indication of candidates for appointment as independent directors so as to fill the vacancies on the Board. Until the recommendation is received enabling the Nomination and Remuneration Committee (NRC) and the Board to appoint two more independent directors, the Company will not be able to comply with provisions of Section 149 (4) of Companies Act, 2013 and Regulation 17 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **PENDING MATTERS OF SIGNIFICANCE**

##### **Inability to Raise Additional Equity Funding**

In response to Company's request for consideration of additional equity funding, the GoI has informed the Company that it is neither willing to invest in any further equity of the Company nor will it accept dilution of its stake in the Company. This has resulted in the Company not being able to avail of any non-debt funding through issue of equity since 1997.

##### **Surplus Land**

Out of the total land acquired by the Company (then Videsh Sanchar Nigam Limited) in 1986 from the GoI as the successor to the Overseas Communications Service, 773.13 acres of land at five different locations was identified as 'surplus' (Surplus Land) for demerger under the terms of the share purchase and shareholders' agreements (SHA) signed between the GoI and Panatone at the time of disinvestment. Under the terms of the SHA it was agreed that this Surplus Land would be demerged into a separate entity. It was further provided that if, for any reason, the Company could not transfer or demerge

the Surplus Land into a separate entity, alternative solutions would be explored.

To accomplish the demerger of the Surplus Land in accordance with the SHA, Panatone incorporated Hemisphere Properties India Limited (HPIL) in 2005-06 to hold the Surplus Land as and when demerged. In March 2014, the Gol acquired ~51.12% of the shares in HPIL making it a Government company.

Additionally, with the objective to give effect to the terms of the SHA and to facilitate the demerger of Surplus Land in a tax neutral manner for the Company, the Gol has inserted an Explanation 5 to clause (19AA) of section 2 of the Income Tax Act, 1961 (Explanation 5) with effect from April 1, 2017 by a recent Taxation Laws (Amendment) Act, 2016. This Explanation 5 provides as follows:

*"Explanation 5 – For the purposes of this clause, the reconstruction or splitting up of a company, which ceased to be a public sector company as a result of transfer of its shares by the Central Government, into separate companies, shall be deemed to be a demerger, if such reconstruction or splitting up has been made to give effect to any condition attached to the said transfer of shares and also fulfils such other conditions as may be notified by the Central Government in the Official Gazette"*

Further, in exercise of the powers conferred by Explanation 5, the Gol pursuant to Central Board of Direct Taxes Notification 93/2016, No. 149/251/2015-TPL dated October 14, 2016, issued a notification (Notification) which states:

*"that the reconstruction or splitting up of a company which ceased to be a public sector company as a result of transfer of its shares by the Central Government, into separate companies, shall be deemed to be a demerger, if the following conditions are fulfilled, namely:—*

- i. that such reconstruction or splitting up has been made to transfer any assets of the demerged company to the resulting company to give effect to the conditions mentioned in the Share Holders' Agreement and Share Purchase Agreement; and*
- ii. that the resulting company is a public sector company."*

The Directors place on record their sincere appreciation for the Gol for affecting the above mentioned Explanation 5 and Notification. The Company has sought certain

clarifications on the said Explanation 5 and Notification and is pursuing the same with the Gol.

The Company is currently actively working with the Gol, Panatone and HPIL to finalize the scheme of demerger and expects that the same shall be finalized sometime in the near future.

Continuous efforts are being made by the Gol, Panatone, HPIL and the Company to measure the land, demarcate it between Surplus Land and non-Surplus Land and to resolve the issues of variance in the physical areas of land vis a vis the areas of land mentioned in the SHA. As reported earlier, 32.5 acres of land situated at Padianallur was transferred in July 2009 to the VSNL Employees Cooperative Housing Society, Chennai (society) as per the order of the Hon'ble Delhi High Court. As this land was part of the Surplus Land, Panatone has written to the Gol to exclude these 32.5 acres of land from the Surplus Land to be demerged.

Additionally, as mentioned below in this Report, Delhi Metro Rail Corporation Limited (DMRC) has acquired approximately 2.6 acres of Company land for the Delhi Metro work, out of which 0.55 acres constitutes Surplus Land.

Furthermore, as per the terms of the SHA, the Company owns 774 acres of land at Dighi, Kalas and other villages near Pune (Pune Land), of which 524 acres constituted Surplus Land. In 1940, approximately 94.7 acres of the Pune Land was leased to the Ministry of Defense (MoD) for the duration of the war which could form part of Surplus Land. The MoD continued to occupy this land and pay the agreed annual rent until March 31, 2006. Since this time, the Company has been seeking payment from the MoD for all rent due on the land. On July 31, 2010 the MoD informed the Company that the land in their possession had been transferred to the MoD in 2007 by the Collector of Pune and that no rent on this land was owed to the Company. The MoD further claims that the land was transferred to the MoD under a "Pune Package Deal" by the Gol and no compensation is payable by it to the Company for the land. The Company continues to pursue the matter for compensation for the unpaid rent and the value of the land.

In view of the above, the quantum of Surplus Land available for demerger has reduced. Significant progress

has been made in reconciliation of the Surplus Land and the Board is hopeful that the outstanding issues on the demarcation of land shall be resolved by the promoters of the Company very soon.

The book value of the Surplus Land is ~₹0.16 crores.