Innovating... for a better future.
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Our Vision

By 2010 Airtel will be the most admired brand in India:

- loved by more customers
- targeted by top talent
- benchmarked by more businesses
Introduction

Innovation...it's what separates leaders from followers...Bharti Airtel from competition. Innovation that sets industry standards, raises the service bar, creates new paradigms, simplifies customers' lives and sets them free...free to express themselves.

From the very beginning of our existence, Bharti Airtel has been the leader of change in India’s dynamic telecommunication space. This would not have been possible without a passion for innovation. Our products, services, processes - all are guided by a desire to do things differently and better, as is evidenced by our customer Self Care and single billing platform. Our innovations aim at enriching every aspect of our customers' lives - to educate, entertain, inform, update and stimulate. State of the art services like Lifetime Prepaid, RC 200, Easy Music, Airtel Live Stock Ticker - to name just a few, have distinguished us from competition while ensuring a better and exciting future for our customers and for our country. Change is the only constant. One can either be part of it or lead it. We are committed to leading change through constant innovation.
Dear fellow shareholders,

I look back at 2005-2006 with a sense of pride and satisfaction. Our country indelibly established its presence on the global economic map. The Indian economy today is growing at a GDP of over 8%. There was an upswing in incomes, exploding consumer choice and spending driven by an emerging and fast growing middle class. The average Indian drove and participated in the growth and the world noticed. Telecommunications was one of the key drivers of the growth.

India has been amongst the world’s fastest growing telecom markets. The sector attracted a record high Foreign Direct Investment (FDI) of US$ 2.5 bn in 2005. The mobile industry grew from 52 mn subscribers, with a mobile penetration of approximately 5% in March 2005, to 90 mn in March 2006, reaching a mobile penetration of 8%, thus exhibiting a growth of 73%.

Mobile communication is touching and changing lives across all segments of the Indian community and you would be happy to note that your Company, Bharti Airtel, is playing an important role in making this happen. The positive regulatory changes, like reduction in license fee for long distance services and rationalization of ADC charges, coupled with declining costs of mobile phone handsets, lower denomination Recharge Coupons and Bharti Airtel pioneered Innovations like Lifetime Validity schemes have provided for a rapid drop in barriers to using telecommunication services. These factors have translated in hyper-growth for the entire industry.

This has been your Company’s first year as a true nationwide player. We are adding more than 1 mn customers every month and continue to be the leading integrated private service provider in the telecommunications industry in terms of customers. Despite huge growth we continue to be a leaner, faster and a more competitive company, well positioned for further growth.

Building strong partnerships has long been our strength. Vodafone, the world’s largest telecommunications company, invested US$ 1.5 bn in Bharti Airtel. This was the single largest foreign investment in India and an excellent proof of the stature that your Company has attained in the international business community. The strategy to outsource non-core activities by partnering with world-class entities has also begun to yield results in terms of quality and cost.

Your Company’s new vision “To be the most admired brand in India by 2010; loved by more customers, targeted by top talent and benchmarked by more businesses”, aims to further the leadership position and enhance customer delight. “Think Fresh, Deliver More”, our new brand essence, highlights the commitment to customer delight. We firmly believe that focus on the customer would be the sole differentiating factor in the race for leadership.

It is your Company’s belief that an integrated approach will lead to greater synergy and efficiencies and build a business with a truly national character. One of the pillars to support the vision was the putting in place of an integrated organization structure, world class systems and staffing it with the ‘best in class’ leadership team under “One Airtel”. This integrated approach across product, function and customer verticals will allow us to better address our customers’ needs for bundled service offerings and provide a single interface for customer care and billing.
Innovation is the hallmark of a leader. Your Company has pioneered the world’s largest mobile retail initiative, Easy Charge II, which provides retailers the opportunity to up-sell ringtones to customers. It was simultaneously made available in 100,000 retail outlets across India with a choice of 18,000 songs in over 20 languages. We were also at the forefront of the revolution in interactive TV. Our partnerships with KBC II and Indian Idol, allowing viewers to participate via their mobile phones, were highly successful. These innovative services clearly prove that convergence is no longer a concept but a real-life experience.

Further, Shri Manmohan Singh, the honorable Prime Minister, inaugurated the Bharti School for Telecommunication Technology and Management, established in conjunction with the Indian Institute of Technology (IIT), Delhi. The quality of the school’s programs will ensure a steady supply of young telecom leaders who will make significant contributions to a better future. We have also embarked on a ‘Green Shelter’ campaign to house the telecom equipment at our cell sites. These cell sites are more ecologically friendly as they reduce the need for air-conditioning and thus consume less electricity.

It is my pleasure to report your Company’s robust performance for the year ended March 31, 2006 in the face of an extremely competitive environment. We closed the year with a consolidated customer base of over 20 mn, a growth of 77% from a year ago, generated gross revenues of Rs.117.3 bn, thereby crossing the Rs.100 bn mark representing a healthy annual growth of 44%. Our EBITDA has grown to Rs.42.3 bn, an annual growth of 38% and PAT of Rs.20.3 bn, an annual growth of 67%.

Your Company is strongly committed to being a responsible corporate citizen. Providing a platform to leverage the potential of the citizens of tomorrow and concern for the environment are our top priorities. Bharti Foundation is committed to setting up educational institutions across the country and currently reaches out to more than 75,000 underprivileged children, a number that is set to increase many-fold in the near future.

Your Company has had tremendous success over the years and given the abounding opportunities and a growing economy, is well positioned to scale greater heights. The accomplishments are a result of the dedication and commitment of our employees, partners, customers and suppliers. Our people are inspired by what lies ahead, the future is full of opportunities and we are striving hard to take advantage of these opportunities to reach the goal of becoming the world’s most admired telecommunications company.

Best Regards,

Sunil Bharti Mittal
Chairman and Managing Director
About the Company

Bharti Airtel Limited ("Bharti Airtel" or "the Company") is a leading Indian telecom services provider, with 20,925,948 million customers as on March 31, 2006.

The Company has three strategic business units:

- Mobile Services
- Broadband & Telephone Services
- Enterprise Services

**MOBILE SERVICES**

This business unit constitutes the largest portion of our business, both in terms of total customers and total revenues. Bharti Airtel offers mobile services in all 23 telecom circles of India and is, therefore, the first private mobile services operator to have an all-India presence.

Bharti Airtel’s mobile customer base accounts for a 21.8% share of the overall wireless (GSM + CDMA) market as on March 31, 2006. The Company has a presence in 3,778 census towns and in 80,687 non-census towns and villages, covering an addressable population of 40% of the total population.

**BROADBAND & TELEPHONE SERVICES (B&TS)**

Bharti Airtel provides broadband (DSL) and telephone services in 90 cities across India. As on March 31, 2006, we had 1,346,740 B&TS customers, of whom 315,729 (−23.4%) were also subscribing to DSL services.

**ENTERPRISE SERVICES**

The Enterprise Services business unit has two sub-units:

- Carriers (long distance services)
- Corporates

**Enterprise Services - Carriers**

Bharti Airtel complements its mobile, broadband and telephone services with national and international long distance services. The Company has over 32,900 route kilometers of fibre on its national long distance network. For international connectivity to the East, it has a submarine cable landing station at Chennai, which connects the submarine cable (owned by an associate Company) that provides a direct link from Chennai to Singapore. For international connectivity to the West, Bharti Airtel is, jointly with 15 other global telecom operators, a founding member of the South East Asia-Middle East-Western Europe-4 (SEA-ME-WE-4) consortium, that has commissioned the fourth generation cable system. SEA-ME-WE-4 supports telephony, Internet, multimedia and various other broadband and data services.

**Enterprise Services - Corporates**

This business unit provides secure, scalable, seamless, reliable and customized integrated voice and data communications solutions to corporate customers and to small and medium size enterprises through a single window and dedicated relationship management.

**Growth**

The Company has grown from being a single-circle mobile services entity in 1995, to one of the largest integrated private telecom players with an all-India mobile footprint, through a combination of organic and inorganic growth. The strong and sustained growth demonstrated over the years is testimony to the Company's commitment to being a customer focused, long-term telecom player.

Bharti Airtel continues to capitalize on the growth opportunities in the Indian telecommunications sector to achieve its vision:

To be the most admired brand in India by 2010:

- Loved by more customers
- Targeted by top talent
- Benchmarked by more businesses
Company history

The Company has an eventful history. Each year of its existence was marked by a number of major events that have helped shape the Company as we know it today.

1995-1996
- launches mobile services brand Airtel in Delhi and Himachal Pradesh
- British Telecom Plc (BT) acquires a stake in the Company

1997-1998
- becomes the first private telecom operator to obtain a license to provide basic telephone services in the state of Madhya Pradesh
- forms Bharti BT VSAT Ltd., focused on providing VSAT solutions across India and Bharti BT Internet Ltd.

1999-2000
- acquires JT mobiles, cellular services operator in Punjab, Karnataka and Andhra Pradesh and becomes the largest private sector telecom operator in India
- expands its South Indian footprint by acquiring Skycell, Chennai
- Singapore Telecommunications Ltd (SingTel) acquires Telecom Italia's equity stake in the Company

2001-2002
- launches India's first private sector national and international long distance service
- becomes the largest cellular operator in the country by entry in the East at Kolkata through acquisition and obtaining licenses for 8 new circles
- incorporates India's first private submarine cable landing station in a joint venture with SingTel
- Punjab cellular license restored by Department of Telecommunications (DoT)
- Initial Public Offering (IPO) through India's first 100% book-building issue
- becomes the first private operator to offer basic telephone services in Haryana, Delhi, Tamil Nadu and Karnataka
- introduces the new Airtel brand campaign, featuring the signature A.R. Rahman melody, that has meanwhile set a world record with over 4 million single ringtone downloads
- acquires BT's equity interest in the Company's cellular operations

2003-2004
- joins the US$ 1bn revenue club
- enters into historic strategic partnerships with IBM and Ericsson for the outsourcing of the Company's core IT and network activities
- launches BlackBerry® wireless solution in India, as a result of an exclusive tie-up with Research In Motion (RIM)
- acquires a controlling stake in Hexacom, the leading mobile operator in Rajasthan
- becomes part of the owners' consortium of SEA-ME-WE-4, a 20,000 km next general cable system connecting India with South East Asia, the Middle East and Europe
- is the first private operator to launch mobile services in Jammu & Kashmir
- becomes a founding member of the Bridge Mobile Alliance, a consortium of seven leading mobile operators in the region

2005-2006
- acquires an all-India footprint with the launch of mobile services in Assam
- Vodafone, the world's largest mobile service provider, acquires 10% economic interest in the Company
- becomes India's largest integrated private operator based on the total customer base

† The years shown above represent two full calendar years.
Throughout its existence, Bharti Airtel has been able to attract substantial investments from international organizations such as BT, Telecom Italia, Warburg Pincus, International Finance Corporation (IFC), Asian Infrastructure Fund (AIF) and SingTel. In 2005-06 Vodafone joined that list with a (direct and indirect) stake of 10%. Today, the Company has two strategic investors: SingTel and Vodafone and the composite foreign holding of Bharti Airtel is within the prescribed limit for the telecom sector. This is a clear reflection of the ever growing interest and confidence of the international investor community in the Company, which in turn is an outcome of the principles of sound corporate governance that the Company adheres to in order to enhance its shareholders' value.

The table below gives a broad structure of the shareholding of the Company.

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Holding</td>
<td></td>
</tr>
<tr>
<td>Promoters*</td>
<td>45.40</td>
</tr>
<tr>
<td>Bank/Mutual Funds/Indian Financial Institutions</td>
<td>3.95</td>
</tr>
<tr>
<td>Indian Resident/Body Corporate/Others</td>
<td>2.62</td>
</tr>
<tr>
<td>Total-Indian</td>
<td>51.97</td>
</tr>
<tr>
<td>Foreign Holding</td>
<td></td>
</tr>
<tr>
<td>Foreign Companies</td>
<td>21.60</td>
</tr>
<tr>
<td>Foreign Institutional Investors</td>
<td>25.61</td>
</tr>
<tr>
<td>NIFs &amp; CCBs</td>
<td>0.82</td>
</tr>
<tr>
<td>Total-Foreign</td>
<td>48.03</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Bharti Telecom Limited is the Promoter Company of Bharti Airtel Limited.

Top 30 Shareholders List†

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Holder</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bharti Telecom Limited</td>
<td>45.40</td>
</tr>
<tr>
<td>2</td>
<td>Pastel Limited</td>
<td>15.61</td>
</tr>
<tr>
<td>3</td>
<td>Vodafone International Holdings B.V.</td>
<td>5.62</td>
</tr>
<tr>
<td>4</td>
<td>Citigroup Global Markets Mauritius Private Limited</td>
<td>2.75</td>
</tr>
<tr>
<td>5</td>
<td>Morgan Stanley and Co. International Limited Atrio</td>
<td>1.38</td>
</tr>
<tr>
<td>6</td>
<td>CLSA Merchant Bankers Limited A/C CLSA (Mauritius)</td>
<td>1.23</td>
</tr>
<tr>
<td>7</td>
<td>Life Insurance Corporation of India</td>
<td>1.20</td>
</tr>
<tr>
<td>8</td>
<td>The Growth Fund of America, Inc.</td>
<td>1.11</td>
</tr>
<tr>
<td>9</td>
<td>FID Funds (Mauritius) Limited</td>
<td>0.85</td>
</tr>
<tr>
<td>10</td>
<td>J.P. Morgan Fleming Asset Management (Europe) S.A.R.</td>
<td>0.61</td>
</tr>
<tr>
<td>11</td>
<td>Comart Mauritius Limited</td>
<td>0.78</td>
</tr>
<tr>
<td>12</td>
<td>HSBC Global Investment Funds A/C HSBC Global Invest</td>
<td>0.73</td>
</tr>
<tr>
<td>13</td>
<td>Deutsche Securities Mauritius Limited</td>
<td>0.66</td>
</tr>
<tr>
<td>14</td>
<td>Euro Pacific Growth Fund</td>
<td>0.66</td>
</tr>
<tr>
<td>15</td>
<td>Fidelity Advisor Series I Fidelity Advisor Mid Cap</td>
<td>0.64</td>
</tr>
<tr>
<td>16</td>
<td>Federated Global Investment Management Corp. A/C Fe</td>
<td>0.59</td>
</tr>
<tr>
<td>17</td>
<td>J.P. Morgan Fleming Asset Management (Europe) S.A.R.</td>
<td>0.53</td>
</tr>
<tr>
<td>18</td>
<td>Merrill Lynch Capital Markets Espa S.A. S.V.</td>
<td>0.48</td>
</tr>
<tr>
<td>19</td>
<td>T. Rowe Price Associates, Inc. A/C T. Rowe Price G</td>
<td>0.45</td>
</tr>
<tr>
<td>20</td>
<td>Fidelity Management And Research Conference A/C Fidelity</td>
<td>0.47</td>
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<tr>
<td>21</td>
<td>Top 5 ASIAN</td>
<td>0.41</td>
</tr>
<tr>
<td>22</td>
<td>American Funds Insurance Series A/C American Funds</td>
<td>0.40</td>
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<tr>
<td>23</td>
<td>Oppenheimer Funds Inc. A/C Oppenheimer Developing</td>
<td>0.36</td>
</tr>
<tr>
<td>24</td>
<td>Sloane Robinson LLP A/C SR Global (Mauritius) Limited</td>
<td>0.31</td>
</tr>
<tr>
<td>25</td>
<td>Sloane Robinson LLP A/C SR Global (Mauritius) Limited</td>
<td>0.28</td>
</tr>
<tr>
<td>26</td>
<td>ICICI Prudential Life Insurance Company Limited</td>
<td>0.27</td>
</tr>
<tr>
<td>27</td>
<td>The New Economy Fund</td>
<td>0.26</td>
</tr>
<tr>
<td>28</td>
<td>Merrill Lynch Capital Markets Espa S.A. S.V.</td>
<td>0.26</td>
</tr>
<tr>
<td>29</td>
<td>Emerging Markets Growth Fund Inc.</td>
<td>0.25</td>
</tr>
<tr>
<td>30</td>
<td>The India Fund, Inc.</td>
<td>0.25</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>84.96</td>
</tr>
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</table>

† Shareholding data as on April 28, 2006.
<table>
<thead>
<tr>
<th>Particulars</th>
<th>UNITS</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Base</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Customer Base</td>
<td>000's.</td>
<td>3,443</td>
<td>7,141</td>
<td>11,842</td>
<td>20,926</td>
</tr>
<tr>
<td>Mobile Services</td>
<td>000's.</td>
<td>3,071</td>
<td>6,504</td>
<td>10,984</td>
<td>19,579</td>
</tr>
<tr>
<td>Broadband &amp; Telephone Services</td>
<td>000's.</td>
<td>372</td>
<td>637</td>
<td>857</td>
<td>1,347</td>
</tr>
<tr>
<td>Based on Statement of Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>Rs. Mn.</td>
<td>30,554</td>
<td>50,369</td>
<td>81,558</td>
<td>117,255</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Rs. Mn.</td>
<td>7,634</td>
<td>17,055</td>
<td>30,658</td>
<td>42,250</td>
</tr>
<tr>
<td>Cash profit from operations</td>
<td>Rs. Mn.</td>
<td>4,904</td>
<td>14,363</td>
<td>28,219</td>
<td>40,006</td>
</tr>
<tr>
<td>Profit / (Loss) before tax</td>
<td>Rs. Mn.</td>
<td>(1,762)</td>
<td>5,527</td>
<td>15,832</td>
<td>23,455</td>
</tr>
<tr>
<td>Net Profit / (Loss)</td>
<td>Rs. Mn.</td>
<td>(2,051)</td>
<td>5,837</td>
<td>12,116</td>
<td>20,279</td>
</tr>
<tr>
<td>Based on Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholder's Equity</td>
<td>Rs. Mn.</td>
<td>48,262</td>
<td>49,146</td>
<td>53,200</td>
<td>73,624</td>
</tr>
<tr>
<td>Net Debt</td>
<td>Rs. Mn.</td>
<td>32,395</td>
<td>42,292</td>
<td>41,171</td>
<td>41,738</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>Rs. Mn.</td>
<td>80,657</td>
<td>91,438</td>
<td>94,371</td>
<td>115,362</td>
</tr>
<tr>
<td>Key Ratios</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>%</td>
<td>25.0%</td>
<td>33.9%</td>
<td>37.6%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>%</td>
<td>-6.7%</td>
<td>11.6%</td>
<td>14.9%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Return on Stockholders Equity</td>
<td>%</td>
<td>-4.2%</td>
<td>12.0%</td>
<td>23.7%</td>
<td>32.0%</td>
</tr>
<tr>
<td>Return on Capital employed</td>
<td>%</td>
<td>0.9%</td>
<td>9.9%</td>
<td>15.7%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Net Debt to EBITDA</td>
<td>Times</td>
<td>4.24</td>
<td>2.48</td>
<td>1.34</td>
<td>0.99</td>
</tr>
<tr>
<td>Interest coverage ratio</td>
<td>Times</td>
<td>2.44</td>
<td>5.24</td>
<td>9.65</td>
<td>17.71</td>
</tr>
<tr>
<td>Book value Per Equity Share</td>
<td>Rs.</td>
<td>26.04</td>
<td>26.52</td>
<td>28.70</td>
<td>38.87</td>
</tr>
<tr>
<td>Net Debt to Stockholder's Equity</td>
<td>Times</td>
<td>0.67</td>
<td>0.86</td>
<td>0.77</td>
<td>0.57</td>
</tr>
<tr>
<td>Earnings per share (Basic)</td>
<td>Rs.</td>
<td>(1.11)</td>
<td>3.15</td>
<td>6.53</td>
<td>10.78</td>
</tr>
</tbody>
</table>
Board of directors

- Sunil Bharti Mittal
- Rakesh Bharti Mittal
- Rajan Bharti Mittal
- Bashir Currimjee
- Akhil Gupta
- Chua Sock Koong

- Gavin John Darby
- York Chye Chang
- Pulak Chandan Prasad
Board of directors

Sunil Bharti Mittal
Chairman and Managing Director

Sunil Bharti Mittal is the Founder, Chairman and Managing Director of Bharti Airtel.

Sunil is a path-breaking pioneer in the mobile communications industry and is credited with the phenomenal growth of the telecom sector in India in the last ten years. A first generation entrepreneur, he started his first business in 1976 with a capital investment of Rs. 20,000. He initially founded a number of trading concerns, and established the first company to manufacture push button telephones in India. Bharti TeleTech is today one of the largest manufacturers of telephones in the world.

Apart from his role at Bharti, Sunil is also a member of the Prime Minister's Council on Trade and Industry. He is the Vice President of Confederation of Indian Industry (CII) and serves on several boards including the International Advisory Board of the Center for the Advanced Study of India (CASi), University of Pennsylvania; Global GSM Association, Indo-British Partnership (IBP), Singapore-India Partnership Foundation and the Indian Institute of Management, Lucknow, and the Indian Institute of Technology, Mumbai.

He has received numerous industry awards, including Best Asian Telecom CEO - TelecomAsia 2005; Entrepreneur of the Year - Ernst & Young 2004; India's Best People CEO - Hewitt Associates 2004; Business Leader of the Year - Economic Times 2005; IT Man of the Year Award - Dataquest 2002; and "Stars of Asia" Award - Business Week in 2001.

He is an Honorary Consul General of the Republic of Seychelles in New Delhi, India and a Trustee of Bharti Foundation.

Sunil is a graduate from Punjab University and an alumnus of Harvard Business School.

Rajan Bharti Mittal
Joint Managing Director

Rajan Bharti Mittal is Joint Managing Director of Bharti Airtel. He is actively involved in overseeing the marketing, communications and brand management activities of the Company. Rajan was instrumental in establishing Airtel as one of India's most recognized and valued brands and in creating and cascading the new brand essence for the Company in the framework of "One Airtel".

Rajan is associated with several industry organizations in capacities such as Chairman of PICCI - Telecom Committee, Member of the Council of Management of All India Management Association and Member of the Executive Committee of International Chambers of Commerce India Chapter. He was President of the Association of Basic Telecom Operators during the period 1999-2000.

He is a Trustee of Bharti Foundation.

Rajan is a graduate from Punjab University. He is currently pursuing an "Owner President Management Program" at Harvard Business School.

Akhil Gupta
Joint Managing Director

Akhil Gupta is Joint Managing Director and CFO of Bharti Airtel and a member of the Audit Committee of the Board. He has over twenty years of experience in the industry.

Akhil has been closely involved from the very beginning in the growth of Bharti in the telecommunication services sector both organically and by way of various acquisitions. He has spearheaded the formation of numerous partnerships for Bharti with leading international operators like Singapore Telecom and most recently Vodafone, in addition to induction of financial investors like Warburg Pincus, Asia Infrastructure Fund and New York Life.

Akhil oversees a range of strategic, financial, M&A and business performance issues of the Company. He was the architect behind the Company's path-breaking outsourcing deals with IBM for IT, with Ericsson and Nokia for managed network services and with Nortel, Hinduja TMT, IBM-Deksh, Mphasis and Teletech Services for the enhancement of quality of customer services.

He is a member of the Advisory Board of Confederation of Indian Industry (CII).

Akhil is a Chartered Accountant. He attended the Advanced Management Program at Harvard Business School.
Ajay Lal

Ajay Lal was appointed independent director and member of the Audit Committee in March 2006. Ajay has over two decades of experience in private equity, project finance and corporate banking. He is currently Senior Partner and Managing Director of AlF Capital, a Venture Capital Fund, prior to which he worked with AlF Investment Corporation and Bank of America.

Ajay is a director on many Boards across Asia, in which capacity he provides strategic direction and management guidance, as well as support in the area of corporate governance.

Ajay is an Engineer from IIT New Delhi and an MBA from IIM Kolkata.

Arun Bharat Ram

Arun Bharat Ram has been an independent director of Bharti Airtel and a member of the audit committee since March 2006. He hails from a leading family of industrialists, known for their philanthropy and promotion of art and culture and commenced his career with DCM Ltd. He is the founder, Chairman and Managing Director of SRF Limited, which has plants in and outside India, manufacturing nylon tyre cords, engineering plastics, industrial fabrics as well as fluorine based intermediates and advanced intermediates for the pharma industry, with market leadership in all its major businesses. He has strongly supported initiatives in corporate governance, quality and professionalism in management.

Arun was the President of Confederation of Indian Industry (CII) and is currently Chairman CII Family Business Council. He is the Co-Chairman of Indo German consultative group. He was appointed on various government and industry committees and is also a Board member of many companies. He takes a keen interest in promoting education and serves on the governing Board of Doon School, Dehradun and Lady Shri Ram College in Delhi.

He graduated in Industrial Engineering from the University of Michigan, USA and holds a diploma from the Technical University of Darmstadt, Germany.

Bashir Abdulla Currimjee

Bashir Abdulla Currimjee has been an independent director since February 2001. He was recently appointed as the lead director among the independent directors. He is also a member of the Audit Committee. Bashir is a leading industrialist and the Chairman of the Currimjee Group, which was established in 1890 and today having diverse business interests in manufacturing, trading, energy, financial services and travel in Mauritius.

He was a director of the Central Bank of Mauritius for 15 years and the Chairman of the Mauritius Chamber of Commerce and Industry, Association of Mauritian Manufactourers and also the Joint Economic Council.

Bashir is an Arts graduate (major in Economics and Government) of Tufts University, USA. He has also followed the Executive Course on QPM (Owner/President Management Programme) at the Harvard Business School.

Chua Sock Koong

Chua Sock Koong is a nominee of SingTel and was appointed as non-executive director of Bharti Airtel in May 2001. She has also been a member of the Audit Committee of the Board since July 2001.

Sock Koong joined SingTel in June 1989 as Treasurer and is currently the CEO International & Group CFO of SingTel. Sock Koong is responsible for the Group's financial functions, legal and regulatory affairs, investor relations and corporate communications. Besides this, she provides strategic guidance and business advice for the group and leads the international portfolio that includes strategic investments and acquisitions.

Sock Koong holds an honours degree in accountancy from the University of Singapore and is a Certified Public Accountant and a Chartered Financial Analyst.

Donald Cameron

Donald Cameron was appointed as an independent director to the Board in September 2001 and became a member of the HR Committee and ESOP Compensation Committee in December 2001. He was elected Chairman of the HR Committee in April 2005.

Don was a director of Airtel Mobile in Spain and SFR Mobile in France and is currently a director of LG Telecom in Korea. He was involved in establishing and growing mobile operations in the USA, Europe and Asia for BT. Prior to this he worked in telecommunications manufacturing with Plessey Plc, UK Government (The National Economic Development Office) and the oil industry with British Petroleum.

He is a Chemical Engineer and has a masters degree in Economics and Administration in the petroleum industry from Loughborough University.
Gavin Darby

Gavin Darby has, as a nominee of Vodafone, been a non-executive director and member of the Audit Committee since January 2006. He joined the Vodafone group in February 2001 as Chief Operating Officer, UK and is currently Chief Executive Officer for the Group's operations in America, Africa, China and India. Gavin started his career in marketing and worked with Coca Cola in various senior positions, including Senior Vice President in charge of Central Europe operations.

Gavin holds a BSc (Hons) in Management Sciences from the University of Manchester Institute of Science and Technology.

Kurt Hellstrom

Kurt Hellstrom joined the Board and the HR and ESOP Committees as an independent director in 2004. He has over thirty-four years of international management experience and retired as Chief Executive Officer of Ericsson. He is on the Boards of various other companies including Atlas Copco, Kineto Wireless and Far East Tone Telecommunications. He also serves as a member of the Swedish Trade Council.

Kurt is a graduate from the Royal Institute of Technology in Stockholm with a masters degree in Electronics and holds an MBA from the Stockholm School of Economics.

N. Kumar

N. Kumar has been an independent director and member of the Audit Committee since 2001. He was elected Chairman of the Audit Committee in August 2003. A well-known industrialist, he is the Vice-Chairman of the Sanmar Group that has interests in chemicals and specialty chemicals, engineering, life insurance, shipping and software. Kumar is an active spokesperson of industry and trade and was the President of CII and other industry associations.

Kumar is the Honorary Consul General for Greece in Chennai, Tamil Nadu and the Business Representative of the International Enterprise, Singapore.

Kumar is an Electronics and Communications Engineer from Anna University, Chennai.

Paul Donovan

Paul Donovan, a nominee of Vodafone, was appointed non-executive director to the Board and member of the HR and ESOP Compensation Committees in April 2006. He joined Vodafone in 1999 and has held senior positions in various international operations of the group. He is currently the Chief Executive Officer for Eastern Europe, Middle East, Asia Pacific and the Affiliates Group of Vodafone. Paul has over fifteen years experience in the telecommunications and IT industries through his work in senior roles at BT, One2One and Optus Communications. Prior to that, he held marketing positions at the Mars Group, Coca Cola and Schweppes Beverages.

Paul has a BA (Hons) in Scandinavian Studies from University College London and an MBA from the University of Bradford, UK.

Paul O'Sullivan

Paul O'Sullivan is a nominee of SingTel and has been a non-executive director of Bharti Airtel since April 2004. He is also a member of the HR and ESOP Compensation Committees. He is the Chief Executive Officer of SingTel Optus Ltd., Australia's second largest telecom company. Paul is also a member of the SingTel Group Management Committee with significant group-wide responsibilities. Prior to joining Optus, he held various international management positions in the Royal Dutch Shell Group in Canada, the Middle East, Australia and the United Kingdom.

Paul is a graduate in Economics from Trinity College, Dublin and has attended the Harvard Business School's Advanced Management Program.

Pulak Chandan Prasad

Pulak Chandan Prasad is an independent director and member of the Audit Committee. He initially joined the Board as a nominee of Warburg Pincus in November 2001.

Pulak is the Managing Director and co-head of Warburg Pincus' India office that oversees their operations in India, South and South-East Asia. Prior to joining Warburg Pincus, Pulak was a management consultant with McKinsey & Co in India, USA and South Africa.

Pulak is a graduate of IIT, Delhi and holds an MBA from IIM, Ahmedabad.

Rakesh Bharti Mittal

Rakesh Bharti Mittal is a promoter director of Bharti Airtel. He has been the Chairman of the ESOP Compensation Committee since July 2001 and a member of the HR Committee since March 2002. He is
the Vice Chairman and Managing Director of Bharti TeleTech, which is one of the world's largest producers of fixed line phones.

Rakesh has contributed immensely to the industrial, educational, social development and welfare sectors of the country. He has been a member of many trade associations and expert group committees of CI. He has also been actively involved in philanthropy and education. He is a member of the Advisory Board of Bharti School of Telecommunication, Technology & Management, set up in association with IIT Delhi and other renowned institutes. He is a Trustee of Bharti Foundation, dedicated to the promotion of education and child welfare and devotes time to manage the activities of several charitable institutions in India.

Rakesh is an Electronics Engineer from the YMCA Institute of Engineering.

Syeda Bilgrami Imam

Syeda Bilgrami Imam has been an independent director of Bharti Airtel and a member of the Audit Committee since January 2006. During her 40 years career in communications, she worked with well-known agencies in advertising and helped to establish household brand names in India. As Creative Director of JWT Central Asia she was responsible for the agency's operations in Nepal, Sri Lanka, Pakistan and Bangladesh. She is also known for her work in public service advertising and her creative work has won many national and international advertising awards including at Cannes and New York. She won the Super Achiever Award from the Institute of Change Management, Pune.

Syeda has conceptualized and written books and is a theatre and literary critic. She has represented India at global forums on creativity and at the Muslim World conference at Doha.

She is a Board member of All India Management Institute and well-known schools in Dehradun and Delhi.

Syeda is a graduate and fellow of English literature from Elphinstone College, Mumbai University.

V.S. Raju

V.S. Raju has been an independent director and a member of the HR and ESOP Compensation Committees since 2004. He was a director of the Indian Institute of Technology, Delhi and Professor and Dean at the Indian Institute of Technology, Madras. During his 40 years academic career, he interacted extensively with industry as a consultant and at policy level, promoting industry-academia collaborations. For three years he was a part time member of Telecom Regulatory Authority of India (TRAI) and has extensive exposure to issues related to telecom. At present he is Chairman of the Naval Research Board - Defense Research and Development Organization - Government of India and a member of various other committees and task forces concerned with technical education and research. He spends a considerable amount of his time as Lead Partner in Byrraju Foundation, dedicated to rural transformation in Andhra Pradesh.

V.S. Raju is an engineer with a masters degrees from the Indian Institute of Science and holds a doctorate from the University of Karlsruhe, Germany.

York Chye Chang

York Chye Chang is a nominee of Singapore Telecommunications (SingTel), a non-executive director of Bharti Airtel since March 2006. He joined SingTel in November 2005 as Executive Vice President of Corporate Business, which provides cost effective telecom services and customized end-to-end solutions to corporate customers.

Bill has more than 15 years management experience in leading ICT companies and is actively involved in industry task forces and advisory work. Prior to joining SingTel, he was the Managing Director of Cisco Systems Advanced Services in Asia Pacific.

Bill has been a member with various institutions like the Government's Economic Review Committee and is currently the Deputy Chairman of WDA Lifelong Learning Endowment Fund, besides being a Board member of the Workforce Development Agency and the Singapore Polytechnic.

Bill graduated with a Bachelor of Engineering (Honors) degree in Electrical and Computer Systems Engineering from Monash University, Australia.
Senior management

Sunil Bharti Mittal
Chairman and Managing Director

Sunil Bharti Mittal is the Founder, Chairman and Managing Director of Bharti Airtel.

Sunil is a path-breaking pioneer in the mobile communications industry and is credited with the phenomenal growth of the telecom sector in India in the last ten years. A first generation entrepreneur, he started his first business in 1976 with a capital investment of Rs. 20,000. He initially founded a number of trading concerns and established the first Company to manufacture push button telephones in India. Bharti TeleTech is today one of the largest manufacturers of telephones in the world.

Apart from his role at Bharti, Sunil is also a member of the Prime Minister’s Council on Trade and Industry. He is the Vice President of Confederation of Indian Industry (CII) and serves on several boards including the International Advisory Board of the Center for the Advanced Study of India (CASi), University of Pennsylvania; Global GSM Association, Indo-British Partnership (IBP), Singapore-India Partnership Foundation, the Indian Institute of Management, Lucknow and the Indian Institute of Technology, Mumbai.

He has received numerous industry awards, including Best Asian Telecom CEO - Telecom Asia 2005; Entrepreneur of the Year - Ernst & Young 2004; India’s Best People CEO - Hewitt Associates 2004; Business Leader of the Year - Economic Times 2005; IT Man of the Year Award Datalquest 2002; and “Stars of Asia” Award - Business Week in 2001.

He is an Honorary Consul General of the Republic of Seychelles in New Delhi, India and a Trustee of Bharti Foundation.

Sunil is a graduate from Punjab University and an alumnus of Harvard Business School, USA.

Rajan Bharti Mittal
Joint Managing Director

Rajan Bharti Mittal is Joint Managing Director of Bharti Airtel. He is actively involved in overseeing the marketing, communications and brand management activities of the Company. Rajan was instrumental in establishing Airtel as one of India’s most recognized and valued brands and in creating and cascading the new brand essence for the Company in the framework of “One Airtel”.

Rajan is associated with several industry organizations in capacities such as Chairman of FICCI - Telecom Committee, Member of the Council of Management of All India Management Association and Member of the Executive Committee of International Chambers of Commerce India Chapter. He was President of the Association of Basic Telecom Operators during the period 1999-2000.

He is a Trustee of Bharti Foundation.

Rajan is a graduate from Punjab University. He is currently pursuing an “Owner President Management Program” at Harvard Business School.

Akhil Gupta
Joint Managing Director

Akhil Gupta is Joint Managing Director and CFO of Bharti Airtel and a member of the Audit Committee of the Board. He has over twenty years of experience in the industry.

Akhil has been closely involved from the very beginning in the growth of Bharti in the telecommunication services sector, both organically and by way of various acquisitions. He has spearheaded the formation of numerous partnerships for Bharti with leading international operators like BT, Singapore Telecom and most recently Vodafone, in addition to induction of financial investors like Warburg Pincus, Asia Infrastructure Fund and New York Life.

Akhil oversees a range of strategic, financial, M&A and business performance issues of the Company. He was the architect behind the Company’s path-breaking outsourcing deals with IBM for IT, with Ericsson and
Nokia for managed network services and with Nortel, Hinduja TMT, IBM-Daksh, Mphasis and Teltech Services for the enhancement of quality of customer services.

He is a member of the Advisory Board of Confederation of Indian Industry (CII).

Akhil is a Chartered Accountant. He attended the Advanced Management Program at Harvard Business School, USA.

Anil Nayar
Corporate Director, Chairman’s Office

As Corporate Director in the Chairman’s office, Anil is responsible for strategic and organizational transformation of the Bharti Group. He joined Bharti in 1996 as CEO of the Delhi circle and was appointed President of the mobile business unit in 2000.

Anil started his career with The Indian Iron & Steel Company where he worked in different capacities in production, maintenance and planning. Prior to joining Bharti he worked with the Sanmar group.

Anil has been associated with the telecom industry from 1986 and with the GSM world since 1996. He was Chairman of COAI and member of the Executive Management Committee of the Global GSM Association.

He is a member of the Governing Board of Bharti Foundation.

Anil is a graduate in Engineering and an MBA from IIM, Bangalore.

Manoj Kohli
President

Manoj was appointed President of Bharti Airtel in March 2006, heading the integrated business units of Mobile Services, Broadband & Telephone Services and Enterprise Services.

Manoj started his career in 1979 with DCM Ltd. He led the HR function initially, followed by leadership positions in the Foods, Chemicals & Fertilizer businesses followed by assignments in Engineering projects including Shriram Honda. He left as Vice President, responsible for the Airconditioning & Refrigeration business. He subsequently worked at AlliedSignal, as Executive Director in charge of its new Industrial Park and operations in India.

Prior to joining Bharti as head of the mobile services business unit in 2002, Manoj was Executive Director and CEO of Escotel for 5 years.

Manoj was the Chairman of Cellular Operators Association of India (COAI) in 2001-02 and is currently a member of the Academic Council of the Faculty of Management Studies, New Delhi. He has been awarded the Best Alumni Award by SRCC, University of Delhi and was adjudged Telecom Man of the Year Techies Award for 2000 by Transasia.

Manoj holds degrees in Commerce and Law and an MBA from Delhi University. He has attended the Executive Business Program at Michigan Business School and the Advanced Management Program at Wharton, USA.

Badri Agarwal
Corporate Director

Badri Agarwal joined the Bharti Group in September 1999. In his first assignment, he helped complete the acquisition and subsequently led the turnaround of the operations of a cellular company in Andhra Pradesh and Karnataka. In the year 2000 he was appointed President of the group's non-mobile telecom division which included basic services, data and broadband services, international long distance and national long distance services.

Badri's career spans over 36 years, across various functions and companies. Prior to joining Bharti, he worked for over 20 years with the Eicher group of companies (auto and engineering) in various capacities, including Managing Director of the group's holding company.

In March 2006, Badri resigned from his position as President of the division to pursue his personal interests in philanthropy as President of Bharti Foundation to drive the Bharti group's activities in the area of Corporate Social Responsibility. He is also Corporate Director in Bharti Enterprises Ltd.

Badri has a Chartered Accountant by education.
K. Krishnan  
*Joint President-Broadband & Telephone Services*

Krishnan was appointed Joint President-Broadband & Telephone Services in March 2006. He is a member of the Bharti Airtel Management Board.

Prior to joining Bharti Airtel about 5 years ago, Krishnan worked for the RPG Group in various capacities for 10 years including as the CEO of their cellular business and as the Managing Director of their Entertainment business.

He started his career with A.F. Ferguson & Co. as a consultant and later moved on to work in Coramandel Fertilizers in various capacities before joining the RPG Group.

Krishnan is a qualified Chartered Accountant and cost Accountant by profession.

Vijaya Sampath  
*General Counsel and Company Secretary*

Vijaya is the General Counsel and Company Secretary of the Bharti group.

She has been in the legal profession for over twenty years, initially as in-house Counsel and Company Secretary in Indian Aluminium Company Ltd, the Indian subsidiary of a Fortune 100 company and later as an executive director on its Board. Prior to joining Bharti Vijaya was a senior partner in the law firm J. Sagar Associates.

Vijaya is a member of the Diversity Committee of Bharti Airtel. She is also the Co-Chairman of the Expert Committee on company law and corporate affairs at Assocham.

Vijaya holds degrees in Literature and Law and is also a fellow member qualified Company Secretary. She has attended the Advanced Management Program at Harvard Business School and the Strategic Alliances Program at Wharton, USA.

Sanjiv S. Dhillon  
*Director-Finance and Business Integration*

Sanjiv is responsible for the overall finance organization of Bharti Airtel as well as the integration of all system behind ‘One Airtel’. He has over 18 years of general and financial management experience in multinational and national corporations in various countries, of which nearly 8 years in different management positions at Bharti.

Prior to joining Bharti, he worked with Pitney Bowes Corp, USA and with BT (UK) in operational roles in the areas of value added services, internet, data networks and mobile services.

Sanjiv is a BA (Hons) graduate in Accounting and Finance (Middlesex University, UK) and a qualified Chartered Management Accountant (Chartered Institute of Management Accounts, UK). He also holds an MBA from the University of Birmingham (UK), where he specialized in Human Resource Management and Advanced Marketing. Sanjiv is a lifetime member of the Stanford University alumni, having completed the SEP (Stanford Executive Program, USA) in 2004 at the Stanford Graduate School of Business.

S. Asokan  
*Director-Supply Chain*

Asokan was appointed as Director-Supply Chain in June 2006. He is a member of the Bharti Airtel Management Board.

His career spans 26 years across a variety of functions in Materials, Vendor Development, Sales, Marketing and IT in the Automotive and Engineering industries. Having started his career at Bharat Heavy Electricals as a graduate engineer trainee, he moved to the Eicher group of companies where he was heading the Materials function and also took an active role in IT enabled business process re-engineering and ERP implementation.

Prior to joining Bharti, Asokan was at Tata AutoComp Systems, driving auto component exports from India to the US and Europe and was also responsible for their Engineering Services businesses. As member of the Board of some of the Tata Group companies, he played a key role in improving operational efficiency while enhancing governance.

Asokan is an Honours graduate in Mechanical Engineering from Madurai University and a member of Cost and Works Accountants of India. He also attended leadership training programs from Ross School of Business Management, Michigan University.
Harish Dua  
Chief of Compliance & Internal Audit

Harish joined Bharti as Chief of Compliance & Internal Audit in 2004.

He has over 24 years of experience in various positions in finance and audit. Before joining Bharti, Harish worked with Pepsi Foods India Ltd., initially as VP Planning and later as head of the finance function of the non-coke division. Prior to this, he worked with Pitney Bowes, Inc. in the USA for 5 years as Director, International Finance and Manager, Internal Audit. He also spent 5 years in the audit group at Coopers & Lybrand (now PwC) in the USA.

Currently, Harish is also serving as the President of the Delhi Chapter of the Institute of Internal Auditors, USA and serves on the Board of Governors of their National Body.

Harish is a Chartered Accountant from England and Wales. He also holds a Certified Public Accountant qualification from the USA and an MBA from the University of Connecticut.

Tina Uneken  
Corporate Director - Alliance & Ombudsman

As Corporate Director-Alliance Tina has been the relationship interface for SingTel since 2001.

Tina has 28 years of experience, during which she has held operational and management positions in sales, marketing, customer service, logistics and project implementation. She also has extensive experience in the areas of M&A and alliance management. She has worked in the telecom industry for 15 years - 10 years with BT and since 2001 with SingTel. Employers from her pre-telecom days include Rockwell International and General Electric Plastics Ltd.

In addition to her role as Corporate Director Alliance, Tina is also the Corporate Ombudsman, Chairperson of the Committee for prevention of sexual harassment and a member of the Diversity Committee of the Company.

A Dutch national by birth, she has worked and lived in the UK, Germany, Sweden, Japan, and for the last 7 years in India. Her work also took her for considerable amounts of time to the USA and Korea.

Tina has a Law degree from the University of Leiden, The Netherlands.

Ashok Juneja  
Corporate Director - Network Technology & Projects

Ashok is the Corporate Director and CTO of the Company, driving new initiatives, such as Bharti's 3G roll-out, mobile commerce strategies and cost effectiveness arriving out of energy savings and green technology.

Ashok has been with Bharti since 1998 in various positions, among which CEO of Bharti Broadband Ltd., precursor to the current Enterprise Services business unit.

For the first 12 years of his career, Ashok worked in sales and marketing in various companies, such as HCL and UB Group. Prior to joining Bharti he was the CEO of Hutchinson Max in Mumbai. He was also involved in the VSAI and paging industries.

Ashok represents Bharti Airtel Ltd. on the Executive Management Committee of the Global GSM Association and is the Chairman of the Technology Committee of Cellular Operators Association of India (COAI).

Ashok is an Electronics Engineer from IIT, Kanpur and an MBA from IIM, Kolkata.

Dr. Jai Menon  
Director - IT & Innovation

Jai Menon was appointed Director-IT & Innovation in April 2006. He joined the Company in August 2002 as Corporate Director-IT & Technology and was involved in launching the Company's Enterprise business unit as its Joint President. He has developed and implemented technology and business constructs specifically designed for the Company's IT requirements and is also responsible for Bharti Airtel's Content Factory, for development, trials, reliability and management of new product development and data platforms. He is also a member of the Bharti Airtel Management Board, Bharti Airtel Technology Council and Bharti Airtel Innovation Council.

Before joining Bharti, Jai was the Corporate Officer and Executive Vice President at BellSouth, USA where he managed a portfolio of growth businesses and strategic alliances and was the CTO for IT. Jai started his career with IBM in the USA and was the Executive Director in IBM's software group.

Jai serves on advisory boards of several technology companies and has recently been elected to the IBM Board of Advisors. He is a member of IEEE, ASME, ACM, Phi Kappa Phi and the NASSCOM national IT panel.
Jai holds a B.Tech. from IIT, Delhi and a masters and PhD from Cornell University, USA. He has also completed various executive management programs, including Wharton and Sloan Schools of Business, USA.

Hemant Sachdev  
Director - Marketing & Communication

As Director - Marketing & Communication for Bharti Airtel, Hemant is responsible for all sales, marketing and communications activities. He is a member of the Bharti Airtel Management Board.

Hemant has over 19 years of experience in strategic marketing, retail, business operations and advertising. He also manages all facets of marketing including brand building and strategy, with emphasis on revenue leadership, market growth, innovation and distribution leadership.

Prior to joining Bharti, Hemant worked for McCann Ericsson, Foote Cone & Belding. He also had a short entrepreneurial stint with a UK based company in the retail industry.

Some of the significant recognitions in his career include Marketing Professional of the Year-2002, Chairman of the India Brand Summit (2003), India’s Achievers and Leadership Award for Excellence in Brand Management (2004). Hemant has also featured as India’s Best Brand Builders.

Hemant is a graduate in Business Commerce from Delhi University and has attended various management programs, such as the LAP at CCL, USA.

Daljit Singh  
Corporate Director-HR

Daljit joined the Company in 2005 as Corporate Director-Human Resources, in which position he is responsible for strategic organizational change management and enhancing the employee experience. He also leads various leadership development and talent management programs for the organization.

Daljit has a diverse work experience of more than 31 years. Prior to joining Bharti, he worked with American Express as Vice President HR for Japan, Asia Pacific, Australia and New Zealand, based in Singapore.

During his time with Amex he was involved in core strategic interventions like setting up of their outsourcing business in India, restructuring the HR function in the region and leading a significant and complex cultural and organizational change program.

He also worked with the HCL Group as Head of HR and Administration and Advisor to the Group Chairman.

Earlier employers include Nestle, Pfizer, Voltas and Indian Oil.

Daljit holds a degree in Law, a masters degree in Science and an MBA in Personnel Management and Industrial Relations from Punjab University.

Norman Donald Price IV  
Director-Networks

Don was appointed to the position of Director-Networks in April 2006. He is a member of the Bharti Airtel Management Board and the Bharti Airtel Technology Council.

Don started his career in the US Navy, where he studied and later taught reactor physics, specializing in nuclear propulsion and communications.

He subsequently joined McCaw Communications Group in the US. During his 17 years with McCaw Communications, Don spent considerable amounts of time with various telecom operators in Asia. At SmarTone in Hong Kong Don led the roll-out of the first Asian GSM and DCS1800 networks and in the Shanghai-McCaw Venture Don supported the GSM roll-out in Shanghai. His work at McCaw also led him to Indonesia and provided him the opportunity to deploy Asia’s first IDEN network in Manila, Philippines.

Don has more than 25 years of experience in the telecom industry, of which 4 years are with Bharti.

Sanjay Kapoor  
Joint President-Mobility Services

Sanjay Kapoor was appointed Joint President of Bharti Airtel Mobiles Services in April 2006. He is a member of the Bharti Airtel Management Board.

Sanjay joined Bharti in 1998, as COO for Bharti Airtel’s Mobile Services operation in Delhi. He subsequently managed the roll-out of the Company’s mobile operations in Western India. As Group Director Corporate Strategy & Planning Sanjay created the
John Thompson  
Corporation Director - Alliance

John joined the company in February 2006 as Corporate Director - Alliance, the relationship interface for Vodafone. In addition, John is advisor on new technologies and 3G to the Director Networks and the Bharti Airtel and Mobility CTOs. John is a member of the Bharti Airtel Technology Council.

John has over 22 years of international experience in the mobile communications sector during which he lived and worked in the UK, Portugal, Japan, Germany and India, where he held the position of CTO at RPG Celcom in Madhya Pradesh between 1995 and 1997.

Prior to joining Bharti, John spent 6 years in Japan, initially as CEO of one of the regional operators but following consolidation he was appointed CTO for Vodafone Japan in 2001. In this position he was responsible for the launch of the company’s 3G network in 2002, which involved rolling out 20,000 3G base stations and development of the first commercial 3G handsets.

He graduated in Electronics in 1984 from Birmingham University, UK.

Viresh Dayal  
Corporate Director - Business Development

Viresh is responsible for business development in Bharti Airtel, including evaluation of emerging investment opportunities.

He has been associated with the telecom industry for over 27 years, during which period he has worked with Bharti in different positions across the entire spectrum of mobile, fixed, broadband, long distance and submarine cable networks. His main focus has been on the area of new projects and Capex.

Viresh is an Engineering graduate from IIT Chennai and an MBA from IIM, Ahmedabad.

Vinod Sawhny  
Joint President - Enterprise Services

Vinod was appointed Joint President - Enterprise Services in March 2006. He is a member of the Bharti Airtel Management Board.

Since joining in 2002, Vinod has held senior operational and management positions in Bharti, initially as CEO for Punjab, Haryana and Himachal Pradesh and later as Director and CEO of the Northern region, which included launching the Jammu & Kashmir operation and acquiring and managing the Rajasthan circle. In 2005 he was appointed as Executive Director to lead the Western region of Bharti Airtel Mobile Services.

Prior to joining Bharti, Vinod was Managing Director of Spice Telecom in Punjab. Other employers include Indian Aluminium, Godrej & Boyce Mfg. Co. Ltd. and GE Appliances Ltd.

Vinod is a Mechanical Engineer from Birla Institute of Technology & Science (BITS), Pilani and an MBA from XLRI, Jamshedpur. He is also an alumnus of the prestigious GE Corporate Management Development Crotonville, USA.
An enduring passion

Ever since its inception, Bharti Airtel has been driving change and innovation, within the Company and the industry at large. This would not have been possible without a passion for innovation. In our quest for customer delight, we continuously seek opportunities to think ahead, to consider alternatives to the old ways of working and above all, to try and anticipate what will make a genuine difference to our customers.

Consistently delightful customer service

Airtel Mobile Services has over 20 million customers and is adding more than a million customers every month. We have over 70 million voice contacts with our customers and some 5 million non-voice contacts. Managing such large volumes is challenging and requires expertise and best-in-class practices. We have therefore partnered with 4 world-class BPOs, who are able to scale up in complete harmony with our growth and provide a consistent, high-quality customer experience. We have also introduced a number of service products that provide our customers freedom and choice in the management of their account with us, such as:

Single Call Center Number

In keeping with our ‘One India’ philosophy, we introduced a single call center number. Customers anywhere in the country can dial the same number at anytime of the day or night to access our customer service executives, who can view customer information from anywhere in the country. This enables our frontline staff to address customer queries on the spot.

Self Care and billing

To assist customers seeking information, we have introduced Self Care through SMS. With this feature, customers no longer need to go through the IVR for billing information.

Billing itself has undergone dramatic changes. Bharti Airtel has a single billing system across the country, which offers ‘anytime anywhere billing’ and payment of bills. We have also equipped our Easy Charge platform, which covers 162,000 outlets across India, for post-paid bill payment. Further to enhance the billing experience, we provide our customers a choice of many languages in which they can receive their bill.

Self Care gives our customers the freedom to manage their account and relationship with us. Bharti Airtel’s first integrated self-service portal offers convergent access for wireline and wireless services and has a host of innovative features, such as bill analysis, eBill,
on-line payment and ‘raise a service request’. We are the first GSM operator in India to provide on-line billing information through a single number and various modes of communication, i.e. SMS, Web and Contact Center.

Device manager

Approximately 1 million of our customers are currently using advanced Value Added Services (VAS) like GPRS, MMS, Blackberry and Airtel Web portal. In order for the customer to use these services, a complex configuration of the handset was required. Internally too, this process proved to be cumbersome since it required our customer service representatives to be completely up-to-date with the detailed workings of the myriad of new handsets arriving on the Indian market.

Reacting to the VOC (Voice of Customer) on this topic led to yet another of Bharti Airtel’s innovations: a handset/device management system. This detects the handset model, using the IMEI number and automatically customizes the configuration settings. Now all the customer service representative needs to do is to select the relevant settings and SMS the customer who can simply save the settings and start using the Value Added Services (VAS).

Changing the way we live, work and entertain

The year 2005-06 was a particularly rewarding year in terms of new service offerings for our customers. A small selection:

Redefining the way we buy music

With the launch of Airtel Easy Music we have become the world’s largest retailer of music. This pioneering service enables our mobile customers to buy any one of 18,000 songs in 20 languages from over 100,000 Bharti Airtel retail outlets across the country.

Mobile based entertainment

Bharti Airtel partnered with Indian television’s biggest program KBC-2. This partnership gave a unique opportunity to our customers to go directly into the program and win up-to Rs. 20 million.

Indian Idol, the extremely popular entertainment program was supported by a unique service from Bharti Airtel: auditions on mobile phone. This marks the beginning of a new era in mobile-based entertainment. Already, we have a large number of interactive applications to our name, such as the world’s first full-length movie on mobile phone and the opportunity to record a song in one’s own voice by simply dialing 646 anytime and from anywhere.

mChq, a mobile wallet

The ubiquitous mobile phone now turns into a virtual wallet a new innovation in mobile commerce. Bharti Airtel, ICICI Bank and Visa have joined hands to offer mChq, a credit card on the mobile phone. This is the
first mobile-to-mobile payment option, which enables our customers and ICICI Bank Visa cardholders to pay for their purchases with their Bharti Airtel mobile phones. This service eliminates the need for carrying cash for making purchases and also does away with the need of a Point of Sale (POS) terminal since the mobile phone serves as a secure POS and payment mechanism.
libraries and content producers. The service is delivered using ADSL2+ access technology.

Wireless broadband access (WiMax)

Bharti Airtel’s wireless broadband access service (WBA) caters to business/enterprise customers in 8 cities across India: Mumbai, Kolkata, Bangalore, Pune, Hyderabad, Ahmedabad, Trivandrum and Cochin. Using WBA, Bharti Airtel Enterprise customers can access our MPLS/VPN network quickly and with ease. This WBA service provides customers located in areas not yet covered by Bharti Airtel’s wireline network access to our MPLS/VPN services.

Airtel NetXpert

To empower customers to handle their internet connectivity issues themselves, a real-time automatic support system, NetXpert, has been deployed in our broadband services. NetXpert helps customers to identify and fix typical problems that may occur with the internet service without the intervention of a technician or customer care agent. A versatile first-of-its-kind-in-india tool, NetXpert also provides DSL customers with self-healing capability and enables remote fault management by Bharti Airtel customer care. Brought into India by Bharti Airtel exclusively for its customers, the NetXpert agent is the most advanced automated broadband care technology in the world.

BlackBerry®

Building on the success of our existing and unique to India suite of BlackBerry® services, we, in partnership with Research in Motion (RIM) - launched BlackBerry® business phones 7100g, 7290 and 8700g. These devices offer a wider portfolio of services to executives on the move. We also joined hands with Nokia for their high-end Communicator 9500 and Smart phone 9300 and with Sony Ericsson for their P910i handset, enabling also those customers who do not possess the BlackBerry® handheld models to enjoy the convenience of BlackBerry® connect services.

Innovation incubator

To ensure a steady stream of more such new technologies and services across all lines of business we have established the Bharti Airtel Content Factory. It will act as an incubator for new ideas and applications, building on strategic partnerships with technology providers and application developers from around the world. One of the first initiatives that the Content Factory is driving is the Service Delivery Platform (SDP), which will allow customers to experience content and applications that are personalized to their tastes and needs across the mobile, PC and TV devices. In addition, the SDP would fuel the creation of a Bharti Airtel application developer community through standard interfaces that will allow new services to simply plug into this platform and run seamlessly across the mobile and broadband networks.
HR in Bharti Airtel has undertaken a number of initiatives in people and organization capability development. The focus this year was to initiate a transformation of organization structure, HR policies, processes and systems, and leadership styles and mindsets that will serve as the foundation of a future ready organization.

Besides restructuring the organization to deliver a "One Airtel" vision and strategy, some of the key HR initiatives undertaken or initiated during the year include:

- Development of the 2010 Leadership Behavioral Competency-Framework and Leader profile - this demonstrates our resolve to target the future rather than react to the current scenario. Whilst the competency framework defines the behaviors expected of employees across all levels of the organization, the Leader profile enumerates the key dimensions and traits that a role model Bharti leader must exhibit. Together, these provide the

At Bharti Airtel, we are acutely aware that our success depends on our people. More than at any time in the past, Human Resources or HR, is today a catalyst for nurturing, developing, sustaining and spreading people excellence across the organization. The exceptional growth of our Company requires that we proactively enhance the quality and quantity of our leadership talent to realize our business vision and potential.
common frame of reference for developing end-to-end talent acquisition, assessment, development and retention strategies and processes of the organization.

- Launch of a Leadership Transformation Program - this top-down initiative, labeled Mission Global Star, is aimed at developing and institutionalizing the new age leadership behaviors aligned to our vision and competency framework. It will ensure the transition of our leadership team at different levels to manage an organization of a completely different size and scale in a new environment.

- Associates’ Insourcing - we have initiated insourcing of employees from business partner companies into our subsidiary, Bharat Comtel. We believe this will enable us to attract and retain talent in customer facing and impacting areas, thereby ensuring a delightful customer experience. In the days of outsourcing, this paradigm shift reinforces our belief in innovating to stay ahead.

- Development or upgrading of best-in-class technology enabled HR systems - the focus has been to initiate building of contemporary processes with technology enablement to facilitate uniformity, reliability, scalability and reach. During the year, key processes in areas like performance management, talent management, job evaluation and learning have been developed to ensure alignment with business objectives and to provide attractive learning and growth opportunities for our people.

- Development of progressive HR policies - in support of our desire to combine high performance with an appropriate work-life balance, such as policies for flexitime, secondment and sabbaticals.

- Enhancing organizational alignment by leveraging the Balanced Scorecard framework - to ensure that the employees understand the strategy and have their objectives aligned to the overall game plan, the Balanced Scorecard framework was piloted and leveraged across one of the businesses.

The coming years will focus on continuing the development, deployment and most importantly, the institutionalization of policies, processes, systems and behaviors that will help unleash our full potential.
Corporate Social Responsibility is a way of life at Bharti. Every employee and each department proactively seeks opportunities to incorporate CSR within their work related areas. Our values guide us to proactively look after the needs and interests of all our stakeholders, including those of the communities and environment in which we operate. We encourage our employees to take part in or personally drive Company-led CSR initiatives.

**Key Initiatives**

This year saw an important increase in CSR awareness and participation from employees in CSR initiatives, be they nationwide Bharti Foundation programs or localized Bharti Airtel-led projects.

**Customers**

Customer delight remains Bharti Airtel’s prime focus, which manifests itself in strong processes, policies and service innovations. Our Customer Privacy Policy, for example - which curtails the sending of promotional messages from Bharti Airtel - has nearly 2 million registered customers.

Based on feedback from customers, Bharti Airtel Mobile Services launched or re-enforced numerous innovative practices and processes in the course of the year. These include:

- our self-care portal, which helps our customers manage their account in various (non-voice) manners (e.g. internet, SMS and IVR),
- our anywhere-anytime national call-centre access number (121),
- instant customer feedback after every interaction to constantly improve our service standards, and
- invoices in the language of the customer’s choice to address specific customer needs.

Broadband & Telephone Services carried out an extensive Customer Contact Program, under which each employee, including members of senior management, personally connected with 5 customers every month. The feedback obtained from these customer interactions led to many improvements or adjustments to our processes and ultimately, to our service levels. Under this program, a total of 84,562 customer visits were made by 2,816 employees.

This customer-centric approach has led to Bharti Airtel being recognized as India’s most Customer Responsive Telecom Company, awarded in a first-ever benchmark exercise of its kind in India.

**Environment**

Throughout the years and especially in the year under review, the Company has undertaken many initiatives towards protecting the environment. Making the infrastructure as environment-friendly as possible is one of our key focus areas. In that context we strongly believe in the benefits of sharing technology infrastructure with other telecom operators. This will ensure that we can continue to serve our customers while causing minimum disturbance to the environment. At present, we share 4,782 sites out of a total of 19,700 mobile cell sites across the country, with other service providers.

Another key initiative has been the deployment of green-shelters at 5,000 sites. These green-shelters use Passive Cooling Material (PCM), a thermal salt, in the indoor cabinet of the Base Transceiver Station (BTS). Due to its inherent insulation properties, PCM provides cooling for 4 to 5 hours, during which period no electrical power or diesel generator power is required. This not only saves cost but also minimizes pollution.
Employees are encouraged to reduce wastage in the office. We recently implemented a Company-wide paper conservation project, which was preceded by detailed paper consumption audits and awareness campaigns. The project will continue to monitor actual consumption and look for innovative ways to stimulate paper-efficient office operations.

**Employees**

Respect for employees and care for their well-being are the fundamental principles underlying all our employee engagement initiatives. The annual employee satisfaction survey provides us with important inputs for designing programs that translate these principles into practice. One such unique initiative is “Empower”; it endeavours to help employees and their families deal with stress. Initiated in 2004-05, the initiative has displayed encouraging results, 90% of the employees covered by the initiative during 2005-06 have ‘strongly agreed’ that the counseling has been effective and helpful. As part of this initiative, an employee can access tele-counselling and also participate in personal counseling sessions. Empower is designed as a holistic approach to address stress that our employees encounter in their personal or professional lives.

Progressive employee-friendly policies have been introduced by the Company to ensure that Bharti Airtel remains an employer of choice for targeted talent segments. Some key policies are:

- **The Sabbatical Policy** - this provides our employees with a combination of the opportunity to enhance their education, reward for exceptional service and time off for personal exigencies;
- **The Flexible Time Policy** - this offers employees the opportunity to work in flexible work schedules, thereby enhancing their work-life balance;
- **The HIV/AIDS Policy** - this aims to create awareness about the issue and to prevent and counteract any incidence of workplace discrimination of people affected by HIV/AIDS.

**Society**

Bharti Airtel teams and individual employees across the country have shown great initiative in undertaking special community outreach programs. Our commitment to society at large is reflected in this snapshot of initiatives:

- We created a special TV commercial on mobile etiquettes, aiming to educate people on responsible use of mobile services, especially while driving and while in public gatherings;
- Bharti Airtel employee decided to support Kalakar School, which educates 350 children from the Kalakar community in the slums of Delhi, with a donation of woolens just before the Delhi winter set in. This generous act was performed in complete anonymity and with the participation of the employee’s entire family;
- Broadband & Telephone Services Delhi organized a “Road Safety Training” for its entire sales force to reinforce the importance of careful road behaviour;
- Mobile Services Rajasthan supported the “Red Ribbon Caravan” initiative of the Rajasthan State AIDS Control Society, to spread awareness about HIV/AIDS. During the month-long campaign a caravan of five vans covered 32 districts of Rajasthan;
- Mobile Services Madhya Pradesh & Chattisgarh supported the ‘WalkaThon’ to create awareness about diabetes on “World Diabetes Day”, organized by the Indian Medical Association;
- Mobile Services Jammu & Kashmir donated free medicines, stationery, clothes and other utility items at the 'Missionaries of Charity Home for Destitutes' in Jammu;

- Following the earthquake that hit the Kashmir region on October 8th, 2005, our team responded rapidly by bringing more than 2,000 food packets and water bottles to the affected area. While the 'Rapid Response Team' was distributing these items, employees in our Kashmir office were collecting money, clothes, woolens and blankets for the earthquake victims. Employees across the country joined the Company in personally contributing towards the PM Relief Fund.

Bharti Foundation has set for itself the goals of improving accessibility and quality of education at school level for underprivileged children and to provide education and training opportunities to youth.

An overview of its key programs is presented below:

**Bharti Computer Centres (BCCs)**

Bharti Computer Centres (BCCs) provide computer-aided learning to children from the under-privileged sections of society. The aim of the program is to enhance children's interest in education, which will positively impact their learning levels and improve their future employment opportunities. These children, particularly if they are also first-generation learners, gain not only in terms of education but also in exposure to computers, which helps to bridge the digital divide.

The immediate result of the involvement of these computers in daily teaching is that the children have become more motivated to attend classes. Moreover, the ease of use and quality of the educational software enables children to better comprehend the material. Each BCC reaches out to an average of 500 children. So far, 26 BCCs have been established in 5 states.

**Bharti Library Program**

The Bharti Library Program aims to encourage reading habits of under-privileged children, by providing access to specially designed books and educational activities. Reading is fundamental to education and a lack of this ability impacts learning levels and increases drop-out rates. Special 'Learning to Read' programs are conducted at the Bharti Libraries to impart reading skills to non-readers.

On average around 150 children access each Bharti Library. So far, 104 Bharti Libraries have been established, of which 51 are in Ludhiana (Punjab), in Government Primary Schools.

**Mid-day Meal Program**

The mid-day meal program is an integral part of Bharti Foundation's strategy to support universal access to elementary education. Bharti Foundation has supported Akshaya Patra in setting up a kitchen in Vrindavan with a capacity to provide meals to 50,000 children per day. It is currently reaching out to 43,000 children in 292 Government schools. The mid-day meal program has produced dramatic improvements in terms of enrollment, attendance and attention span of the children.
Bharti School at IIT, Delhi

Bharti School of Telecommunication Technology and Management, at IIT Delhi has emerged as one of the pioneer institutes for telecom education in the country, offering a dual program in Telecom Technology and Management. Bharti School offers programs for MBA, M Tech, MS and PhD students, thereby making it one of very few colleges offering such a wide range of programs in the area of telecommunications.

On 20th March, 2006, the Hon'ble Prime Minister of India, Dr. Manmohan Singh inaugurated the Bharti School of Telecommunication Technology and Management at IIT Delhi. Bharti School has been set up with a vision "To develop Telecom Leaders through excellence in education and research". Over 200 students benefit from Bharti School annually, including students from other departments. It also provides programs for industry professionals. Speakers such as Mr. Ben Verwaayen (CEO of BT) presented at Bharti School as part of the 'Bharti Lecture Series'. Bharti Merit Awards have been instituted to recognize excellence and merit in students.

Bharti Centre for Entrepreneurial Initiatives

(In partnership with Entrepreneurial Development Institute (EDI), Ahmedabad)

Bharti Centre for Entrepreneurial Initiatives (BCEI), set up in partnership with Entrepreneurship Development Institute of India (EDI), aims to promote entrepreneurship and motivate young people to become entrepreneurs. The centre is playing a particularly important role in promoting entrepreneurship to young people who do not belong to established business families.

(i) EDI-Bharti Annual Lecture Series

An annual EDI-Bharti Lecture Series has been launched with the objective of informing the students about practical and recent aspects of entrepreneurship management. The first Annual EDI-Bharti Lecture on Entrepreneurship was delivered by Shri M. Damodaran, Chairman, Securities and Exchange Board of India (SEBI).

(ii) "Bharti Entrepreneur of the Year" Award

Each year, this award is given to an entrepreneur who can be a role-model for aspiring entrepreneurs. Applications were received from all over the country. This year's winner, Mr. Bhavin Turalia, CEO of Direct Information Pvt. Ltd. Mumbai, is a 26-year-old entrepreneur, who started his enterprise in 1998 with Rs. 25,000, without any business background and who today employs 160 people and has customers from more than 200 countries.

CII-Bharti Woman Exemplar Award

The CII-Bharti Woman Exemplar Award was launched in 2005, jointly by Bharti Foundation and the Confederation of Indian Industry (CII), to promote women's empowerment at the grassroots. The Award seeks to acknowledge and honour women who have broken new ground in the fields of Primary Education and Literacy, Health and Micro-Finance and Enterprise, thereby making a significant contribution to the development process in the country.

The Woman Exemplar Award 2005 was handed over by the Hon'ble Finance Minister, Shri P Chidambaram to Poonam Sinsibar (Karnataka), Kavita Santosh Shinde (Maharashtra) and Tejo Dewi (Jharkhand).

Bharti Scholarship Scheme

The Bharti Scholarship Scheme was instituted to support bright students on merit-cum-means basis in completing their higher education in various institutes of higher education across the country.

Roadmap for the Future

In order to achieve its vision in the area of education, Bharti Foundation will set up a large number of primary schools in rural areas across India to provide quality education to underprivileged children, especially girls. Bharti Foundation will also set up teachers' training facilities across India to impact the quality of education in a holistic manner.

The promoters of Bharti Enterprises and a number of Associates have recently committed an initial endowment of Rs. 2bn to Bharti Foundation to support its work over the next two years.
We are pleased to report that during the year many awards were conferred on both the Company and members of our senior management.

The Company was presented with the:

- "Best Managed Company Award 2005" in the large-cap category by Asia Money
- "Avaya Global Connect Customer Responsiveness Award 2005" for best customer service in the telecom sector
- Silver Trophy at the CII National Six Sigma Awards for quality amongst all service companies
- "MIS Asia IT Excellence Award 2005" in the 'Best Change Management Category' at the MIS Asia IT Summit 2005
- "Most Preferred Mobile Service" by CNBC Awaaz Consumer Awards
- "Asian Mobile News Awards 2005 " and "Mobile Operator of the Year, India Award"
- "Best GSM carrier in Asia" in the Telecom Asia Awards 2005
- "Best Indian Carrier" In the Telecom Asia Awards 2005
- "Market Leadership Award for Managed WAN Services Market, 2005" by Frost & Sullivan
- "Wireless Service Provider of the year 2006" and "Competitive Service Provider of the year 2006" by Frost & Sullivan Asia Pacific

Furthermore, the Company

- Ranked among the top three companies in The Economic Times top 500
- Featured among the top 100 global information technology companies in Business Week
- Ranked 2nd among the “Best Managed Companies” in India, in Asia’s Best Companies 2005 poll conducted by Finance Asia
- Featured among the Forbes Global 2000 leading companies in the world for the year 2005
Board of directors
Executive directors
Sunil Bharti Mittal
Rajan Bharti Mittal
Akhil Gupta

Non-executive directors
Ajay Lal
Arun Bharat Ram
Bashir Currimjee
Chua Sock Koong
Donald Cameron
Gavin John Darby
Kurt Hellstrom
N. Kumar
Paul Donovan
Paul O'Sullivan
Pulak Chandan Prasad
Rakesh Bharti Mittal
Syeda Bilgrami Imam
V.S. Raju
York Chye Chang

General Counsel and Company Secretary
Vijaya Sampath

Auditors
Price Waterhouse
Chartered Accountants

Registrar and Transfer Agent
Karvy Computershare Private Limited
'Karvy House', 46 Avenue 4,
Street No. 1, Banjara Hills
Hyderabad 500 034
Tel. (91-40) 23420815 -20
Fax. (91-40) 23420814
Email: mailmanager@karvy.com

Listing and Stock Code
• The National Stock Exchange of India Limited, Symbol 'BHARTIARTL'
• The Bombay Stock Exchange Limited, Mumbai, Scrip code - 532454

Queries/Assistance
Company Secretarial Department
Bharti Airtel Limited
Qutab Ambience
H-S/12, Mehrauli Road,
New Delhi 110 030
Tel: +91 11 41 666 000
Fax: +91 11 41 666 011/12
E-mail: ir@bharti.com

Website
http://www.bhartiairtel.in
Directors’ Report

Dear Shareholders,

The directors are pleased to present the Annual Report together with audited statement of accounts for the year ended March 31, 2006.

Overview

Bharti Airtel is one of India’s leading private sector providers of telecommunication services, and was the first private player to have an all India presence. The Company is the largest GSM mobile service provider in the country based on number of customers. The Company had an aggregate of 20,925,948 customers as of March 31, 2006, consisting of 19,579,208 Mobile and 1,346,740 Broadband & Telephone customers.

During the 2005-06 financial year, the Company crossed certain key milestones, and maintained its position as one of the leading telecommunications services provider in India by continuously innovating its strategy and augmenting its operations.

Some of the key highlights include the following:

- The Company became India’s largest integrated private operator based on the total customer base;
- Highest ever net addition of 9,084,406 customers in a year;
- Full year consolidated gross revenues of Rs. 117.3 billion (~US$ 2.63 billion) and consolidated EBITDA of Rs. 42.2 billion (~US$ 947 million);
- Full year consolidated net profit of Rs. 20.3 billion (~US$ 455 million);
- Year-on-year growth of total customer base by 77% resulted in a 44% increase in revenues, 38% increase in EBITDA and 67% growth in net profit.

Financial Results and Results of Operations

I. Financial highlights of Consolidated Statement of Operations:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>March 31, 2006</th>
<th>March 31, 2005</th>
<th>Y-o-Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>117,255</td>
<td>81,558</td>
<td>44%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>42,250</td>
<td>30,658</td>
<td>38%</td>
</tr>
<tr>
<td>Cash Profit from Operations</td>
<td>40,006</td>
<td>28,219</td>
<td>42%</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>23,455</td>
<td>15,832</td>
<td>48%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>20,279</td>
<td>12,116</td>
<td>67%</td>
</tr>
</tbody>
</table>

The strong operational performance of the Company during the year culminated into an equally robust financial performance.

The consolidated revenues and EBITDA for the year ended March 31, 2006 was Rs. 117,255 million and Rs. 42,250 million respectively. The consolidated revenues and EBITDA grew by 44% and 38% respectively for the year ended March 31, 2006.

The net finance cost for the year was Rs. 2,244 million as compared to Rs. 2,439 million for the corresponding period previous year. The finance cost declined with the net debt going up from Rs. 41,171 million to Rs. 41,738 million. This has been made possible due to replacement of certain old borrowings by new borrowings at lower finance cost and funding through networking capital movement. The increase in absolute EBITDA along-with reduced finance cost during the year resulted in the cash profit from operations for the year ended March 31, 2006 of Rs. 40,006 million as compared to Rs. 28,219 million for the year ended March 31, 2005.

Profit before tax for the year ended March 31, 2006 was Rs. 23,455 million, and the net profit was at Rs. 20,279 million leading to a net profit growth of 67% over the previous year and an earnings per share (basic) of Rs. 10.776.

Net debt for the year ended March 31, 2006 was Rs. 41,738 million resulting in the net debt to EBITDA of 0.99 times and interest coverage ratio of 17.71 times.

II. Financial highlights of Standalone Statement of Operations of the Company (legal entity):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>March 31, 2006</th>
<th>March 31, 2005</th>
<th>Y-o-Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>112,906</td>
<td>79,442</td>
<td>42%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>40,786</td>
<td>29,940</td>
<td>36%</td>
</tr>
<tr>
<td>Cash Profit from Operations</td>
<td>38,530</td>
<td>27,481</td>
<td>40%</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>22,858</td>
<td>15,643</td>
<td>46%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>20,121</td>
<td>12,107</td>
<td>66%</td>
</tr>
</tbody>
</table>

Dividend

The directors believe that there are tremendous growth opportunities available to the telecom sector and the Company should leverage these by further expanding and strengthening its existing network. This will enhance shareholder value in the long-term. Accordingly, the directors do not recommend any dividend for the year ended March 31, 2006, in view of the proposed investments in network expansion and operations.

Subsidiary companies

The Company has obtained an exemption from the Ministry of Company Affairs, Government of India vide
letter No. 47/164/2006-CL III dated April 26, 2006 in terms of Section 212(8) of the Companies Act from attaching the audited accounts of its subsidiaries for the financial year. In pursuance thereof, the Company undertakes that annual accounts of the subsidiary companies and the related detailed information for the year ended March 31, 2006 will be made available to its investors and subsidiary companies’ investors seeking such information at any point of time. The annual accounts of the subsidiary companies are also kept for inspection by any investor at the registered office of the Company and the concerned subsidiary companies. The statement required pursuant to the above referred approval letter are disclosed after the Consolidated Accounts of the Company forming part of this Annual Report.

Highlights of the Year

- **Major agreements and alliances:** With the objective of consolidation and achieving business synergies, Bharti Cellular Limited and Bharti Infotel Limited have been merged with the Company. The same was sanctioned by the Hon’ble High Court of Delhi on May 21, 2005. The effective date of the merger was April 1, 2004.
- Bharti Airtel signed a managed capacity expansion contract with Ericsson to provide managed services and expand its GSM/GPRS network into rural India in 15 circles.
- The Company and IBM launched Managed Services under their joint go-to-market program. The initial offering portfolio includes managed hosting services and business resiliency and continuity services to enterprise customers in India.
- The Company entered into an agreement with Nokia to expand its managed GSM/GPRS/EDGE networks in eight circles. Nokia will provide managed services and expand the Company’s network in Mumbai, Maharashtra and Goa, Gujarat, Bihar and Jharkhand, Orissa, Kolkata, West Bengal and Madhya Pradesh over a three-year period.
- The Company decided not to proceed with the proposed sponsored ADR due to lack of sponsorship interest by most of its principal shareholders.
- The Company entered into strategic partnership outsourcing agreements for its customer care call center operations to four international BPOs - Hinduja TMT (HTMT), IBM Daksh, Mphasis and TeleTech Services, with the expectation of significantly enhancing quality of customer service delivery to Bharti Airtel customers across the country. The Company also entered into an agreement with Nortel for technological expertise and availing best practices in customer care developed through Nortel’s worldwide customer base.
- Vodafone acquired 10% economic interest in the Company during the financial year 2005-06, by way of subscription of convertible debentures in Bharti Enterprises Limited, representing an indirect economic interest in Bharti Airtel Limited and acquisition of direct interest in the Company from Warburg Pincus LLC.
- **South East Asia, Middle East and Western Europe 4 (SEA-ME-WE-4) -** A consortium of 16 international telecommunications companies including our Company successfully commissioned the next generation undersea cable system during the year.
- The Company announced its new integrated organization structure with the appointment of Manoj Kohli as the President of all business units to lead the integrated management structure with effect from March 1, 2006.
- In order to reflect its brand essence, objective and the nature of its business activities, the Company name was changed to Bharti Airtel Limited from Bharti TeleVentures Limited, effective April 24, 2006.

**Capital market ratings:**

- ICRA assigned Issuer Rating of “Ir AAA” to the Company during the year. This rating is the highest credit quality rating assigned by ICRA.
- Standard & Poors upgraded its corporate credit rating on Bharti Airtel Limited to “BB+” from “BB” with stable outlook.
- CRISIL has assigned “AAA/Stable” to the long-term debt programme of Bharti Airtel Limited indicating highest safety.
- Fitch ratings, the international rating agency, upgraded the Company’s long-term foreign currency rating to “BB+” from “BB” with a stable outlook on rating.
- CRISIL re-affirmed its Governance & Value Creation (GVC) rating viz. ‘level 1’, which indicates that the Company’s capability with respect to creating wealth for all its stakeholders is the highest.

**New products/initiatives:**

During the year, the Company introduced new and innovative products that were received well in the market and enabled the Company to maintain its leadership position despite competitive pressures.

- The Company introduced Rs. 200/- denomination monthly recharge coupon in May 2005. It thus lowered the recharge denomination available in the market, thereby making mobile services more affordable.
- **Launch of BlackBerry® 7100g™ business phone in India:** in the month of June 2005 and BlackBerry® 8700g™ in March 2006. Bharti Airtel has made a wider portfolio of BlackBerry® products available in India in partnership with Research In motion (RIM). BlackBerry® solutions provide instant emailing solutions.
• Launch of a suite of mobile services including Bridge Roaming, Bridge Prepared, Bridge Enterprise and Bridge Concierge. These services will enable our customers to enjoy a seamless mobile service experience when roaming overseas on the Alliance Members network. Bharti Airtel is the founder member of the Bridge Alliance, which was established in November 2004 and includes Globe Telecom (Philippines), Maxis (Malaysia), Singtel Mobile (Singapore), Singtel Optus (Australia), Taiwan Mobile (Taiwan), Telkomsel (Indonesia) and CSL (Hong Kong).

• The Company launched ‘Future Factory - Centres of Innovation’ to incubate pioneering mobile applications. The Future Factory has been conceptualized with the purpose of developing applications to cater to the needs of customer segments across the entire spectrum.

• Bharti Airtel, ICICI Bank and VISA joined hands to launch mChq – a credit card on the mobile phone. This is the first mobile-to-mobile payment option, which enables Bharti Airtel customers and ICICI Bank Visa cardholders to pay for their purchases with their Airtel mobile phones.

• Bharti Airtel launched a suite of ‘One India plans’ for Mobile and Broadband & Telephone Services customers in March 2006. These plans give the option of making calls to any location in the country at a flat rate of Rs. 1 per minute.

• Bharti Airtel launched the world’s first Easy Music service for mobile phones. This service allows a mobile phone user a choice of over 18,000 songs in over 20 languages for purchase from over 100,000 Bharti Airtel retail outlets in India for use as ring tones and call back tones.

• Bharti Airtel introduced India’s first Rs. 999 Lifetime prepaid card with a life time validity with which a mobile user can continue to receive calls for lifetime without having to recharge or worry about the validity period of the card or coupon. The lifetime-prepaid card also offers the user full talk time on every future recharge of any denomination.

Business Review

Mobile Services

During the financial year, the Company expanded its operations to 3,778 census towns and over 80,687 non-census towns and villages covering approximately 40% of the country’s total population. The Company added 8,594,928 mobile subscribers during the year, garnering 22.7% share of the all India net additions in the wireless market and had a wireless market share of 21.8% as on March 31, 2006. The Company’s strong performance helped consolidate its leadership in the market and has given it the might to take full advantage of the rapidly growing telecom market.

The revenues from mobile services for the financial year were Rs.83,095 million, a growth of 50% over the revenues in the previous financial year. The mobile services business contributed 71% to the consolidated revenues. The growth in revenues happened despite reductions in tariffs and intense competition. This robust growth was due to increases in subscriber base on account of the launch of Rs. 200 monthly recharge coupon and Rs. 999 lifetime prepaid, higher traffic on networks, and expansion of non-voice services. With mobile tariffs in India being among the lowest in the world, the Company’s prime focus is on ensuring customer satisfaction through superior network quality, customer service and continuous innovation in value-added services that would help expand its mobile customer base and drive up volumes.

The key financial results of the mobile segment for the year ended March 31, 2006 are presented below:

Financial highlights of Mobile Services:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended</th>
<th>March 31,</th>
<th>March 31,</th>
<th>Y-o-Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2006</td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>Gross Revenue</td>
<td></td>
<td>83,095</td>
<td>55,436</td>
<td>50%</td>
</tr>
<tr>
<td>Earnings before Interest &amp; Taxation</td>
<td>16,854</td>
<td>10,385</td>
<td>62%</td>
<td></td>
</tr>
</tbody>
</table>

Broadband & Telephone Services

The Company provides Broadband & Telephone Services in 90 cities across India. As on March 31, 2006, the Company had 1,346,740 customers, of which 23.4% (315,729) were also subscribing to broadband services.

The customer base for the Broadband & Telephone Services grew by 57% in the year ended March 31, 2006. The revenues from the Broadband & Telephone Services were Rs.15,075 million, a growth of 33% over the revenues in the previous financial year. The earnings before interest and taxation was Rs. 606 million as compared to Rs. 1,442 in the previous financial year. The decline in EBIT was essentially due to the launch of services in 38 new cities during the financial year.

The key financial results of the Broadband & Telephone Services for the year ended March 31, 2006 are presented below:

Financial highlights of Broadband & Telephone Services:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended</th>
<th>March 31,</th>
<th>March 31,</th>
<th>Y-o-Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2006</td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>Gross Revenue</td>
<td></td>
<td>15,075</td>
<td>11,311</td>
<td>33%</td>
</tr>
<tr>
<td>Earnings before Interest &amp; Taxation</td>
<td>606</td>
<td>1,442</td>
<td>-58%</td>
<td></td>
</tr>
</tbody>
</table>

Enterprise Services

As a part of the new integrated structure, the Company has reclassified and created two sub units under this business group, viz. Carriers (Long Distance Services) and Corporates.
Enterprise Services – Carriers

The Company complements its Mobile, Broadband and Telephone Services with national and international long distance services. The Company has over 32,900 route kilometers of fibre on its national long distance network. For international connectivity to the East, it has a submarine cable landing station at Chennai which links the submarine cable (owned by an associate company) connecting Chennai and Singapore. For international connectivity to the West, it is a member of the South East Asia-Middle East-Western Europe – 4 (SEA-ME-WE-4) consortium jointly with 15 other global telecom operators, and has commissioned the fourth generation cable system.

During the financial year, the Company saw significant growth in the long distance traffic carried on its network due to the increased customer base and lower tariffs on account of reduction in the regulatory costs (License fee and Access Deficit Charge).

The key financial results of the long distance services division for the year ended March 31, 2006 are presented below.

Financial highlights of Enterprise Services – Carriers:

(In Rs. Million, except ratios)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended</th>
<th>Y-o-Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2006</td>
<td>March 31, 2005</td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>24,674</td>
<td>18,737</td>
</tr>
<tr>
<td>Earnings before Interest &amp; Taxation</td>
<td>7,794</td>
<td>4,716</td>
</tr>
</tbody>
</table>

Enterprise Services – Corporates

This sub-unit of Enterprise Services provides secure, scalable, seamless, reliable and customized integrated solutions of voice and data communications to corporate, small and medium scale enterprises, thus offering total telecom solution through a single window. The unit focuses on delivering telecommunications services as an integrated offering including mobile, broadband, telephone, national and international long distance and data connectivity services to key account corporate customers through business relationship management.

The key financial results of the enterprise services division for the year ended March 31, 2006 are presented below.

Financial highlights of Enterprise Services – Corporates:

(In Rs. Million, except ratios)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended</th>
<th>Y-o-Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2006</td>
<td>March 31, 2005</td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>6,933</td>
<td>5,406</td>
</tr>
<tr>
<td>Earnings before Interest &amp; Taxation</td>
<td>1,762</td>
<td>2,284</td>
</tr>
</tbody>
</table>

Regulatory and Key Industry Developments

During the year, the following are the key regulatory developments:

- Telecom Regulatory Authority of India (TRAI) introduced a revised Interconnection Usage Charge (IUC) regime. ‘Per-minute’ Access Deficit Charge (ADC) on domestic calls has been replaced by a ‘revenue-share’ of 1.5% of adjusted gross revenue as ADC, payable to BSNL. Revenue from Rural Fixed Wireline subscribers is exempt from ADC. ‘Per minute’ ADC continues on ILD calls but at a reduced rate. Carriage charges, which were distance based earlier, are now left to negotiation between operators subject to a ceiling of Rs. 0.65/minute;
- The IUC (Fifth Amendment) Regulation, 2005 that imposed ADC on calls originated by national and international roamers has been set aside by TDSAT;
- TRAI has issued a Regulation on Quality of Service Parameters of Basic and Cellular Mobile Telephone Services and a Regulation on Code of Practice for Metering and Billing Accuracy in India;
- The ceiling tariffs for IPLCs prescribed by TRAI, which were contested by VSNL, have been upheld by TDSAT and these are now in effect;
- Pursuant to public consultations, TRAI has submitted recommendations to the Department of Telecom on the following matters:
  a. Spectrum
  b. Convergence and Competition in Broadcasting and Telecommunications
  c. Mobile Number Portability
  d. Next Generation Networks
  e. Measures to promote growth of telecom services in rural areas
  f. Measures to Promote Competition in IPLC in India

The DoT has issued guidelines for allocation of GSM spectrum beyond 10 MHz and upto 15 MHz, and allotment of 5th and 6th CDMA carriers. The allocation criterion continues to be linked to a minimum subscriber base. The rest of the recommendations are under consideration.

- The Government of India enhanced the FDI ceiling in the telecom sector from 49% to 74% subject to certain preconditions.
- The Central Government revised terms and conditions of several telecom service licenses which include:
  a. Entry Fee for NLD and ILD licenses reduced from Rs. 1,000 million and Rs. 250 million respectively to Rs. 25 million;
b. Annual License Fee for NLD and ILD licenses reduced from 15% to 6% of Adjusted Gross Revenue (AGR);
c. NLD and ILD licensees permitted to access subscribers directly for provision of Leased Circuits/ Closed User Groups;
d. Annual License Fee @ 6% of AGR imposed on Internet Service Providers licensed with restricted internet telephony;
e. Infrastructure provider category II and VPN licenses abolished. Existing licensees permitted to migrate to NLD/ILD licenses;
f. Annual License Fee for VSAT commercial license reduced from 10% to 6% of AGR.

Share Capital
The Company allotted 2,722,125 Equity Shares of Rs. 10/- each upon merger of Bharti Cellular Limited (BCL) into the Company.

During the year the Company allotted 18,242,237 equity shares upon conversion of Foreign Currency Convertible Bonds (FCCBs) by their holders. Due to these reasons, as on the date of this report, the total issued, subscribed and paid up equity share capital of the Company stands increased to 1,894,419,574 equity shares.

Corporate Governance
The Company was ranked amongst the Top 25 Companies by the Institute of Company Secretaries of India for good corporate governance practices in the year 2005.

CRISIL has rated our corporate governance practices at the highest-level GVC I, indicating our capability to create wealth for our stakeholders while preserving the highest standards of ethics and governance.

Pursuant to the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, a report of corporate governance forms part of the Annual Report. A certificate by Price Waterhouse, Chartered Accountants, Auditors of the Company, confirming compliance of the conditions of corporate governance as stipulated under clause 49 of the Listing Agreement, is annexed to corporate governance report.

Corporate Social Responsibility
The Company believes in the power of education. Based on the experience of last year, Bharti Foundation expanded its operations this year by setting up 15 more Bharti Computer Centres and 92 Bharti Libraries across 11 states. In the mid-day meal program, the kitchen set up in Vrindavan is able to feed 43,000 children every day. Bharti Foundation’s program on elementary education reaches out to over 70,000 children.

On March 20, 2006 the Hon’ble Prime Minister of India, Dr. Manmohan Singh inaugurated the Bharti School of Telecommunication Technology and Management at IIT Delhi. Bharti School has been set up with a vision “To develop Telecom Leaders through excellence in education and research”. Over 200 students benefit from Bharti School annually. It also conducts programs for industry professionals. Bharti Merit Awards have been established to recognize excellence and merit.

In order to achieve its vision in the area of education, Bharti Foundation will set up a large number of primary schools in rural areas across India to provide quality education to underprivileged children, especially girls. To support Bharti Foundation’s work, a corpus of Rs. 2 billion will be created over the next two years.

Employees Stock option plan
Human Resource is the key to the success of any organization. The Company has always valued its human resources and has tried to adopt the best HR practices. Accordingly an ESOP Scheme was introduced in 2002, which benefited the employees. The second ESOP Scheme was introduced in 2005, the approval for which was obtained by way of a Special Resolution passed by the shareholders in the Tenth Annual General Meeting. The ESOPs also act as a retention tool for well-performing employees who are contributing to the growth of the Company.

The disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended are set out in Annexure A to this Report.

A certificate from M/s. Price Waterhouse, Chartered Accountants, Statutory Auditors, with regards to the implementation of the Company Employees’ Stock Option Schemes, would be placed before the shareholders in the next Annual General Meeting, and a copy of the same shall be available for inspection at the registered office of the Company.

Awards
We are pleased to report that the Company received many accolades and awards during the year in India and abroad on the quality of its management, leadership and customer service and has been ranked amongst leading companies in renowned business publications. Your Chairman has also been conferred with many awards. Details of the awards are separately listed in another section of this report.

Directors
Chua Sock Koong, Bashir Currimjee and Donald Cameron retire by rotation at forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Since the last Directors Report, Gavin John Darby, Ajay Lal, Syeda Bilgrami Imam and Paul Donovan were appointed as additional directors on the Board of the Company and hold office until the conclusion of the forthcoming Annual General Meeting.

York Chye Chang and Arun Bharat Ram were appointed on the Board of the Company on March 31, 2006 to fill up the casual vacancies caused by the resignations of Lim Toon York Chye Chang and Arun Bharat Ram were appointed on the Board of the Company and hold office until the conclusion of the forthcoming Annual General Meeting.

York Chye Chang and Arun Bharat Ram were appointed on the Board of the Company on March 31, 2006 to fill up the casual vacancies caused by the resignations of Lim Toon York Chye Chang and Arun Bharat Ram were appointed on the Board of the Company and hold office until the conclusion of the forthcoming Annual General Meeting.
and Lung Chien Ping respectively and hold office until the conclusion of ensuing Annual General Meeting. Paul Donovan has been appointed as director effective April, 27 2006 in the vacancy caused by the resignation of William Thomas Morrow and he holds office until the conclusion of the ensuing Annual General Meeting.

The Company has received notices from the members under Section 257 of the Companies Act, 1956 proposing the appointment of all of these directors, retiring at the ensuing Annual General Meeting.

A brief resume, expertise, shareholding in the Company and details of other directorships of these directors as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is appended as an annexure to the Notice of ensuing Annual General Meeting.

Since the last Directors’ report, Lim Toon, Lung Chien Ping and William Thomas Morrow have ceased to be directors of the Company. The Board places on record its sincere appreciation for the services rendered by Lim Toon, Lung Chien Ping and William Thomas Morrow during their tenure on the board. The Board and the Company has benefited immensely from their inputs.

**Fixed Deposits**

During the year, the Company has not accepted any fixed deposits from the public.

**Auditors**

The Statutory Auditors of the Company, M/s. Price Waterhouse, Chartered Accountants, New Delhi, retire at the conclusion of ensuing Annual General Meeting of the Company and are eligible for re-appointment and have confirmed that their re-appointment if made, shall be within the limits Section 224(18) of the Companies Act, 1956. The Audit Committee and the Board recommends the re-appointment of Price Waterhouse, Chartered Accountants as Auditors of the Company.

**Auditor’s Report**

The Board has duly examined the statutory auditor’s report to accounts and clarifications, wherever necessary, have been included in the Notes to Accounts, section of the Annual Report.

**Conservation of Energy, Technology Absorption and Foreign Exchange**

The Company, being a service provider organization, most of the information as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended are not applicable. However, the information as applicable has been given in Annexure B to the report.

**Particulars of Employees**

Information as per the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rule 1975 as amended, forms part of this Report and are given in Annexure C of this Report.

**Directors’ Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the directors to the best of their knowledge and belief confirm 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) they have selected such accounting policies and applied them consistently and made judgements 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 the financial year and of the profit of the Company for that period;

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

d) they have prepared the annual accounts on a going concern basis.

**Management Discussion and Analysis Report**

In accordance with the listing agreements, the Management Discussion and Analysis Report forms a part of the report.

**Acknowledgements**

The directors place on record their gratitude to the Central Government, the State Governments, Department of Telecommunications (DOT), other statutory bodies and the Company’s Bankers for the assistance, co-operation and encouragement they extended to the Company. The directors also place on record their sincere appreciation to the employees for their continuing support and unstinting efforts in ensuring an excellent all round operational performance. Last but not the least the directors would like to thank various partners viz. Bharti Telecom, SingTel Telecom International Ltd., Vodafone and other valuable shareholders for their support and contribution. We look forward to their continued support in the future.

For and on behalf of the Board

Sunil Bharti Mittal

New Delhi Chairman and Managing Director

April 28, 2006
### Annexure A

#### INFORMATION REGARDING THE EMPLOYEES STOCK OPTION SCHEME(S)

(as on March 31, 2006)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>ESOP Scheme 2005</th>
<th>ESOP Scheme 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
<td>Number of Stock Options granted</td>
<td>2,763,000</td>
<td>16,826,505*</td>
</tr>
<tr>
<td>2)</td>
<td>Pricing Formula</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The exercise price for the purpose of grant of options will be higher of the following:

(i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;

(ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

However, the exercise price in respect of employees who met the eligibility criteria as on June 1, 2005 was Rs. 221/-

| 3)     | Option Vested                                           | Nil              | 14,284,826             |
| 4)     | Number of options exercised                             | Nil              | 10,808,282             |
| 5)     | Number of shares arising as a result of exercise of option | Nil              | 10,808,282             |
| 6)     | Number of option lapsed                                 | 164,500          | 3,253,147              |
| 7)     | Variation of terms of option                            | NA               | NA                     |
| 8)     | Money realized by exercise of options                   | NA               | 219,420,557.5          |
| 9)     | Total number of options in force                        | 2,598,500        | 2,765,076              |
| 10)    | Employee-wise details of options granted to             |                  |                        |

i) Senior Mangerial Personnel

| a) | Manoj Kohli | 20,000 | Nil       |
| b) | Sarvjit Singh Dhillon | 20,000 | Nil       |
| c) | Viresh Dayal | 20,000 | Nil       |
| d) | Ashok Juneja | 20,000 | Nil       |
| e) | Narender Gupta | 20,000 | Nil       |
| f) | Daljit Singh | Nil    | 37,397    |
| g) | Anil Nayar | 20,000 | Nil       |

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 | Nil |

iii) Identified employees who were granted options, 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 | Nil |
11) Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 ‘Earning Per Share’

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>11)</td>
<td>Nil</td>
</tr>
</tbody>
</table>

12) In case, the employees compensation cost is calculated on the basis of intrinsic value of stock option, the difference between the employees compensation of the stock option cost based on intrinsic value of the stock and the employees compensation of the stock option cost based fair value, and the impact of this difference on profits and on EPS of the Company

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>12)</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

13) For options whose exercise price either equals or exceeds or is less than the market price of the stock the following are disclosed seperately:

   a) Weighted average exercise price
   b) Weighted average fair value

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
</tr>
</thead>
</table>
| 13)    | a) Rs. 238.03  
b) Rs. 191.86 |

14) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:

   i) risk-free interest rate;
   ii) expected life;
   iii) expected volatility;
   iv) expected dividends; and
   v) the price the underlying shares in the market at the time of option grant.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
</tr>
</thead>
</table>
| 14)    | i) The Government Securities curve yields are considered as on valuation date  
Weighted average information - 6.65% per annum to 7.33% per annum  
ii) SEBI guidelines on ESOP have been strictly followed  
Weighted average information - 48 to 66 months  
iii) Analysing the stock price behaviour of Bharti Airtel Limited since February 2002, the historical volatility is 44.48% annualized. Such volatality is annualized using daily price data and assuming 250 trading days to annualize the same  
Weighted average information - 44.48% to 45.87%  
iv) The dividend rate is assumed to be zero  
v) Weighted average stock price - Rs. 327.96 |

* Grants of 2318662 number of shares were made out of the options lapsed over a period of time.
Annexure B


Conservation of Energy

Bharti Airtel Limited being a telecom service provider requires minimal energy consumption and every endeavour has been made to ensure the optimal use of energy, avoid wastage and conserve energy as far as possible.

Technology Absorption

The Company in its endeavour to obtain and deliver the best, has entered into a number of agreements and alliance with major global telecom players to harness and tap the latest and the best technology available to the industry.

Foreign Exchange Earnings and Outgo

(i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans; Bharti Airtel, being a telecom service provider could due to its licences restrictions, not have undertaken any activity relating to exports or development of export markets for services during the year.

(ii) Total foreign exchange used and earned for the year:

(a) Total Foreign Exchange Earning : Rs. 12,760 million

(b) Total Foreign Exchange Outgo : Rs. 24,440 million
### Annexure - C

Statement of particulars under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended March 31, 2006 and forming part of the Directors’ Report

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name</th>
<th>Designation</th>
<th>Nature of Employment, whether contractual or otherwise</th>
<th>Nature of duties of the employee</th>
<th>Qualification(s)</th>
<th>Age (in years)</th>
<th>Date of Commencement of Employment</th>
<th>Total experience (in years)</th>
<th>Gross Remuneration (in Rs.)</th>
<th>Previous employment/designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Anuradha Padhi</td>
<td>Chief Human Resource Officer</td>
<td>Permanent</td>
<td>Human Resource Technical</td>
<td>MA (Eco), MBA</td>
<td>51</td>
<td>20-Jan-03</td>
<td>27</td>
<td>2773285</td>
<td>Bharti Tele-Ventures Ltd./Chief Executive Officer &amp; CEO</td>
</tr>
<tr>
<td>2</td>
<td>K. Vijayaagasen</td>
<td>Chief Technical Officer</td>
<td>Permanent</td>
<td>Human Resource Technical</td>
<td>BE (E&amp;I), PG Diploma in Bus. Mgmt</td>
<td>52</td>
<td>10-Oct-00</td>
<td>30</td>
<td>6524562</td>
<td>Spice Telecom/Chief Executive Officer</td>
</tr>
<tr>
<td>3</td>
<td>K. Srinivas</td>
<td>Director (East)</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Tech., PGDM</td>
<td>42</td>
<td>7-Nov-02</td>
<td>19</td>
<td>6825523</td>
<td>Hindustan Lever Ltd./Chief Executive Officer</td>
</tr>
<tr>
<td>4</td>
<td>Deepak Mehrotra</td>
<td>Chief Executive Officer - Karnataka</td>
<td>Permanent</td>
<td>Operations</td>
<td>BE (Electrical), MMS</td>
<td>41</td>
<td>30-Oct-03</td>
<td>17</td>
<td>5480918</td>
<td>Hindustan Coca Cola Beverages/Region</td>
</tr>
<tr>
<td>5</td>
<td>Sharlin Thayil</td>
<td>Chief Operating Officer - HP</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Tech., PGDM</td>
<td>44</td>
<td>28-Dec-00</td>
<td>20</td>
<td>3176663</td>
<td>BILT/General Manager - South</td>
</tr>
<tr>
<td>6</td>
<td>Badri Agarwal</td>
<td>Corporate Director -</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Com</td>
<td>56</td>
<td>1-Sep-00</td>
<td>36</td>
<td>3029631</td>
<td>BML-AP &amp; KK/Executive Director &amp; CEO</td>
</tr>
<tr>
<td>7</td>
<td>Anil Nayar</td>
<td>Chief Financial Officer</td>
<td>Permanent</td>
<td>General Management</td>
<td>BE, PGDM</td>
<td>55</td>
<td>1-Apr-03</td>
<td>33</td>
<td>13989461</td>
<td>Bharti Cellular Ltd./Chief Executive Officer</td>
</tr>
<tr>
<td>8</td>
<td>Hemant Sachdev</td>
<td>Director Marketing &amp; Communications</td>
<td>Permanent</td>
<td>Marketing</td>
<td>B.Com</td>
<td>42</td>
<td>1-Apr-09</td>
<td>20</td>
<td>9511238</td>
<td>Bharti Telecom/Chief Executive Officer</td>
</tr>
<tr>
<td>9</td>
<td>K. L. Jain</td>
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(A) EMPLOYED THROUGHOUT THE FINANCIAL YEAR

(B) EMPLOYED DURING THE FINANCIAL YEAR
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<th>Nature of Employment, whether contractual or otherwise</th>
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<th>Age (in years)</th>
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<th>Gross Remuneration (in Rs.)</th>
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<td>-----------------------------</td>
<td>-------------------------------</td>
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</tr>
<tr>
<td>70.</td>
<td>Sonjoy Mohanty</td>
<td>Chief of Acquisition &amp; Relationship Centers</td>
<td>Permanent</td>
<td>Marketing</td>
<td>BA (Eco. Hons), MA (Eco. Hons), PG Dip. in Mgmt. MBA (Mktg.)</td>
<td>42</td>
<td>19-Apr-04</td>
<td>21</td>
<td>5397238</td>
<td>Escotel Mobile Communications/Chief Officer - Customer Acquisition and Retention</td>
</tr>
<tr>
<td>71.</td>
<td>Sam Elangalbor</td>
<td>Chief Operating Office - Sales Marketing &amp; CSD</td>
<td>Permanent</td>
<td>Operations</td>
<td>Sales, BE, MBA</td>
<td>42</td>
<td>2-Feb-04</td>
<td>16</td>
<td>2586048</td>
<td>ZEE Telefilms/Vice President - Sales &amp; Marketing</td>
</tr>
<tr>
<td>72.</td>
<td>Kajit Singh</td>
<td>General Manager</td>
<td>Permanent</td>
<td>Technical</td>
<td>PGDM, BA (Electronics)</td>
<td>43</td>
<td>1-Sep-03</td>
<td>19</td>
<td>2537316</td>
<td>Sprint RMS/National Manager</td>
</tr>
<tr>
<td>73.</td>
<td>Sugumaran J.</td>
<td>Chief Technical Officer</td>
<td>Permanent</td>
<td>Technical</td>
<td>Diploma in Telecommunication Engineering</td>
<td>56</td>
<td>11-May-95</td>
<td>31</td>
<td>2444324</td>
<td>Gateway Digital Switch - VSN/Deputy Engineer</td>
</tr>
<tr>
<td>74.</td>
<td>Anil K. Malhotra</td>
<td>General Manager</td>
<td>Permanent</td>
<td>Technical</td>
<td>Diploma in Mgmt.</td>
<td>55</td>
<td>26-Feb-04</td>
<td>33</td>
<td>2591803</td>
<td>Spice Communications/Vice President</td>
</tr>
<tr>
<td>75.</td>
<td>Jagdish Randhawa</td>
<td>Vice President - CSD</td>
<td>Permanent</td>
<td>Marketing</td>
<td>BA, PGDM, MBA</td>
<td>43</td>
<td>8-Apr-04</td>
<td>29</td>
<td>3733327</td>
<td>Escotel Mobile Communication Ltd./ Dy. General Manager</td>
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<tr>
<td>76.</td>
<td>N. F. Albasa</td>
<td>Vice President - Channel Development</td>
<td>Permanent</td>
<td>Marketing</td>
<td>BE, PGDM &amp; M, MSc., MBA</td>
<td>58</td>
<td>1-Sep-04</td>
<td>34</td>
<td>2701349</td>
<td>Spice Communications/Vice President</td>
</tr>
<tr>
<td>77.</td>
<td>Ashok Sharma</td>
<td>Vice President - Technical</td>
<td>Permanent</td>
<td>Finance</td>
<td>BE., PGDM</td>
<td>37</td>
<td>11-Oct-01</td>
<td>13</td>
<td>2401466</td>
<td>Tata Home Finance/General Manager</td>
</tr>
<tr>
<td>78.</td>
<td>Anup Vikul</td>
<td>Chief Executive Officer</td>
<td>Permanent</td>
<td>Operations</td>
<td>MA, MBA, LBL</td>
<td>48</td>
<td>29-Dec-00</td>
<td>25</td>
<td>5775602</td>
<td>GMS Technologies/Chief Executive Officer</td>
</tr>
<tr>
<td>79.</td>
<td>Prasanta Das</td>
<td>Chief Technical Officer</td>
<td>Permanent</td>
<td>Technical</td>
<td>B.Com., I.C.W.A.</td>
<td>51</td>
<td>26-Jan-01</td>
<td>27</td>
<td>9791997</td>
<td>Saregama (I) Ltd./Managing Director</td>
</tr>
<tr>
<td>81.</td>
<td>Rohtash Mal</td>
<td>General Manager</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Tech, PGDM</td>
<td>51</td>
<td>13-Nov-00</td>
<td>30</td>
<td>8412434</td>
<td>M/s. Udyog Ltd./Chief General Manager - Mktg., &amp; Sales</td>
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<tr>
<td>82.</td>
<td>N. Arjun</td>
<td>Executive Director - Enterprises Services (Carrera)</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Com, MBA</td>
<td>48</td>
<td>1-Oct-00</td>
<td>26</td>
<td>1039565</td>
<td>Bharti Tele-Ventures Ltd./Chief Operating Officer</td>
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<td>84.</td>
<td>Shankar Banerjee</td>
<td>Chief Technical Officer</td>
<td>Permanent</td>
<td>Human Resource</td>
<td>ICWA, MBA</td>
<td>48</td>
<td>30-Mar-04</td>
<td>24</td>
<td>5694323</td>
<td>Indo Rama Synthetics (I) Ltd./ Sr. Vice President - Corp. HR</td>
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<tr>
<td>85.</td>
<td>Amin Shulka</td>
<td>Vice Operating Officer</td>
<td>Permanent</td>
<td>Marketing</td>
<td>B.Tech., PGDM</td>
<td>41</td>
<td>23-Jun-01</td>
<td>17</td>
<td>3394611</td>
<td>G.M.PENS/Vice President - Sales &amp; Marketing</td>
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<td>86.</td>
<td>Shamik Das</td>
<td>Chief Operating Officer</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Com., (Honls), FCA</td>
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<td>1-Jun-01</td>
<td>22</td>
<td>5662026</td>
<td>Bharti Mobile Ltd./Chief Financial Officer</td>
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<tr>
<td>87.</td>
<td>Alok Kumar</td>
<td>Vice President - CRM</td>
<td>Permanent</td>
<td>Marketing</td>
<td>BA, MBA</td>
<td>48</td>
<td>6-Jul-01</td>
<td>21</td>
<td>3921347</td>
<td>Escotel Ltd./Chief General Manager</td>
</tr>
<tr>
<td>88.</td>
<td>M. Srinivasana Rao</td>
<td>Chief Operating Officer - North</td>
<td>Permanent</td>
<td>Operations</td>
<td>BA (Elect.), MBA</td>
<td>43</td>
<td>12-Nov-03</td>
<td>21</td>
<td>4661749</td>
<td>The Hindustan Times/Vice President - Marketing</td>
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<td>89.</td>
<td>T.K. Arand Kumar</td>
<td>Chief - Technical Officer</td>
<td>Permanent</td>
<td>Technical</td>
<td>B.Tech</td>
<td>51</td>
<td>15-Nov-02</td>
<td>26</td>
<td>3269005</td>
<td>Interactive Communications/Project Director</td>
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<tr>
<td>91.</td>
<td>Pasanta Das</td>
<td>Chief Operating Officer</td>
<td>Permanent</td>
<td>Customer Service &amp; Network Operations</td>
<td>BE Elec. &amp; Telecom</td>
<td>42</td>
<td>19-Aug-02</td>
<td>21</td>
<td>3220640</td>
<td>HFGU/Associate Vice President</td>
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<tr>
<td>92.</td>
<td>Shyam Das</td>
<td>Chief Technical Officer</td>
<td>Permanent</td>
<td>Customer Service &amp; Network Operations</td>
<td>BE Elec. &amp; Telecom</td>
<td>51</td>
<td>3-Nov-00</td>
<td>26</td>
<td>4264483</td>
<td>Siemens Public Communication Networks Ltd./ Vice President - Information &amp; Broadband VSN/General Manager</td>
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<td>93.</td>
<td>N. Gomathi</td>
<td>Chief Operating Officer</td>
<td>Permanent</td>
<td>Network Operations</td>
<td>B.Tech, M.Tech</td>
<td>57</td>
<td>30-Apr-01</td>
<td>26</td>
<td>3030162</td>
<td>VSN/General Manager</td>
</tr>
<tr>
<td>94.</td>
<td>N. Chandra</td>
<td>Chief Operating Officer</td>
<td>Permanent</td>
<td>Commercial</td>
<td>Diploma in Electrical Engng</td>
<td>47</td>
<td>1-Mar-02</td>
<td>25</td>
<td>4925421</td>
<td>British Telecom/Chief ICS South Asia</td>
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<tr>
<td>95.</td>
<td>Sukanta Ach</td>
<td>Vice President - AES</td>
<td>Permanent</td>
<td>Sales</td>
<td>BE, MBA</td>
<td>37</td>
<td>9-Jul-01</td>
<td>13</td>
<td>2854525</td>
<td>Ecosoft Technologies Ltd./Head Sales</td>
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<td>96.</td>
<td>Anil Prasad</td>
<td>Sr. Vice President</td>
<td>Permanent</td>
<td>Sales</td>
<td>BE, MBA</td>
<td>42</td>
<td>1-Feb-02</td>
<td>21</td>
<td>3863630</td>
<td>Ericsson inc./Director</td>
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<tr>
<td>97.</td>
<td>Sanjay Bahl</td>
<td>Vice President - AES</td>
<td>Permanent</td>
<td>Sales</td>
<td>BE, MBA</td>
<td>35</td>
<td>1-Apr-03</td>
<td>12</td>
<td>3208637</td>
<td>JM Morgan Stanley/Head Sales</td>
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<tr>
<td>98.</td>
<td>Vipin Agarwal</td>
<td>Chief operating - AES</td>
<td>Permanent</td>
<td>Technical</td>
<td>C.A.</td>
<td>41</td>
<td>13-Jul-03</td>
<td>18</td>
<td>2581674</td>
<td>Eicher Motors Ltd./Head Sales</td>
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<td>100.</td>
<td>A.M. Rana</td>
<td>Vice Business Planning Officer</td>
<td>Permanent</td>
<td>Network Planning</td>
<td>BEC, Warrangal</td>
<td>40</td>
<td>28-Dec-00</td>
<td>23</td>
<td>2854086</td>
<td>TCS/Network Planning Officer</td>
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<td>101.</td>
<td>Raja Mehrotra</td>
<td>Vice-President - Network Planning</td>
<td>Permanent</td>
<td>Network Planning</td>
<td>BEC., MBA</td>
<td>39</td>
<td>12-Jan-00</td>
<td>17</td>
<td>2748382</td>
<td>Koshika Telecom Ltd./General Manager</td>
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<tr>
<td>Sl No.</td>
<td>Name</td>
<td>Designation</td>
<td>Nature of Employment, whether contractual or otherwise</td>
<td>Nature of duties of the employee</td>
<td>Qualification(s)</td>
<td>Age (in years)</td>
<td>Date of Commencement of Employment</td>
<td>Total experience (in years)</td>
<td>Gross Remuneration (in Rs.)</td>
<td>Previous employment/ Designation</td>
</tr>
<tr>
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<tr>
<td>107.</td>
<td>Navaidul Islam Khan</td>
<td>Chief Executive Officer - UP West</td>
<td>Permanent</td>
<td>Operations</td>
<td>BE</td>
<td>56</td>
<td>27-Mar-00</td>
<td>31</td>
<td>5296337</td>
<td>Bharti Hexacom Limited/CEO</td>
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<td>108.</td>
<td>Shankar Halder</td>
<td>Chief Technical Officer</td>
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<td>Technical</td>
<td>BE</td>
<td>48</td>
<td>19-Apr-04</td>
<td>22</td>
<td>5450381</td>
<td>Escotel Ltd./Chief Technical Officer</td>
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<td>109.</td>
<td>Ramgopal Vallath</td>
<td>Chief Operating Officer - Kerala</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Tech (Elect. &amp; Telecom), PG Diploma in Business Management</td>
<td>38</td>
<td>11-Nov-01</td>
<td>13</td>
<td>2761276</td>
<td>3Com India Pvt. Ltd./Country Sales Manager</td>
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<td>110.</td>
<td>Randeep Narang</td>
<td>Chief Operating Officer - West</td>
<td>Permanent</td>
<td>Operations</td>
<td>B. Com, PGDBM</td>
<td>44</td>
<td>3-Jan-05</td>
<td>20</td>
<td>2830585</td>
<td>Iquana/Chief Operating Officer</td>
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<tr>
<td>111.</td>
<td>Veek Y. Vyasakhtar</td>
<td>Chief Technical Officer - Maharashtra &amp; Mumbai</td>
<td>Permanent</td>
<td>Technical</td>
<td>BE</td>
<td>54</td>
<td>1-Oct-01</td>
<td>33</td>
<td>4063661</td>
<td>BPL Mobile Cellular Limited/Head Technical</td>
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<tr>
<td>112.</td>
<td>Deepak Srivastava</td>
<td>Chief Operating Officer - Bihar</td>
<td>Permanent</td>
<td>Operations</td>
<td>Bachelors in Technology in Chemical Engineering</td>
<td>46</td>
<td>13-Sep-04</td>
<td>22</td>
<td>4483078</td>
<td>BOC Edwards/GM - South Asia &amp; Country Manager, India</td>
</tr>
<tr>
<td>113.</td>
<td>Ajay Puri</td>
<td>Chief Operating Officer - Kolkata</td>
<td>Permanent</td>
<td>Operations</td>
<td>Master of Commerce, Fullbright Fellowship for Leadership in Management</td>
<td>45</td>
<td>15-May-04</td>
<td>24</td>
<td>3641134</td>
<td>Cargill Foods India/CEO - India Foods</td>
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<td>114.</td>
<td>Rupak Agarwal</td>
<td>Chief Sales Officer</td>
<td>Permanent</td>
<td>Sales</td>
<td>BE, PGDM (Mark. &amp; Fin.)</td>
<td>39.3</td>
<td>1-Sep-04</td>
<td>18</td>
<td>2945611</td>
<td>HT Media Ltd./GM - Strategic Marketing</td>
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<td>115.</td>
<td>Harish K. Gandhi</td>
<td>Sr Vice President - Human Resource</td>
<td>Permanent</td>
<td>Human Resource</td>
<td>MBA</td>
<td>49</td>
<td>1-Nov-02</td>
<td>26</td>
<td>4671610</td>
<td>Bharti Tele-ventures Ltd./BTLN (Corporate Office), Vice President - HR</td>
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<tr>
<td>116.</td>
<td>Rajan Dutta</td>
<td>Chief Human Resources Officer</td>
<td>Permanent</td>
<td>Operations</td>
<td>Master in PM &amp; IR, Diploma in Training</td>
<td>43</td>
<td>4-Jan-05</td>
<td>22</td>
<td>5032802</td>
<td>IDEA Cellular Ltd./Chief of HR &amp; TQM</td>
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<tr>
<td>117.</td>
<td>Rajen Saxena</td>
<td>Director - East Regional Hub</td>
<td>Permanent</td>
<td>Operations</td>
<td>MBA, Mech. Engineer, Doctorate &amp; Masters, Tech.</td>
<td>49</td>
<td>15-Nov-04</td>
<td>24</td>
<td>6865241</td>
<td>Escotel Mobile Communications Ltd./CSD and Executive Director</td>
</tr>
<tr>
<td>118.</td>
<td>Dr. Ravi Meron</td>
<td>Corp Director - IT and Innovation</td>
<td>Contractual</td>
<td>IT &amp; Technology</td>
<td>M.Tech, PGDBM</td>
<td>42</td>
<td>22-Aug-02</td>
<td>19</td>
<td>1036282</td>
<td>Bell South Corp. Atlanta/Corporate Office and Executive Vice President</td>
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<tr>
<td>119.</td>
<td>N. V. Subba Rao</td>
<td>Chief Operating Officer - MKTG &amp; Sales &amp; CSD</td>
<td>Permanent</td>
<td>Operations</td>
<td>BE, PGDBM</td>
<td>46</td>
<td>16-Jun-03</td>
<td>29</td>
<td>3009644</td>
<td>Tata Teleservices Ltd./General Manager</td>
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</tbody>
</table>

(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR

1. Jyotsna Kini | Chief Executive Officer & Director Mobility - South Central Region & West (Maharashtra) | Permanent | Operations | B.Sc., MBA | 50 | 15-Sep-00 | 26 | 1280620 | Gillette India/Managing Director |
2. Jagdeep Khansdar | Corporate Director - Human Resources | Permanent | Operations | MBA, MBA | 46 | 16-Aug-00 | 26 | 17991586 | Ballapur Industries Ltd./Group VP (HR) |
3. Arvind Mehta | Chief Operating Officer (UP - West) | Permanent | Operations | B.Com, FCA, FCS | 42 | 17-Dec-01 | 23 | 3684682 | Caltex Lubricants India Ltd./CFO & Co. Secretary |
4. Medha Taneja | Chief Operating Officer - MP & Chhattisgarh | Permanent | Operations | B.Sc., MBA | 36 | 1-Jan-03 | 14 | 2012326 | PepsiCo Inc./Mktg Development Mgr - FRIDAY |
5. Atul Joshi | Chief Operating Officer - Gujarat | Permanent | Operations | MBA | 42 | 26-Jun-03 | 19 | 3947723 | Max New York Life Insurance Company/ Director Supplementary Distribution |
6. Sudhir Agarwal | Chief Operating Officer | Permanent | Operations | MBA | 41 | 18-Feb-05 | 15 | 1330253 | Modi Corp Ltd/Director |
7. Deepak Gulati | Chief Executive Officer (Eastern Region) | Permanent | Operations | B.Sc. MBA | 45 | 15-Jun-98 | 24 | 6854438 | Bharti Cellular Ltd./Chief Executive, Special Project |
8. Neeran Gokhale | Chief Business Development Human Resources | Permanent | Operations | MBA | 46 | 15-Jul-05 | 20 | 2608734 | Telecom Seychelles Ltd./Chief Executive Officer |
9. Daljit Singh | Corporate Director - Human Resources | Permanent | Operations | MBA, MSc., MBA | 55 | 25-Jul-05 | 31 | 7180970 | American Express/Vice President - HR |
10. Veek Mahendru | Vice President - Group IT Transformation System | Permanent | IT & Technology | B.Sc., MBA, Diploma in Statistics, Advance Diploma in Computer Application | 40 | 2-Nov-05 | 20 | 1564128 | IDEA Cellular Ltd./Head - IT |
11. Mohini Bhatnagar | Head - NPD & Innovation | Permanent | Marketing | MBA, MS | 36 | 18-Jan-02 | 15 | 3196741 | Brightpoint Inc./Co-founder & Chief Operating Officer |
12. Pratik Ravi | Head - Acquisition | Permanent | Marketing Finance & Commercial | BE, PGDM | 37.48 | 1-Dec-01 | 14 | 3615050 | HUL/Manager - Marketing |
13. S. C. Agarwal | Head - Acquisition | Permanent | Marketing Finance & Commercial | Diploma in Marketing, Graduate Diploma in Course in Materials Management | 53.69 | 12-Apr-88 | 33 | 2809807 | Bharti Telecom Ltd./General Manager - Corporate Metals |
15. Anil Gaudia | Head - Retail Sales | Permanent | Sales | MBA | 33 | 6-Mar-06 | 12 | 137022 | BPL Mobile Cellular Ltd./Head Prepaid Business - Maharashtra & Goa |
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name</th>
<th>Designation</th>
<th>Nature of Employment</th>
<th>Nature of duties of the employee</th>
<th>Qualification(s)</th>
<th>Age (in years)</th>
<th>Date of Commencement of Employment</th>
<th>Total experience (in years)</th>
<th>Gross Remuneration (in Rs.)</th>
<th>Previous employment/Duties</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Shashi Arora</td>
<td>Sr. Vice President - Sales &amp; Marketing</td>
<td>Permanent</td>
<td>Sales &amp; Marketing Sales</td>
<td>BE, MBA</td>
<td>41</td>
<td>1-Feb-06</td>
<td>15</td>
<td>1691450</td>
<td>Kotak Mahindra Group Head</td>
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</tr>
<tr>
<td>17</td>
<td>Anant Arora</td>
<td>Vice President - Sales - Kolkata</td>
<td>Permanent</td>
<td>Sales &amp; Marketing Sales</td>
<td>MBA</td>
<td>39</td>
<td>9-Apr-03</td>
<td>16</td>
<td>2610311</td>
<td>Reliance Info Com/Head</td>
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<tr>
<td>18</td>
<td>Umesh A. Duvve</td>
<td>Head - Post Paid Sales</td>
<td>Permanent</td>
<td>Sales and Marketing Finance Manager/Supervisory Technical</td>
<td>PG Diploma</td>
<td>40</td>
<td>5-Jan-06</td>
<td>16</td>
<td>719190</td>
<td>BPL Cellular Ltd/Regional Business Head</td>
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<td>19</td>
<td>Shanker Narayan</td>
<td>Chief Financial Officer - Permanent</td>
<td>Permanent</td>
<td>Finance Manager/Supervisory Technical</td>
<td>CA, MBA (Mut., Finance), B.Tech (Radio Physics &amp; Electronics)</td>
<td>39</td>
<td>16-Apr-04</td>
<td>16</td>
<td>3246821</td>
<td>Hutchinson Essar Ltd</td>
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<tr>
<td>20</td>
<td>Vishal Sehgal</td>
<td>Vice President - Permanent</td>
<td>Permanent</td>
<td>Sales &amp; Marketing Sales</td>
<td>BE, MBA</td>
<td>38</td>
<td>15-Jul-05</td>
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<tr>
<td>21</td>
<td>Aniruddha Basu</td>
<td>General Manager</td>
<td>Permanent</td>
<td>Manager/Supervisory Sales &amp; Marketing Sales</td>
<td>Graduation, B.Tech</td>
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<td>30-Jan-05</td>
<td>17</td>
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<td>Reliance Info Com/Head</td>
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<tr>
<td>22</td>
<td>Faisal Siddiqui</td>
<td>General Manager</td>
<td>Permanent</td>
<td>Manager/Supervisory Sales &amp; Marketing Sales</td>
<td>Graduation, B.Tech</td>
<td>40.6</td>
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<td>Nilanjan Muherje</td>
<td>Senior Vice President</td>
<td>Permanent</td>
<td>Manager/Supervisory Sales &amp; Marketing Sales</td>
<td>Graduation, B.Tech</td>
<td>41</td>
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<td>24</td>
<td>K. B. Rajendran</td>
<td>Vice President - Permanent</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Tech, PGDM</td>
<td>45</td>
<td>1-Jun-00</td>
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<td>25</td>
<td>Rajiv Kohli</td>
<td>Chief Executive Officer - Access Business North</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Com. (Honors), Dip. in Marketing, L.L.B</td>
<td>52</td>
<td>1-Sep-05</td>
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<td>NET-Tech Asia Pacific Pvt Ltd</td>
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<td>26</td>
<td>Mohan Gopinath</td>
<td>Chief Executive Officer &amp; Director - Enterprise Services (Corporates)</td>
<td>Permanent</td>
<td>Operations</td>
<td>B.Com. (Honors), Dip. in Marketing, L.L.B</td>
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<td>Koshika Telecom Ltd</td>
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<tr>
<td>27</td>
<td>Akshay Kumar</td>
<td>Chief Marketing Officer - B &amp; TS</td>
<td>Permanent</td>
<td>Marketing</td>
<td>B.Tech (Honors), PGDM</td>
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<td>28</td>
<td>Nilanjan Roy</td>
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<td>Permanent</td>
<td>Finance &amp; Accounts General Management Technical</td>
<td>B.Com (Honors), A.C.A, B.Com (Honors), MBA</td>
<td>44</td>
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<td>Unilever - USA Finance Director</td>
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<td>29</td>
<td>Sanjay Kapoor</td>
<td>Joint President-Mobility Business</td>
<td>Permanent</td>
<td>Finance &amp; Accounts General Management Technical</td>
<td>B.Sc, M.Sc (Electrical Communication Engineering)</td>
<td>42</td>
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<td>Anind Mathur</td>
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<td>Permanent</td>
<td>Finance</td>
<td>CA, MBA</td>
<td>40</td>
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<td>31</td>
<td>N. Shekhar</td>
<td>Vice President</td>
<td>Permanent</td>
<td>Marketing Sales and Marketing Technical</td>
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<td>38</td>
<td>1-Mar-06</td>
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<td>256148</td>
<td>Reliance Infosys, International Calling Cards</td>
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<td>32</td>
<td>Sunil Dwivedi</td>
<td>Vice President</td>
<td>Permanent</td>
<td>Marketing Sales and Marketing Technical</td>
<td>B.E (Computer Science), PGDM</td>
<td>50</td>
<td>16-Mar-06</td>
<td>25</td>
<td>152060</td>
<td>LML Ltd/ Sr. Vice President</td>
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<td>33</td>
<td>Soumitra K. Ghatka</td>
<td>Vice President</td>
<td>Permanent</td>
<td>Marketing Sales and Marketing Technical</td>
<td>BE (Honors), MBA</td>
<td>39</td>
<td>12-Jan-06</td>
<td>15</td>
<td>1061133</td>
<td>Alcatel/Head - Projects</td>
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<td>34</td>
<td>Sudhir Chopra</td>
<td>Vice President</td>
<td>Permanent</td>
<td>Marketing Sales and Marketing Technical</td>
<td>BE (Honors), MBA</td>
<td>39</td>
<td>12-Jan-06</td>
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<td>Alcatel/Head - Projects</td>
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<td>35</td>
<td>K. B. Rajendran</td>
<td>Vice President - Permanent</td>
<td>Permanent</td>
<td>Marketing Sales and Marketing Technical</td>
<td>BE (Honors), MBA</td>
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<td>36</td>
<td>S. Ramakumar</td>
<td>Sr. Vice President</td>
<td>Permanent</td>
<td>C.O.D</td>
<td>BA</td>
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<td>37</td>
<td>Shankha Chowdhury</td>
<td>Vice President</td>
<td>Permanent</td>
<td>B.A (English Literature)</td>
<td>BA</td>
<td>45</td>
<td>11-Jan-06</td>
<td>20</td>
<td>585660</td>
<td>Reliance Info Com/Head</td>
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</tbody>
</table>

Notes:
1. Gross remuneration comprises of Salary, Allowances, Company’s contribution to Provident Fund and taxable value of perquisites.
2. The employee would qualify for being included in Category (A) or (B) on the following basis:
   For (A) if the aggregate remuneration drawn by him during the year was not less than Rs. 2,40,00,000 p.a.
   For (B) if the aggregate remuneration drawn by him during the part of the year was not less than Rs. 2,00,000 p.m.
3. None of the employees mentioned above is a relative of any Director of the Company except Mr. Sunil Bharti Mittal, Mr. Rakesh Bharti Mittal and Mr. Rajan Bharti Mittal, who are brothers and Directors on the Board of the Company.
4. None of the employees mentioned above holds 2% or more share capital of the Company.
5. The designation – “Director” whenever prefixed describes the area of responsibility occurring in the above statement and is not a Board position except that of Mr. Akhil Gupta, Mr. Sunil Bharti Mittal and Mr. Rajan Bharti Mittal.
1. INDUSTRY STRUCTURE AND DEVELOPMENTS

1.1. Indian telecom Industry

Driven by rising income levels and favourable demographics, India is poised to at least double its GDP in nominal terms from current levels by FY 2010, as stated in one of the recent reports released by Merrill Lynch. This era of rapid economic growth has been accompanied by exponential growth in the telecom sector, particularly on the wireless side. India has reached a wireless penetration of 8.3% in FY 2006, and its mobile base has increased at a compounded annual growth rate of 85% over the last seven years. With increasing network coverage and affordability this growth is expected to continue in the medium term.

With about 20.93 million mobile and broadband & telephone customers on March 31, 2006, the Company is the largest private integrated telecom player in India. It has invested approximately Rs. 215 billion in the telecom sector and had annual revenue of Rs. 117 billion in the year under review. The Company has a market capitalisation of over Rs. 760 billion and is among the top 10 listed entities in India.

1.2. Recent developments

The telecom industry is one of the most dynamic industries in the country today and is characterised by a constantly evolving regulatory environment. The relative importance of regulatory changes should be viewed in light of the big challenges and opportunities that the industry is facing today (as detailed in Section 2 of this report). On balance, the direction and pace of regulatory changes is positive for the industry and augurs well for the Company.

The following table captures few of the key regulatory changes that were implemented by the DoT/ TRAI in 2005-06.

<table>
<thead>
<tr>
<th>Regulatory Development</th>
<th>Brief Comment</th>
</tr>
</thead>
</table>
| Alteration of Interconnection Usage Charge (IUC) Regime | ● Changes effective from March 1, 2006  
● On domestic calls, per minute ADC is replaced by a “revenue share ADC” wherein operators will pay 1.5% of their non-rural AGR to BSNL  
● ADC on International call has been reduced  
● Downward revision of tariffs. |
| Increase in Foreign Direct Investment (FDI) limit from 49% to 74% | ● On November 3, 2005, the Government of India announced enhancement of FDI ceiling from 49% to 74% in the telecom sector, subject to certain preconditions. |
| Revised Terms and Conditions of Licenses | ● On November 11, 2005, the central government announced revised terms for NLD, ILD, ISPs, IPVPN and VSATs with a decrease in license fee for NLD/ILD licenses from 15% of AGR to 6% of AGR  
● Revised norms provide considerable ease of entry to new operators with the lowering of entry barriers through reduced license fee and roll out obligations. The one time entry fee has been reduced to Rs. 250 million from Rs. 1,000 million. |
| Regulation on Code of Practice for Metering and Billing Accuracy | ● Effective March 21, 2006  
● The regulation prescribes various measures to ensure that the customer gets complete information relating to his tariff plan and charges for value-added services. |
| Regulation on Quality of Service (QoS) parameters of basic and cellular services | ● Effective July 01, 2005. |
| Amendment to Reporting System on Accounting Separation Regulation | ● Effective March 27, 2006  
● Restriction of applicability to only those service providers whose minimum turnover in the preceding financial year is Rs. 250 million. |
Amendments to Telecom Tariff Order 1999

- Corporate plans (for data) need not be disclosed to TRAI
- All operators need to issue a periodic certificate of compliance with principles of non-discrimination and non-predation
- Lifetime plans applicable only for the remaining life of the license. Operators need to disclose the date of expiry of existing license to subscribers of the lifetime plan(s). No change in tariff would be permitted during the life of the plan.

The following table captures the salient draft regulations, directives and recommendations relating to various regulatory matters.

<table>
<thead>
<tr>
<th>Regulatory Development</th>
<th>Brief Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft Regulation on Intelligent Network (IN) Services</td>
<td>Covers the commercial and technical arrangements on how operators should connect their equipment, networks and services to enable customers to have access to the IN services of all operators.</td>
</tr>
<tr>
<td>TRAI’s Recommendations on Spectrum to DoT</td>
<td>The existing ceiling on spectrum charges should be reduced from 6% to 4% of AGR. The existing spectrum allocation criteria should be made technology-neutral. The unallocated carriers in 800 MHz should be given to existing CDMA operators. When the Ministry of Defence vacates spectrum in the 900 MHz band, a part of it should be allocated to GSM operators who have been allocated spectrum only in 1800 MHz band.</td>
</tr>
<tr>
<td>TRAI’s Recommendations on Convergence and Competition in Broadcasting and Telecommunications</td>
<td>There should be a converged regulatory regime based on a slightly modified Convergence and Communications Convergence Bill 2001. Entry fee for unified license should be reduced to Rs.50 million as against Rs.1,070 million recommended earlier to reflect the recent change in NLD/ILD license. Further, entry fee should reduce to Rs.3 million after 5 years as recommended earlier.</td>
</tr>
<tr>
<td>TRAI’s Recommendations on Mobile Number Portability (MNP)</td>
<td>MNP will allow mobile phone customers to switch service providers without having to sacrifice their existing number, often the biggest deterrent for a dissatisfied customer to switch service providers. DOT has decided to defer implementation of MNP as of now.</td>
</tr>
<tr>
<td>TRAI’s Recommendations on Next Generation Networks (NGN)</td>
<td>Recommendations on industry-wide issues in the event that operators decide to migrate to Next Generation Networks.</td>
</tr>
<tr>
<td>TRAI recommends steps for improvement in the effectiveness of NIXI</td>
<td>Recommendations for utilization of National Internet Exchange of India (NIXI) which was set up for peering of ISPs among themselves, for the purpose of routing domestic traffic within the country, instead of taking it all the way to US/abroad.</td>
</tr>
<tr>
<td>DOT and TRAI Directives</td>
<td>During the course of the year, TRAI and the DoT issued a number of directives to all telecom service providers. The salient ones amongst these are: Inter-Service-Area connectivity Information to customers about complete details of the tariff plan Provision of Interconnection Charges for Value Added Services (VAS) and Premium Rate Services Formats for Publication/Advertisement of subscriber tariff Tariff plans with misleading titles Implementation of Carrier Selection.</td>
</tr>
</tbody>
</table>
2. OPPORTUNITIES AND THREATS

2.1. Opportunities

A strong economy and a growing market

The Indian telecommunication industry is amongst the fastest growing telecom markets in the world and is poised to deliver solid growth as a result of several economic reforms that have lead to strong GDP growth pegged at approximately 8.1% for FY 2006. Increasing per capita income supported by increased consumption is resulting in a greater-than-proportionate impetus for telecom growth. As India still remains one of the lowest penetrated markets, it is one of the most attractive telecom markets in the world today.

New technologies and paradigms

The trend towards adoption of Next Generation Networks (NGN) is global and the discussions in India are still at a preliminary stage. Bharti will partake in the discussions regarding the feasibility, and the model for adopting 3G and other NGN related technologies in the Indian context.

Technologies like Triple Play, wherein a single cable can deliver voice, data, video on demand and IPTV provide us with a unique opportunity as we are an integrated player and are well positioned to deliver this service.

Strong strategic partnerships

We have strong strategic alliances with SingTel, and Vodafone, both of whom have invested in the equity capital of our Company. Our alliances provide us access to technological know-how as well as best practices to enhance customer experience. We will continue to leverage the strengths of our partners and benefit from their experience and know-how.

Introduction of number portability

Number portability would allow customers to retain their telephone numbers even after switching service providers or networks. We believe that companies with better service delivery and customer care platforms stand to gain over their competitors. Extensive network coverage, coupled with aggressive pricing and innovative products and services would help in gaining a larger share of the market. Given our competitive position and focus on customer delight, we believe we are well positioned to attract subscribers presently on other networks, as and when number portability gets introduced in the market.

2.2. Threats

Regulatory decisions and changes

On the regulatory front, reduction in the entry fee and the annual license fee for National Long Distance and International Long Distance (ILD), combined with the impending implementation of Carrier Access Code (CAC) would lead to greater competition in the Long Distance segment. The implementation of Carrier Access Code would make it easier for customers to choose their long distance carrier, regardless of the access provider.

We, however, believe that given our focus on offering value-for-money services to consumers, we would stand to gain from the introduction of CAC.

Introduction of number portability may impact our business

Number portability can lead to high customer attrition rate, as the inability to retain a telephone number is currently a significant exit barrier for a customer in the intensely competitive Indian market. We may experience increased price competition as operators seek to retain or attract subscribers as well as incur an increased acquisition cost per subscriber.

In addition, if we are required to offer number portability, we will need to invest in implementation and maintenance of complex back-end support systems, which will increase our capital expenditure and expenses. However, given our focus on customer delight, our presence in all circles as an integrated telecom operator and our emphasis on network enhancement and expansion, we believe that we would benefit from introduction on number portability.

Increased competition may reduce market share and/or revenue

Bharti Airtel is the only private GSM operator having an all-India footprint. The Company is the market leader in the
wireless space based on the number of customers. With the new foreign entities entering the Indian market through their investments in the current operators, the financial strength of these players is likely to increase. Also, few of our competitors are likely to raise funds either through private equity, borrowing or from public listings. They are likely to plough back funds to expand network and provide greater quality of service. This may lead to a downward pressure on both customer and revenue market share.

3. SEGMENT WISE PERFORMANCE

3.1. Mobile Services

During the financial year, we added 8,594,928 mobile customers on our networks, to end the year with a mobile customer base of 19,579,208. We have maintained our leadership in terms of wireless subscribers and have improved our wireless subscriber market share from 21.2% as at March 31, 2005 to 21.8% as at March 31, 2006.

Of our 19,579,208 mobile customers as at March 31, 2006, post-paid customers contributed 17.3% to the overall customer base, while the prepaid customers contributed the balance 82.7%. During the financial year ended March 31, 2006, our share of 8,594,928 net additions was 22.7% of the all-India wireless subscribers net additions.

The Mobile Services business recorded gross revenues of Rs. 83,095 million for the year ended March 31, 2006, showing a growth of 50% year on year. The earnings before interest and tax was Rs. 16,854 million for the financial year 2005-06 as compared with Rs. 10,385 million in the previous year, representing a year on year growth of 62%.

3.2. Non-Mobile Services

Non-Mobile Services comprises of Broadband & Telephone Services and Enterprise Services. Enterprise Services is further divided into two sub-business units, i.e. Enterprise Services–Carriers (Long Distance) and Enterprise Services–Corporates.

3.2.1 Broadband & Telephone Services

Broadband (DSL) and telephone (fixed line) services are provided in 90 cities across India. We had 1,346,740 customers as on March 31, 2006 of which 23.4% (315,729) were subscribing to broadband (DSL) services. During the financial year FY 2005-06, we added 489,478 customers registering a growth of 57% over the previous year.

Broadband & Telephone Services recorded gross revenues of Rs. 15,075 million for the year ended March 31, 2006, showing a growth of 33% year on year. The earnings before interest and tax was Rs. 606 million for the financial year 2005-06 as compared with Rs. 1,442 million in the previous year. This reduction was attributable to the rollout of services in 38 new cities during the financial year 2005-06.

3.2.2 Enterprise Services

3.2.2.1 Enterprise Services (Carriers)

1. The Company complements its Mobile and Broadband & Telephone Services with national and international long distance services. It has approximately 32,900 route kilometres of optic fibre on its national long distance network as at March 31, 2006. For international connectivity to the East, it has a submarine cable landing station at Chennai, which connects the submarine cable (owned by an associate company) between Chennai and Singapore. For international connectivity to the West, it is a member of the South East Asia-Middle East-Western Europe – 4 (SEA-ME-WE-4) consortium jointly with 15 other global telecom operators, and have commissioned the fourth generation cable system. SEA-ME-WE-4 supports telephone, internet, multimedia and various other broadband and data applications.

The division recorded gross revenues of Rs. 24,674 million for the year ended March 31, 2006, demonstrating a growth of 32% year on year. The earnings before interest and tax was Rs. 7,794 million for the financial year 2005-06 as compared with Rs. 4,716 million in the previous year.

3.2.2.2 Enterprise Services (Corporates)

The Enterprise Services business unit provides secure, scalable, seamless, reliable and customized integrated solutions of voice and data communications for corporate, small and medium scale enterprises.

The unit recorded gross revenues of Rs. 6,933 million for the year ended March 31, 2006, demonstrating a growth of 28% year on year. The earnings before interest and tax was
Rs. 1,762 million for the financial year 2005-06 as compared with Rs. 2,284 million in the previous year.

4. OUTLOOK
We believe that Bharti Airtel Ltd. will benefit from the overall economic growth and the potential for further growth of telecom services in the Indian market. We are the first and only private GSM mobile operator to have an all-India footprint. We believe that we are in a strong position to enhance our leadership, based on:

- our rich human resource talent pool;
- the growth potential of new services in the data market and our track record in innovation;
- the expansion of our networks to rural markets;
- our ability to maximize returns on investment;
- the ability to leverage the strengths of our business partners and our integrated player status;
- our focus on building a strong brand, and enhancing customer experience.

We have consistently been the first to market with many successful and innovative products that add to superior customer experience and satisfaction. For instance, we introduced a validity free world in India.

We firmly believe that we will continue to provide unique and innovative products and services to our customers that will help us further consolidate our market leadership.

5. RISKS AND CONCERNS

Our business is subject to extensive regulation by the Government, which could have an adverse effect on our business.

Our business units compete with government-owned or government controlled companies. The regulatory environment may tend to benefit them over the private operators.

We, however, do not perceive adverse changes in the regulatory environment. We are confident that the government will continue to ensure a level playing field for all operators keeping the customers’ best interest in mind.

Technical failures and natural disasters could damage our telecommunication networks.

We maintain insurance for our assets equal to the replacement value of our existing telecommunications networks, which provides cover for damage caused by fire, special perils, and terrorist attacks. However, there can be no assurance that any claim under the insurance policies maintained by us will be honored. Further, technical failures and natural disasters, even when covered by insurance, may cause disruption in our operations.

As a normal course of business, we have implemented back-up solutions in the event such issues arise, which we believe will enable us to continue with normal operations under most circumstances.

Changes in available technology could increase competition and our capital costs.

In order to remain competitive, we consistently introduce sophisticated new technologies. In the event that the new technologies that we have adopted or intended to adopt, fail to be cost effective or are not accepted by customers, our ability to remain competitive could be affected.

We have prudently deployed new technologies after assessing the experience of our international partners in the deployment process before choosing to do so ourselves.

Skilled manpower and talent.

The growth of the Indian economy has led to an increased requirement for talented managerial personnel. We believe that talented manpower is a key strength. Given the track record and success of our employees, other companies often look to Bharti Airtel as a hunting ground for talent.

As a retention strategy, the company has issued ESOPs. Further, in order to mitigate the risk we place considerable emphasis on development of leadership skills and on building employee motivation.

6. INTERNAL CONTROL SYSTEMS

The Company has in place adequate systems of internal controls commensurate with its size and nature of its operations. These have been designed to provide reasonable
assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorizations and ensuring compliance with corporate policies.

The Company has a well-defined delegation of power with authority limits for approving all expenses and transactions. There are formalized processes laid down for review of the actuals vs the budgets and annual and long-term business plans. The Company has implemented an Enterprise Resource Planning (ERP) system to connect financial information of different locations for efficient exchange of information and is continuing to align its processes and controls.

The Corporate Audit Group is responsible for performing regular internal audit reviews to ensure adequacy of the internal control systems and adherence to management policies and statutory requirements. These audits are executed as per an Internal Audit Plan, which is based on assessment of major risks faced by the Company and is approved by the Audit Committee. In line with best practices, the planning and execution of the internal audit is oriented towards review of controls in various operational and financial areas critical to business – IT, Revenue Assurance, Collection Credit and Risk, Network Security, Financial Reporting, Procurement etc.

The Corporate Audit Group functionally reports to the Board Audit Committee and administratively to the Chairman and Group Managing Director. The Board Audit Committee periodically reviews the audit plans, as well as observations of both internal and statutory auditors.

7. DISCUSSION ON FINANCIAL PERFORMANCE

For the year ended March 31, 2006, the Company had consolidated gross revenues of Rs. 117,255 million, a growth of 44% year on year. Earnings before Interest, Tax, Depreciation & Amortisation or EBITDA were Rs. 42,250 million, a growth of 38% over the previous year. Cash profit from operations was at Rs. 40,006 million, up by 42% while Profit before tax was Rs. 23,455 million up by 48% from the previous year.

Net profit for the year was Rs. 20,279 million, a growth of 67% over the previous year.

8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

With the ongoing economic growth in India and increasing competitiveness in the services sector, it was imperative to align our structures, systems and processes with our vision. To capitalize on diverse opportunities in the telecom sector, all our business lines have been structurally synergized to provide the ‘One Airtel’ experience. This not only ensures enhanced sustainability and scalability for future business opportunities but also leverages our diverse strengths to address prospective competitive challenges. To align people capabilities with the revamped organizational design, the Company has developed a comprehensive leadership competency framework. Further, in order to ensure seamless structural transition and account for enhanced job responsibilities in the current context the Company is conducting a detailed job evaluation exercise. This will enable validated assessment of various existing/new roles within the Company, provide more clarity to the job incumbents and in turn support organizational optimization.

The Company’s continuing growth, coupled with quantum developments in the services segments, and transferability of skills has resulted in significant risks attributable to talent retention across senior/critical positions. In order to address these risks the Company envisages introducing a talent assessment process to develop and recognize exemplary leaders. The Company also plans to introduce a targeted retention plan for senior/critical employees by providing stock options based on performance of these employees.

A combination of these structural and systematic human resource measures would ensure that the Company realizes its vision of ‘being targeted by top talent’ and simultaneously fulfill its growth agenda.
THE COMPANY’S GOVERNANCE PHILOSOPHY

Corporate governance refers to a blend of law, regulation and voluntary practices that is able to attract capital and talent, enable the organization to perform efficiently and ethically, generate long-term wealth and value for all its stakeholders and respect the interests of society as a whole.

At Bharti Airtel Limited we believe in, and abide by, the following principles of effective corporate governance:

- Transparency in disclosure and communication of relevant financial and operational information;
- Accountability, supported by robust internal processes of management oversight and control for monitoring of performance and risk;
- Integrity and ethics in all our dealings;
- Balancing the enforcement and protection of the rights of all stakeholders, thus creating wealth and value in the long-term;
- Independence of directors in reviewing and approving corporate strategy, major business plans and activities as well as senior management appointments;
- Well defined corporate structure that establishes checks and balances and delegates decision making to appropriate levels in the organization.

The implementation of Clause 49 of the Listing Agreement with the stock exchange will undoubtedly raise the standards of corporate governance in India. However, regulatory directives and enforcement will not be sufficient to create a best in class transparent organization. We believe that establishing trust with our customers, investors, employees, business partners, shareholders and the public at large requires that we go beyond regulatory compliance and adopt a culture and process for credible self-regulation that transcends mere form.

Corporate governance rating

The earlier awarded highest Governance and Value Creation (GVC) rating viz. ‘CRISIL GVC Level 1’ by CRISIL, has been reaffirmed once again this year. This clearly indicates our capability to create wealth for all our stakeholders, while preserving the highest standards of ethics and governance. We acknowledge that corporate governance is a continuing process of increasing the levels of governance and we endeavor to establish and benchmark ourselves with industry’s best practices to ensure that our commitment to stay at the highest level is maintained.

Governance structure

The Chairman and Managing Director of Bharti Airtel is supported by two Joint Managing Directors, by the President of Bharti Airtel and by a number of Corporate Directors to ensure the highest corporate governance standards, and to aid in designing future strategy for the Company.

The Bharti Airtel organization is structured in three Strategic Business Units, i.e. Mobile Services, Broadband & Telephone Services (B&TS), and Enterprise Services headed by three Joint Presidents who report directly to the President.

The President’s Office is provided the highest level of functional expertise and delivery, by functions such as Finance & Business Integration, IT & Innovation, Marketing & Communication, Networks, Human Resources, Customer Service Delivery, Legal & Regulatory, Supply Chain and Content Factory.

The principles of corporate governance in Bharti Airtel are practiced at multiple levels, which are interlinked with each other:

a) Strategic supervision and direction – by the Board of directors;
b) Strategic design – by the senior management;

c) Strategic control and implementation – by the Airtel Management Board;

d) Operations management – by the management boards of the three Strategic Business Units, assisted by their respective circle Executive Committees. There are twenty three circles in the Company, each with its own Executive Committee, comprising of functional heads of divisions for day-to-day management and decision making;

e) Technology management – by the Airtel Technology Council.

This multi-tier structure for Corporate Governance ensures that:

i. Strategic supervision can be conducted by the Board based on independent judgment, thereby increasing accountability;

ii. Strategic design outlines the Company’s strategy for future growth;

iii. Strategic control and implementation activities have a clear focus on specific business areas, and on achieving synergies with cross-business linkages, while maintaining a culture of customer centricity and meritocracy in the Company;

iv. Operations management of the strategic business units remains focused on enhancing the efficiency and effectiveness of the respective businesses; and

v. Technology management concentrates on assessing emerging trends of technology, and achieves consensus on future technology initiatives and action plans.

Our governance structure and process helps in clearly determining the responsibilities and entrusted powers of each of the business entities, thus enabling them to perform those responsibilities in the most effective manner. It also allows us to maintain our focus on the vision, mission and values we have defined, besides enabling effective delegation of authority and empowerment at all levels.

BOARD OF DIRECTORS

Composition of the Board

The business of the Company is conducted by the management, under the direction of the Board, which oversees its performance. The Board currently comprises of eighteen members, fifteen of whom are non-executive. A resume of each of our directors is available on the website of the Company at www.bhartiairtel.in.

Sunil Bharti Mittal is the Executive Chairman, CEO and Managing Director. In accordance with the stipulations of the revised Clause 49 of the Listing Agreement half of the Board members are independent directors, as is illustrated by the below graph.

The table sets out the names of directors, status and number of directorships held in other companies.
<table>
<thead>
<tr>
<th>Name of the Director</th>
<th>Category</th>
<th>Number of Directorships¹ and Committee² Memberships &amp; Chairmanships</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Directorships</td>
</tr>
<tr>
<td>Sunil Bharti Mittal</td>
<td>Executive director – Promoter</td>
<td>8</td>
</tr>
<tr>
<td>Rajan Bharti Mittal</td>
<td>Executive director – Promoter</td>
<td>5</td>
</tr>
<tr>
<td>Akhil Gupta</td>
<td>Executive director</td>
<td>9</td>
</tr>
<tr>
<td>Rakesh Bharti Mittal</td>
<td>Non-executive director – Promoter</td>
<td>4</td>
</tr>
<tr>
<td>Chua Sock Koong</td>
<td>Non-executive director</td>
<td>2</td>
</tr>
<tr>
<td>Paul O’ Sullivan</td>
<td>Non-executive director</td>
<td>2</td>
</tr>
<tr>
<td>York Chye Chang⁴</td>
<td>Non-executive director</td>
<td>1</td>
</tr>
<tr>
<td>Gavin John Darby³</td>
<td>Non-executive director</td>
<td>2</td>
</tr>
<tr>
<td>William Thomas Morrow³</td>
<td>Non-executive director</td>
<td>1</td>
</tr>
<tr>
<td>Paul Donovan⁶</td>
<td>Non-executive director</td>
<td>1</td>
</tr>
<tr>
<td>Lim Toon⁵</td>
<td>Non-executive director</td>
<td>2</td>
</tr>
<tr>
<td>Bashir Currimjee</td>
<td>Independent director</td>
<td>1</td>
</tr>
<tr>
<td>Donald Cameron</td>
<td>Independent director</td>
<td>1</td>
</tr>
<tr>
<td>Kurt Hellstrom</td>
<td>Independent director</td>
<td>1</td>
</tr>
<tr>
<td>N. Kumar</td>
<td>Independent director</td>
<td>7</td>
</tr>
<tr>
<td>Pulak Chandan Prasad</td>
<td>Independent director</td>
<td>3</td>
</tr>
<tr>
<td>V. S. Raju</td>
<td>Independent director</td>
<td>3</td>
</tr>
<tr>
<td>Ajay Lal³</td>
<td>Independent director</td>
<td>3</td>
</tr>
<tr>
<td>Syeda Bilgrami Imam³</td>
<td>Independent director</td>
<td>1</td>
</tr>
<tr>
<td>Arun Bharat Ram⁴</td>
<td>Independent director</td>
<td>10</td>
</tr>
<tr>
<td>Lung Chien Ping⁵</td>
<td>Independent director</td>
<td>1</td>
</tr>
</tbody>
</table>

1. The directorships held by the directors, as mentioned above, do not include the directorships held in foreign companies, private limited companies and companies under Section 25 of the Companies Act.

2. The committees considered for the purpose are those prescribed under Clause 49(I)(C)(ii) of the Listing Agreement(s) viz. Audit Committee and Shareholders/Investors Grievance Committee of Indian Public Limited Companies.

3. William Thomas Morrow, Gavin John Darby, Ajay Lal and Syeda Bilgrami Imam were appointed as additional directors on the Board w. e. f. January 23, 2006. William Thomas Morrow has resigned from the Board effective April 27, 2006.

4. York Chye Chang and Arun Bharat Ram were appointed as directors on the Board w.e.f. March 31, 2006 to fill the casual vacancies caused due to resignation of Lim Toon and Lung Chien Ping respectively.

5. Lim Toon, non-executive director and Lung Chien Ping, independent director resigned from the Board effective February 24, 2006.

6. Paul Donovan was appointed as an additional director on the Board w. e. f. April 27, 2006.

All our directors have professional skills and experience in different and complementary fields. They have proven judgment and competence in understanding and guiding the company’s performance and strategy. The present strength and composition of the Board reflects the diverse nature of the business environment in which we operate. The Board reviews its strength and composition from time to time to ensure it remains aligned with the requirements of the business.

None of the non-executive directors hold any equity shares in the Company, save for Bashir Currimjee, who – through a relative – holds 700 shares.
Independent directors

The independence of a director is determined by the criteria stipulated under the revised Clause 49 of the Listing Agreement as set out below.

None of the independent directors

a) apart from receiving his/her remuneration, has any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates that may affect independence of the director;

b) is related to promoters or persons occupying management positions at the Board level or at one level below the Board;

c) has been an executive of the Company in the immediately preceding three financial years;

d) is a partner or an executive or was a partner or an executive during the preceding three years, of any of the following:
   i. the statutory audit firm or the internal audit firm that is associated with the Company, and
   ii. the legal firm(s) and consulting firm(s) that have a material association with the Company.

e) is a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the Director; and

f) is a substantial shareholder of the Company i.e. owning two percent or more of the block of voting shares.

We follow a process of self-certification by directors for ensuring that the criteria are fully met and the certificates are tabled before the Board.

Meeting of independent directors and Lead independent director

All independent directors meet separately prior to the commencement of all Board meetings, without the presence of any executive directors or representative of management to discuss and form an independent opinion on the agenda items and other Board related matters. Mr. Bashir Currimjee has been designated as the Lead independent director. The role of the Lead independent director is to:

- preside over all executive sessions of the independent directors;
- provide objective feedback of the independent directors as a group to the Board on various matters including agenda and other items;
- undertake such other assignments as may be requested by the Board from time to time.

Number of Board Meetings

During the year 2005-06, the Board met four times, on

- April 28 and 29, 2005
- July 26 and 27, 2005
- October 27, 2005 and
- January 23 and 24, 2006

The time gap between two meetings was not more than 4 months. The calendar for Board and Committee meetings is fixed in advance for the whole year. Meetings are generally held at the registered office of the Company in New Delhi, though a few meetings are held in other cities and/or locations for logistical reasons.

Information available to the Board

The Board has complete access to all the relevant information within the Company, and to all our employees. The information regularly supplied to the Board specifically includes:

- Annual operating plans, budgets and any updates therein;
- Capital budgets and any updates therein;
- Quarterly results for the Company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee and other Committees of the Board;
- Information on recruitment/remuneration of senior officers just below Board level;
- Material show cause, demand, prosecution notices and penalty notices, if any;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any;
- Any material default in financial obligations to and by the Company or substantial non-payment for services provided by the Company;
- Any issue, which involves possible public or product liability claims of substantial nature, if any;
Details of any joint venture or collaboration agreement;
Transactions involving substantial payment towards goodwill, brand equity or intellectual property;
Significant labour problems and their proposed solutions, if any. Any significant development in human resources/industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme etc. if any;
Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service;
Various disclosures;
All proposals requiring strategic decisions;
Regular business updates.

The above information is generally provided as part of the agenda papers of the Board meeting and/or is placed at the table during the course of the meeting. The President and other senior management staff are also invited to the Board meetings to present reports on the Company’s operations and internal control systems.

The Company Secretary, in consultation with the Chairman, prepares the agenda. All Board members are at liberty to suggest agenda items for inclusion. The detailed agenda is sent to the members a week before the Board meeting date. Board meetings are held quarterly to coincide with the announcement of quarterly results and Committee meetings are held on the same dates as Board meetings.

### Attendance of directors in the Board meetings and AGM

<table>
<thead>
<tr>
<th>Name of director</th>
<th>No. of Board meetings</th>
<th>Attendance at last AGM held on September 6, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunil Bharti Mittal</td>
<td>4 held, 4 attended</td>
<td>Yes</td>
</tr>
<tr>
<td>Rajan Bharti Mittal</td>
<td>4 held, 4 attended</td>
<td>Yes</td>
</tr>
<tr>
<td>Akhil Gupta</td>
<td>4 held, 4 attended</td>
<td>Yes</td>
</tr>
<tr>
<td>Rakesh Bharti Mittal</td>
<td>4 held, 4 attended</td>
<td>Yes</td>
</tr>
<tr>
<td>Chua Sock Koong</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
<tr>
<td>Paul O’ Sullivan¹</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
<tr>
<td>York Chye Chang²</td>
<td>N.A. held, N.A. attended</td>
<td>N.A.</td>
</tr>
<tr>
<td>Gavin John Darby³</td>
<td>1 held, 1 attended</td>
<td>N.A.</td>
</tr>
<tr>
<td>William Thomas Morrow³</td>
<td>1 held, — attended</td>
<td>N.A.</td>
</tr>
<tr>
<td>Lim Toon⁴</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
<tr>
<td>Bashir Currimjee</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
<tr>
<td>Donald Cameron</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
<tr>
<td>Kurt Hellstrom</td>
<td>4 held, 3 attended</td>
<td>No</td>
</tr>
<tr>
<td>N. Kumar</td>
<td>4 held, 3 attended</td>
<td>No</td>
</tr>
<tr>
<td>Pulak Chandan Prasad</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
<tr>
<td>V. S. Raju</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
<tr>
<td>Ajay Lal³</td>
<td>1 held, — attended</td>
<td>N.A.</td>
</tr>
<tr>
<td>Syeda Bilgrami Imam³</td>
<td>1 held, 1 attended</td>
<td>N.A.</td>
</tr>
<tr>
<td>Arun Bharat Ram²</td>
<td>N.A. held, N.A. attended</td>
<td>N.A.</td>
</tr>
<tr>
<td>Lung Chien Ping³</td>
<td>4 held, 4 attended</td>
<td>No</td>
</tr>
</tbody>
</table>

1. One meeting attended through alternate director.
2. Appointed as directors with effect from March 31, 2006 to fill the casual vacancies caused due to resignation of Lim Toon and Lung Chien Ping respectively.
4. Resigned from the Board on February 24, 2006.


**Code of Conduct**

The Board has laid down a Code of Conduct for all directors and senior management staff of the Company, which is also available on the website of the Company [www.bhartiartel.in](http://www.bhartiartel.in). All directors and members of the senior management, that includes company executives who report directly to the Chairman and executive directors, have affirmed their compliance with the said Code. A declaration signed by the Chief Executive Officer to this effect is appended as Annexure B at the end of this report. Employees of the Company also confirm compliance with the Code of Conduct that is applicable for all employees.

**COMMITTEES OF THE BOARD**

In compliance with the Listing Agreements (both mandatory and non-mandatory) and the SEBI Regulations, the Board has constituted the following statutory committees, viz.:

1. Audit Committee
2. HR/ Remuneration Committee
3. ESOP Compensation Committee and
4. Investors’ Grievance Committee.

**AUDIT COMMITTEE**

As on March 31, 2006, the Audit Committee comprises of nine members, two-thirds (6 members) of which are independent directors. The Chairman of the Audit Committee is an independent director. The majority of the Audit Committee members, including the Chairman, N. Kumar, have accounting and financial management expertise.

The Chief Internal Auditor, Group CFO and the representative of the Statutory Auditors are permanent invitees to the Audit Committee. The Company Secretary acts as the secretary of the Committee.

The key responsibilities of the Audit Committee include the following:

- Oversight of the Company’s financial reporting process and the disclosure of its financial information, to ensure that the financial statements are true and accurate and provide sufficient information;
- Recommending to the Board the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of their audit fees;
- Approval of payment to statutory auditors 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, which form part of 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; and
  - 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, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, availability and deployment of resources to complete their responsibilities and the performance of the outsourced audit activity;
Discussion with internal auditors with respect to the coverage and frequency of internal audits as per the annual audit plan, nature of significant findings and follow up thereof;

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;

Obtaining an update on the risks management framework and the manner in which risks are being addressed;

Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

Reviewing the reasons for substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;

Reviewing the functioning of the whistle blower mechanism and the nature of complaints received by the Ombudsman;

Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee also specifically reviews the un-audited/audited quarterly financial results of the Company before these are submitted to the Board for approval. Minutes of each Audit Committee meeting are placed before the Board for noting.

The Audit Committee is empowered, pursuant to its terms of reference, to:

- Investigate any activity within its terms of reference and to seek any information it requires from any employee;
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

We have instituted internal processes and systems to ensure that the Audit Committee has access to all the material information, and reviews on a regular basis the following:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management certificates on internal controls and compliance with laws and regulations, including any exceptions to these;
- Management letters/letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses;
- The appointment, removal and terms of remuneration of the Chief Internal Auditor;
- The financial statements, in particular the investments, if any, made by the unlisted subsidiary companies.

The Audit Committee is also presented with the following information on related party transactions (whenever applicable):

- A statement in summary form of transactions with related parties in the ordinary course of business;
- Details of material transactions with related parties, which are not in the normal course of business;
- Details of material transactions with related parties or others, which are not on an arm’s length basis accompanied by management’s justification for the same.

The Audit Committee held four meetings during 2005-06, on

- April 28, 2005
- July 26, 2005
- October 27 and 28, 2005 and
- January 23 and 24, 2006
The time gap between any two meetings was less than four months. The composition of the Audit Committee as at March 31, 2006 and the attendance of members at the meetings is given below:

<table>
<thead>
<tr>
<th>Member</th>
<th>Director Category</th>
<th>No. of Audit Committee Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Held</td>
</tr>
<tr>
<td>N. Kumar, Chairman</td>
<td>Independent director</td>
<td>4</td>
</tr>
<tr>
<td>Akhil Gupta</td>
<td>Executive director</td>
<td>4</td>
</tr>
<tr>
<td>Chua Sock Koong</td>
<td>Non-executive director</td>
<td>4</td>
</tr>
<tr>
<td>Gavin John Darby(^1)</td>
<td>Non-executive director</td>
<td>1</td>
</tr>
<tr>
<td>Bashir Currimjee</td>
<td>Independent director</td>
<td>4</td>
</tr>
<tr>
<td>Arun Bharat Ram(^2)</td>
<td>Independent director</td>
<td>N.A.</td>
</tr>
<tr>
<td>Pulak Chandan Prasad(^4)</td>
<td>Independent director</td>
<td>4</td>
</tr>
<tr>
<td>Syeda Bilgrami Imam(^1)</td>
<td>Independent director</td>
<td>1</td>
</tr>
<tr>
<td>Ajay Lal(^1)</td>
<td>Independent director</td>
<td>1</td>
</tr>
<tr>
<td>Lung Chien Ping(^1)</td>
<td>Independent director</td>
<td>1</td>
</tr>
</tbody>
</table>

1. Appointed as members of the Audit Committee w.e.f. January 23, 2006
2. Appointed as member of the Audit Committee w.e.f. March 31, 2006
3. Lung Chien Ping, who was appointed as member of the Audit Committee w.e.f. January 1, 2006 ceased to be a member of the Board and Audit Committee w.e.f. February 24, 2006.
4. Pulak Chandan Prasad, member was elected as Chairman of the meeting held on April 28, 2005.

**Audit Committee Report for the year ended March 31, 2006**

To the shareholders of Bharti Airtel Limited:

Two-third of the Audit Committee members are independent directors, according to the definition laid down in the Clause 49 of the Listing Agreement with the relevant stock exchanges.

The management is responsible for the Company’s internal controls and financial reporting process. The statutory auditors are responsible for performing an independent audit of the Company’s financial statements in accordance with the Indian GAAP (Generally Accepted Accounting Principles) and for issuing a report thereon. The Company also has in place an internal audit group responsible for reviewing all the operations of the Company to evaluate the risks, internal controls and governance processes.

The Audit Committee is responsible for ensuring the proper discharge of the above noted responsibilities of management and auditors. It is also responsible for overseeing the processes related to the financial reporting and information dissemination.

In this regard the Committee discussed with the Company’s internal auditors and statutory auditors the overall scope and plan for their respective audits. The Committee also discussed the results of their examinations, their evaluation of the Company’s internal controls and the overall quality of financial reporting. The management presented to the Committee, the Company’s financial statements and also affirmed that the Company’s financial statements had been drawn up in accordance with the Indian GAAP.

The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. Based on its review and discussions conducted with the management and the statutory auditors, the Audit Committee believes that the Company’s financial statements are in conformity with Indian GAAP.

The Committee has recommended to the Board, the re-appointment of M/s. Price Waterhouse, Chartered Accountants as statutory auditors of the Company.

In conclusion, the Committee is sufficiently satisfied that it has complied with the responsibilities as outlined in the Audit Committee’s Charter.

N. Kumar  
Chairman, Board Audit Committee
HUMAN RESOURCE (HR) COMMITTEE

In compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement, we have constituted a Remuneration Committee (which is known as HR Committee).

The Committee comprises of six non-executive directors, out of which three members including the Chairman of the committee Donald Cameron, are independent directors. The Company Secretary acts as the secretary of the Committee.

The key responsibilities of the HR Committee include the following:

- Attraction and retention strategies for employees;
- Employees development strategies;
- Compensation (including salaries and salary adjustments, incentives/benefits bonuses, stock options) and performance targets for the Chairman and Managing Director (CMD) and Joint Managing Director (JMDs);
- All human resource related issues;
- Other key issues/matters as may be referred by the Board or as may be necessary in view of Clause 49 of the Listing Agreement or any statutory provisions.

During the year, the Committee met four times, on
- April 28, 2005
- July 26, 2005
- October 28, 2005 and
- January 23, 2006

The composition and members’ attendance at the Committee meetings is presented below:

<table>
<thead>
<tr>
<th>Member</th>
<th>Category</th>
<th>No. of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donald Cameron</td>
<td>Independent non-executive director</td>
<td>4 4</td>
</tr>
<tr>
<td>(Chairman)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kurt Hellstrom</td>
<td>Independent non-executive director</td>
<td>4 3</td>
</tr>
<tr>
<td>V. S. Raju</td>
<td>Independent non-executive director</td>
<td>4 4</td>
</tr>
<tr>
<td>Paul O’ Sullivan¹</td>
<td>Non-executive director</td>
<td>4 4</td>
</tr>
<tr>
<td>Rakesh Bharti Mittal</td>
<td>Non-executive director</td>
<td>4 4</td>
</tr>
<tr>
<td>William Thomas Morrow²</td>
<td>Non-executive director</td>
<td>1 —</td>
</tr>
<tr>
<td>Rajan Bharti Mittal³</td>
<td>Executive director</td>
<td>2 2</td>
</tr>
</tbody>
</table>

1. One (1) meeting attended through alternate director.
2. Appointed as member of the HR Committee w.e.f. January 23, 2006. He has subsequently resigned from the Board effective April 27, 2006.
3. Ceased to be member of the Committee w.e.f. January 23, 2006.

Remuneration Policy for directors

The remuneration paid to executive directors viz. Sunil Bharti Mittal - Chairman and Managing Director, Rajan Bharti Mittal and Akhil Gupta – Joint Managing Directors is reviewed by the HR Committee and approved by the Board of directors and the shareholders of the Company. The performance linked incentives paid to the executive directors are based on the performance of the Company as well as that of the directors as reviewed by the Remuneration/HR Committee and approved by the Board.

The non-executive directors representing the key shareholders, namely Bharti Telecom Ltd., SingTel and Vodafone are not entitled to any remuneration or reimbursement of any expenses in terms of the shareholders’ agreements executed amongst themselves. The independent non-executive directors are paid sitting fees within the prescribed limits for the Board/Committee.
meetings attended by them. Further a commission, duly approved by the shareholders, not exceeding 1% of the net profit of the Company for the year calculated as per the Companies Act, 1956 is also payable to the non-executive independent directors. As a matter of better corporate governance, the Board of directors in its meeting held on January 23-24, 2006 has approved and adopted a policy on all payments including sitting fees, commissions, reimbursement of expenses etc. to independent directors. Compensation of the non-executive independent directors is linked with the number of meetings attended by the respective director during the year.

ESOP Compensation Committee

The ESOP Compensation Committee of the Board is constituted in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Committee comprises of 4 members of whom three are independent and all are non-executive.

The key responsibilities of the ESOP Compensation Committee includes the following:

1. ESOP plan and future grants.
2. Other key issues as may be referred by the Board.

During the year, the committee met three times viz. on

- April 28, 2005,
- July 26, 2005 and

The composition and members’ attendance at the Committee meetings is presented below:

<table>
<thead>
<tr>
<th>Member Director</th>
<th>Category</th>
<th>No. of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rakesh Bharti Mittal</td>
<td>Non-executive director</td>
<td>3</td>
</tr>
<tr>
<td>(Chairman)</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Donald Cameron</td>
<td>Independent non-executive director</td>
<td>3</td>
</tr>
<tr>
<td>Kurt Hellstrom</td>
<td>Independent non-executive director</td>
<td>3</td>
</tr>
<tr>
<td>V. S. Raju</td>
<td>Independent non-executive director</td>
<td>3</td>
</tr>
</tbody>
</table>

INVESTORS’ GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee of the Board oversees redressal of shareholders’/investors’ complaints on various matters like transfer of shares, non-receipt of annual reports and other such issues.

The meetings of the Committee are generally held on monthly basis, to review and ensure that all investor grievances are redressed within a period of 7-10 days from the date of receipt of complaint. These, however, do not include complaints/requests, which are constrained by legal impediments/procedural issues.

The Committee comprises of three members. Rakesh Bharti Mittal, the non-executive director is the Chairman of the Committee. The attendance of members at the meetings of Investors’ Grievance Committee held during the past financial year is as under:

During the year, the committee met ten times viz. on

- April 29, 2005
- May 27, 2005
- June 16, 2005
- July 27, 2005
- August 31, 2005
- September 20, 2005
- October 27, 2005
- November 30, 2005
- December 26, 2005
- March 9, 2006
### Member Director Category No. of Meetings Held Attended

<table>
<thead>
<tr>
<th>Member Director</th>
<th>Category</th>
<th>No. of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rakesh Bharti Mittal (Chairman)</td>
<td>Non-executive director</td>
<td>10</td>
</tr>
<tr>
<td>Rajan Bharti Mittal</td>
<td>Executive director</td>
<td>10</td>
</tr>
<tr>
<td>Akhil Gupta</td>
<td>Executive director</td>
<td>10</td>
</tr>
</tbody>
</table>

### Nature of complaints and redressal status

During the past financial year, the complaints received by us were general in nature, which include issues relating to the change of address, non-receipt of shares, refund orders etc. All these complaints/queries were resolved to the satisfaction of investors. Details of the same are as follows:

<table>
<thead>
<tr>
<th>Type of complaint</th>
<th>No. of complaints</th>
<th>Redressed</th>
<th>Pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-receipt of any shares (Remat/Transfer/Electronic Credit)</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Non-receipt of annual report</td>
<td>18</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Correction/change of bank mandate of refund orders</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>23</strong></td>
<td><strong>23</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

The above table does not include the responses furnished by us on clarifications sought by stock exchanges from time to time on various market related information.

We have processed and completed all requests for share transfers and other related matters except those which are disputed and sub-judice.

### Subsidiary companies

The revised Clause 49 defines a ‘material non-listed Indian subsidiary’ as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year:

We do not have any material non-listed Indian subsidiary.

### General Body Meetings

The last three Annual General Meetings (AGMs) were held as under:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Location</th>
<th>Date</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2005</td>
<td>Air Force Auditorium, Subroto Park, New Delhi – 110 020</td>
<td>September 6, 2005</td>
<td>03.30 p.m.</td>
</tr>
<tr>
<td>2003-2004</td>
<td>Air Force Auditorium, Subroto Park, New Delhi – 110 020</td>
<td>August 20, 2004</td>
<td>03.30 p.m.</td>
</tr>
</tbody>
</table>

### Special resolutions passed at the last 3 AGMs

1. **2004-05** – Annual General Meeting held on September 6, 2005  
   a) Approval of the ESOP Scheme 2005;  
   b) Applicability of ESOP Scheme 2005 to the employees of holding and subsidiary companies;  
   c) Amendments in the Articles of Association of the Company consequent upon reduction in shareholding of one of the strategic shareholders viz. Brentwood Investment Holdings Limited.
2. **2003-04 – Annual General Meeting held on August 20, 2004:**

a) Authorising the payment of commission to non-executive directors of the Company not exceeding 1% of the net profits of the Company in each financial year;

b) Authorising amendments to the Company’s existing ESOP scheme; and

c) Authorising Sponsored ADR issue of the Company.

3. **2002-03 – Annual General Meeting held on October 21, 2003:**

a) Authorising the Board for voluntary de-listing of the existing equity shares of Rs. 10/- each, from The Delhi Stock Exchange Association Limited (DSE);

b) Authorising the Board to make loans to, or furnish guarantees or provide securities on behalf of Bharti Cellular Limited (BCL), an erstwhile subsidiary of the Company upto an aggregate amount of Rs. 67,000 mn; and

c) Authorising the Board to make loans to, or furnish guarantees or provide securities on behalf of Bharti Infotel Limited (BIL), an erstwhile subsidiary of the Company upto an aggregate amount of Rs. 40,000 mn.

**Postal Ballot**

During the year under review, in pursuance of Section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, we have conducted three postal ballots for seeking approval of the shareholders by way of special resolution. M/s. S. K. Jain, Chartered Accountants, New Delhi were appointed as scrutiniser. The results of the postal ballot were published in *Business Standard* (English Daily) and *Jansatta* (Hindi newspaper). The summary of the results was as follows:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Date of declaration of results</th>
<th>Particulars of the resolution passed</th>
<th>Total valid Votes</th>
<th>In favour (%)</th>
<th>Against (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>29.11.05</td>
<td>For increase in the limits of investments by FIIs to sectorial cap as may be applicable from time to time.</td>
<td>1173100745 (100.00%)</td>
<td>1173099657 (99.999%)</td>
<td>1088 (0.0001%)</td>
</tr>
<tr>
<td>2.</td>
<td>02.03.06</td>
<td>a. For amendment in the Memorandum of Association</td>
<td>1447322242 (100.00%)</td>
<td>1447321399 (99.999%)</td>
<td>843 (0.0001%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. For amendment in Articles of Association</td>
<td>1447322242 (100.00%)</td>
<td>1447320371 (99.999%)</td>
<td>1871 (0.0001%)</td>
</tr>
<tr>
<td>3.</td>
<td>22.03.06</td>
<td>For change in the name of the Company from Bharti Tele-Ventures Limited to Bharti Airtel Limited</td>
<td>1386490710 (100.00%)</td>
<td>1386488680 (99.999%)</td>
<td>2030 (0.0001%)</td>
</tr>
</tbody>
</table>

We believe that the postal ballot system allows for more participation of shareholders located in various parts of the country, who would normally not attend and vote at general meetings held in New Delhi.

**Disclosures**

i. **Disclosure on materially significant related party transactions**

The required statements/disclosures with respect to the related party transactions, if any are duly made to the Audit Committee on a quarterly basis in terms of Clause 49(IV)(A) and other applicable laws. For the financial year ended March 31, 2006, there were no transactions of material nature with the related party which are not in the normal course of business.

Further for the financial year ended March 31, 2006 there no material individual transactions with related parties or others, which were not on an arm’s length basis.

The related party transactions have been disclosed under Note 28 of Schedule 23 forming part of the Annual Accounts.
ii. Details of non-compliance with regard to capital market

There have been no instances of non-compliances by us and no penalties and/or strictures have been imposed on us by stock exchanges or SEBI or any statutory authority on any matter related to the capital markets during the last three years.

iii. Ombudsman Policy

We have implemented an Ombudsman Policy (includes Whistle Blower Policy), which outlines the method and process for stakeholders to voice genuine concerns about unprofessional conduct that may be in breach of our Code of Conduct for employees. The policy aims to ensure that genuine complainants can raise their concerns in full confidence, without any fear of retaliation or victimizations. The Corporate Ombudsman administers a formal process to review and investigate any concerns raised, and undertakes all appropriate actions required to resolve the reported matter. Depending on the gravity of the concern, the Ombudsman constitutes a meeting of the Code Compliance Committee to undertake a full investigation, which may involve both internal and external investigative bodies. Instances of serious misconduct dealt with by the Ombudsman and the Code Compliance Committee are reported to the Audit Committee. Members of this Committee comprise the Ombudsman as Convenor, the Chief Internal Auditor, Corporate Director HR and the General Counsel and Company Secretary. No employee of the Company has been denied access to this policy.

iv. Disclosure of accounting treatment

There is no deviation in following the treatments prescribed in any Accounting Standard (AS) in the preparation of financial statements of the Company.

v. Disclosure – Risk Management

We have created a Risk Management Framework, key elements of which are as follows:

- A detailed and comprehensive Risk Management Policy;
- A risk register, which lists key risks faced by the organization, and their mitigating controls;
- A methodology for rating these risks for their implications and probability of occurrence;
- A methodology for evaluating the mitigating controls through an evaluation mechanism built in the Company’s internal audit programme;
- A process of communicating the risks through a risk matrix to the senior management and the Board Audit Committee;
- A designated Risk Manager as the owner of this process.

The key elements of this framework are in place at the corporate level and the Company is currently in the process of extending this further down the organization so as to eventually achieve a comprehensive enterprise wide risk management framework.

vi. Details of public funding obtained in last three years

We have not obtained any public funding in last three years.

vii. Remuneration of directors

For the financial year ended March 31, 2006, a total of Rs. 7,10,000/- were paid as sitting fee and a provision of Rs. 98,98,350/- has been made for payment of commission to all non-executive independent directors.
The details of the remuneration paid to all directors during the last financial year is as under:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Sitting Fees</th>
<th>Salary and Allowances</th>
<th>Performance Linked Incentive</th>
<th>Commission</th>
<th>Stock Options</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunil Bharti Mittal</td>
<td>0</td>
<td>51,711,081</td>
<td>75,048,000</td>
<td>0</td>
<td>0</td>
<td>126,759,081</td>
</tr>
<tr>
<td>Rajan Bharti Mittal</td>
<td>0</td>
<td>13,175,316</td>
<td>11,644,781</td>
<td>0</td>
<td>0</td>
<td>24,820,097</td>
</tr>
<tr>
<td>Akhil Gupta</td>
<td>0</td>
<td>16,693,776</td>
<td>15,432,813</td>
<td>0</td>
<td>0</td>
<td>32,126,589</td>
</tr>
<tr>
<td><strong>Non-Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ajay Lal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Arun Bharat Ram</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bashir Currimjee</td>
<td>140,000</td>
<td>0</td>
<td>0</td>
<td>892,200</td>
<td>0</td>
<td>1,032,200</td>
</tr>
<tr>
<td>Chua Sock Koong</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Donald Cameron</td>
<td>140,000</td>
<td>0</td>
<td>0</td>
<td>3,876,000</td>
<td>0</td>
<td>4,016,000</td>
</tr>
<tr>
<td>Gavin John Darby</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Kurt Hellstrom</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
<td>2,230,500</td>
<td>0</td>
<td>2,330,500</td>
</tr>
<tr>
<td>Lim Toon</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lung Chien Ping</td>
<td>80,000</td>
<td>0</td>
<td>0</td>
<td>892,200</td>
<td>0</td>
<td>972,200</td>
</tr>
<tr>
<td>N. Kumar</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
<td>892,200</td>
<td>0</td>
<td>992,200</td>
</tr>
<tr>
<td>Paul O’ Sullivan</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pulak Chandan Prasad</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rakesh Bharti Mittal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Syeda Bilgrami Imam</td>
<td>10,000</td>
<td>0</td>
<td>0</td>
<td>223,050</td>
<td>0</td>
<td>233,050</td>
</tr>
<tr>
<td>V. S. Raju</td>
<td>140,000</td>
<td>0</td>
<td>0</td>
<td>892,200</td>
<td>0</td>
<td>1,032,200</td>
</tr>
<tr>
<td>William Thomas Morrow</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>York Chye Chang</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>710,000</strong></td>
<td><strong>81,580,173</strong></td>
<td><strong>102,125,594</strong></td>
<td><strong>9,898,350</strong></td>
<td><strong>0</strong></td>
<td><strong>194,314,117</strong></td>
</tr>
</tbody>
</table>

Actual payment shall be subject to applicable laws and deduction of tax at source, wherever applicable.

The Company has entered into contracts with the three executive directors each dated October 1, 2001. These are based on the approval of shareholders granted in their meeting held on September 25, 2001. There are no other contracts with any other director. No notice period or severance fee is payable to any director.

**viii. Management**

Detailed report on Management Discussion and Analysis (MDA) forms part of the Directors’ Report. We have a system in place whereby senior management makes disclosures on quarterly basis to the Board relating to all material financial and commercial transactions, where they have personal interest that may pose a potential conflict with the interest of the Company at large.

**ix. CEO/CFO Certificate**

The certificate required under Clause 49(V) of the listing agreement duly signed by the CEO and CFO has been given to the Board and the same is annexed as Annexure A.
### Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Clause of Listing agreement</th>
<th>Compliance Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Board of directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A) Composition of Board</td>
<td>49(I)</td>
<td>Yes</td>
</tr>
<tr>
<td>(B) Non-executive directors’ compensation and disclosures</td>
<td>49 (IA)</td>
<td>Yes</td>
</tr>
<tr>
<td>(C) Other provisions relating to Board and Committees</td>
<td>49 (IB)</td>
<td>Yes</td>
</tr>
<tr>
<td>(D) Code of Conduct</td>
<td>49 (IC)</td>
<td>Yes</td>
</tr>
<tr>
<td>II. Audit Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A) Qualified and Independent Audit Committee</td>
<td>49 (IIA)</td>
<td>Yes</td>
</tr>
<tr>
<td>(B) Meeting of Audit Committee</td>
<td>49 (IIB)</td>
<td>Yes</td>
</tr>
<tr>
<td>(C) Powers of Audit Committee</td>
<td>49 (IIC)</td>
<td>Yes</td>
</tr>
<tr>
<td>(D) Role of Audit Committee</td>
<td>49 (IID)</td>
<td>Yes</td>
</tr>
<tr>
<td>(E) Review of Information by Audit Committee</td>
<td>49 (IIE)</td>
<td>Yes</td>
</tr>
<tr>
<td>III. Subsidiary Companies</td>
<td>49 (III)</td>
<td>Yes</td>
</tr>
<tr>
<td>IV. Disclosures</td>
<td>49 (IV)</td>
<td></td>
</tr>
<tr>
<td>(A) Basis of related party transactions</td>
<td>49 (IVA)</td>
<td>Yes</td>
</tr>
<tr>
<td>(B) Board disclosures</td>
<td>49 (IVB)</td>
<td>Yes</td>
</tr>
<tr>
<td>(C) Proceeds from public issues, rights issues, preferential issues etc.</td>
<td>49 (IVC)</td>
<td>N/A</td>
</tr>
<tr>
<td>(D) Remuneration of Directors</td>
<td>49 (IVD)</td>
<td>Yes</td>
</tr>
<tr>
<td>(E) Management</td>
<td>49 (IVE)</td>
<td>Yes</td>
</tr>
<tr>
<td>(F) Shareholders</td>
<td>49 (IVF)</td>
<td>Yes</td>
</tr>
<tr>
<td>V. CEO/CFO Certification</td>
<td>49 (V)</td>
<td>Yes</td>
</tr>
<tr>
<td>VI. Report on corporate governance</td>
<td>49 (VI)</td>
<td>Yes</td>
</tr>
<tr>
<td>VII. Compliance</td>
<td>49 (VII)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

N. Kumar, the Chairman of the Audit Committee could not attend the Annual General Meeting (AGM) held on September 6, 2005 due to an imminent surgery he had to undergo. However, Akhil Gupta, Joint Managing Director and Audit Committee member was present at the AGM to answer shareholder queries.

Besides complying with all the mandatory requirements of Clause 49, we have a Remuneration Committee of the Board (known as HR Committee), which comprises of non-executive directors. The scope of the Committee among other things includes consideration and recommendation of remuneration of executive directors. We have also established an Ombudsman Policy for employees to report to the management about unethical behavior, actual or suspected fraud or violation of the Company’s Code of Conduct. Our objective is to comply with other applicable non-mandatory requirements of Clause 49 as well.

### Means of communication

- The quarterly audited/un-audited results are published in prominent daily newspapers, viz. *Business Standard* and *Jansatta* (vernacular newspaper) and are also posted on the our website. At the end of each quarter we organize an earnings call with analysts and investors, which is also broadcast live on our website, and the transcript is posted on the website soon after;
- Our financial results are also posted on SEBI’s EDIFAR System and can be viewed on SEBI website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in);
- Our website address is [www.bhartiairtel.in](http://www.bhartiairtel.in) and up-to-date financial results, official news releases, financial analysis reports, presentations made to the institutional investors and other general information about the Company are available on the website;
- Latest presentations made to the institutional investors are also made available on our website.
General Shareholders’ Information

i) The 11th Annual General Meeting will be held on August 21, 2006 at 3.30 p.m. at Air Force Auditorium, Subroto Park, New Delhi – 110 010.

ii) Financial Calendar for the year 2006-2007

   Tentative Schedule:

<table>
<thead>
<tr>
<th>Accounting year</th>
<th>April 1, 2006 to March 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter Results</td>
<td>July 2006</td>
</tr>
<tr>
<td>Second Quarter and Half Yearly Results</td>
<td>October 2006</td>
</tr>
<tr>
<td>Third Quarter Results</td>
<td>January 2007</td>
</tr>
<tr>
<td>Fourth Quarter Results/ Annual Results</td>
<td>April 2007</td>
</tr>
<tr>
<td>Annual General Meeting</td>
<td>August/September 2007</td>
</tr>
</tbody>
</table>

iii) Book Closure Date: August 12, 2006 to August 21, 2006 (both days inclusive)

iv) We have not recommended any dividend for the financial year 2005-06.

v) Listing on stock exchanges and stock code

Our equity shares are listed on:

- The National Stock Exchange of India Limited, Symbol ‘BHARTI’; and
- The Bombay Stock Exchange Limited, Mumbai, Scrip code 532454

We have paid listing fees for the year 2006-2007 to both the stock exchanges viz. the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, where our securities are listed.

vi) Stock Market Data for the period April 1, 2005 to March 31, 2006

   (Share price performance in comparison with NSE Nifty)

<table>
<thead>
<tr>
<th>Month</th>
<th>Bharti High (Rs.)</th>
<th>Bharti Low (Rs.)</th>
<th>Bharti Monthly Average (Rs.)</th>
<th>Bharti Volume Traded (Rs.)</th>
<th>S &amp; P CNX Nifty High</th>
<th>S &amp; P CNX Nifty Low</th>
<th>S &amp; P CNX Nifty Monthly Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>April ‘05</td>
<td>225.00</td>
<td>192.50</td>
<td>208.55</td>
<td>4,378,302,248.55</td>
<td>2,084.90</td>
<td>1,896.30</td>
<td>1,987.10</td>
</tr>
<tr>
<td>May ‘05</td>
<td>232.00</td>
<td>205.25</td>
<td>218.93</td>
<td>4,276,305,665.75</td>
<td>2,099.35</td>
<td>1,898.15</td>
<td>2,002.28</td>
</tr>
<tr>
<td>June ‘05</td>
<td>246.90</td>
<td>217.55</td>
<td>230.32</td>
<td>6,412,689,002.55</td>
<td>2,226.15</td>
<td>2,061.35</td>
<td>2,134.29</td>
</tr>
<tr>
<td>July ‘05</td>
<td>287.00</td>
<td>229.80</td>
<td>257.32</td>
<td>8,887,627,078.70</td>
<td>2,332.55</td>
<td>2,171.25</td>
<td>2,236.70</td>
</tr>
<tr>
<td>August ‘05</td>
<td>324.50</td>
<td>279.55</td>
<td>304.37</td>
<td>10,057,797,254.30</td>
<td>2,426.65</td>
<td>2,294.25</td>
<td>2,357.56</td>
</tr>
<tr>
<td>September ‘05</td>
<td>367.25</td>
<td>302.15</td>
<td>340.62</td>
<td>8,323,194,812.05</td>
<td>2,633.90</td>
<td>2,382.90</td>
<td>2,511.70</td>
</tr>
<tr>
<td>October ‘05</td>
<td>352.90</td>
<td>305.15</td>
<td>332.25</td>
<td>10,865,693,743.65</td>
<td>2,669.20</td>
<td>2,307.45</td>
<td>2,486.78</td>
</tr>
<tr>
<td>November ‘05</td>
<td>381.00</td>
<td>320.45</td>
<td>354.57</td>
<td>6,812,757,769.30</td>
<td>2,727.05</td>
<td>2,366.80</td>
<td>2,574.66</td>
</tr>
<tr>
<td>December ‘05</td>
<td>370.00</td>
<td>326.60</td>
<td>352.05</td>
<td>8,323,194,812.05</td>
<td>2,857.00</td>
<td>2,641.95</td>
<td>2,772.61</td>
</tr>
<tr>
<td>January ‘06</td>
<td>394.90</td>
<td>322.75</td>
<td>346.69</td>
<td>5,015,633,521.15</td>
<td>3,005.10</td>
<td>2,783.85</td>
<td>2,892.68</td>
</tr>
<tr>
<td>February ‘06</td>
<td>395.00</td>
<td>350.00</td>
<td>368.36</td>
<td>4,496,869,775.80</td>
<td>3,090.30</td>
<td>2,928.10</td>
<td>3,019.32</td>
</tr>
<tr>
<td>March ‘06</td>
<td>428.90</td>
<td>358.00</td>
<td>392.48</td>
<td>8,546,751,861.30</td>
<td>3,433.85</td>
<td>3,064.00</td>
<td>3,236.37</td>
</tr>
</tbody>
</table>
### Share price performance in comparison with BSE Sensex

<table>
<thead>
<tr>
<th>Month</th>
<th>Bharti High (Rs.)</th>
<th>Bharti Low (Rs.)</th>
<th>Bharti Monthly Average (Rs.)</th>
<th>Bharti Volume Traded (Rs.)</th>
<th>BSE Sensex High</th>
<th>BSE Sensex Low</th>
<th>BSE Sensex Monthly Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>April ‘05</td>
<td>219.40</td>
<td>192.45</td>
<td>207.15</td>
<td>1,035,439,994.00</td>
<td>6,606.41</td>
<td>6,134.86</td>
<td>6,379.29</td>
</tr>
<tr>
<td>May ‘05</td>
<td>229.95</td>
<td>205.60</td>
<td>224.05</td>
<td>993,213,759.00</td>
<td>6,715.11</td>
<td>6,195.15</td>
<td>6,482.66</td>
</tr>
<tr>
<td>June ‘05</td>
<td>247.00</td>
<td>218.00</td>
<td>242.85</td>
<td>2,878,859,631.00</td>
<td>7,193.85</td>
<td>6,655.56</td>
<td>6,925.86</td>
</tr>
<tr>
<td>July ‘05</td>
<td>287.20</td>
<td>237.05</td>
<td>283.10</td>
<td>2,930,422,033.00</td>
<td>7,638.42</td>
<td>7,145.13</td>
<td>7,336.70</td>
</tr>
<tr>
<td>August ‘05</td>
<td>324.50</td>
<td>279.90</td>
<td>315.45</td>
<td>3,743,981,491.00</td>
<td>7,859.53</td>
<td>7,595.57</td>
<td>7,726.03</td>
</tr>
<tr>
<td>September ‘05</td>
<td>366.70</td>
<td>314.50</td>
<td>348.50</td>
<td>2,720,907,760.00</td>
<td>8,650.17</td>
<td>7,876.15</td>
<td>8,272.32</td>
</tr>
<tr>
<td>October ‘05</td>
<td>352.00</td>
<td>305.25</td>
<td>322.65</td>
<td>3,422,109,181.00</td>
<td>8,799.96</td>
<td>7,685.64</td>
<td>8,220.45</td>
</tr>
<tr>
<td>November ‘05</td>
<td>377.00</td>
<td>320.15</td>
<td>357.55</td>
<td>2,047,811,186.00</td>
<td>8,994.94</td>
<td>7,944.10</td>
<td>8,552.09</td>
</tr>
<tr>
<td>December ‘05</td>
<td>368.00</td>
<td>327.00</td>
<td>345.70</td>
<td>2,999,826,379.00</td>
<td>9,397.93</td>
<td>8,815.53</td>
<td>9,162.07</td>
</tr>
<tr>
<td>January ‘06</td>
<td>363.75</td>
<td>323.00</td>
<td>355.60</td>
<td>1,748,328,707.00</td>
<td>9,919.89</td>
<td>9,237.53</td>
<td>9,539.67</td>
</tr>
<tr>
<td>February ‘06</td>
<td>378.00</td>
<td>349.00</td>
<td>361.30</td>
<td>1,330,054,610.00</td>
<td>10,370.24</td>
<td>9,742.58</td>
<td>10,090.08</td>
</tr>
<tr>
<td>March ‘06</td>
<td>429.00</td>
<td>357.00</td>
<td>412.85</td>
<td>2,240,705,140.00</td>
<td>10,370.24</td>
<td>9,742.58</td>
<td>10,090.08</td>
</tr>
</tbody>
</table>
vii) **Registrar and Transfer Agent**

Our share transfer work is handled by M/s. Karvy Computershare Private Limited (previously Karvy Consultants Limited), the Registrar and Share Transfer Agent (RTA). Their complete address is as under:

Karvy Computershare Private Limited  
‘Karvy House’, 46 Avenue 4,  
Street No. 1, Banjara Hills  
Hyderabad - 500 034  
Tel: (91-40) 23420815-20  
Fax: (91-40) 23420814  
Email: mailmanager@karvy.com

viii) **Share Transfer System**

Our shares are traded on the stock exchanges through the depository system. The ISIN of our Scrip is: INE 397D01016. All requests received by us/RTA for dematerialisation/re-materialisation/transfer are dealt with expeditiously. Share certificates duly endorsed are issued/transferred to all those shareholders who opt for shares in the physical form.

ix) **Distribution of shareholding by number of shares held as on March 31, 2006**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>No. of equity shares held</th>
<th>No. of shareholders</th>
<th>% to total no. of shareholders</th>
<th>Number of equity shares of Rs. 10/-</th>
<th>% to total no. of equity shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1-5,000</td>
<td>48,448</td>
<td>97.86</td>
<td>10,835,938</td>
<td>0.57</td>
</tr>
<tr>
<td>2.</td>
<td>5,001-10,000</td>
<td>311</td>
<td>0.63</td>
<td>2,202,979</td>
<td>0.12</td>
</tr>
<tr>
<td>3.</td>
<td>10,001-20,000</td>
<td>154</td>
<td>0.31</td>
<td>2,254,256</td>
<td>0.12</td>
</tr>
<tr>
<td>4.</td>
<td>20,001-30,000</td>
<td>69</td>
<td>0.14</td>
<td>1,757,345</td>
<td>0.09</td>
</tr>
<tr>
<td>5.</td>
<td>30,001-40,000</td>
<td>31</td>
<td>0.06</td>
<td>1,115,854</td>
<td>0.06</td>
</tr>
<tr>
<td>6.</td>
<td>40,001-50,000</td>
<td>33</td>
<td>0.07</td>
<td>1,511,429</td>
<td>0.08</td>
</tr>
<tr>
<td>7.</td>
<td>50,001-100,000</td>
<td>87</td>
<td>0.18</td>
<td>6,129,664</td>
<td>0.32</td>
</tr>
<tr>
<td>8.</td>
<td>10,0001 &amp; above</td>
<td>373</td>
<td>0.75</td>
<td>1,868,071,839</td>
<td>98.64</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>49,506</strong></td>
<td><strong>100.00</strong></td>
<td><strong>1,893,879,304</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
### Categories of shareholding as on March 31, 2006

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Category</th>
<th>No. of Shares Held</th>
<th>% of Share Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>PROMOTERS’ HOLDING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Promoters</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>– Indian promoters</td>
<td>859,986,028</td>
<td>45.41%</td>
</tr>
<tr>
<td></td>
<td>– Foreign promoters</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2.</td>
<td>Persons acting in concert</td>
<td>1,300,700</td>
<td>0.07%</td>
</tr>
<tr>
<td></td>
<td>Sub-Total A</td>
<td>861,286,728</td>
<td>45.48%</td>
</tr>
<tr>
<td>B.</td>
<td>NON-PROMOTER HOLDINGS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Institutional Investors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>Mutual Funds and UTI</td>
<td>40,674,230</td>
<td>2.15%</td>
</tr>
<tr>
<td>b)</td>
<td>Banks, Financial Institution, Insurance Companies, Central/State Government Institutions/ Non-Government Institutions</td>
<td>32,300,424</td>
<td>1.71%</td>
</tr>
<tr>
<td>c)</td>
<td>FII</td>
<td>485,119,934</td>
<td>25.62%</td>
</tr>
<tr>
<td></td>
<td>Sub-Total B</td>
<td>558,094,588</td>
<td>29.47%</td>
</tr>
<tr>
<td>4.</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>Private corporate bodies</td>
<td>24,137,879</td>
<td>1.27%</td>
</tr>
<tr>
<td>b)</td>
<td>Indian public</td>
<td>19,136,493</td>
<td>1.01%</td>
</tr>
<tr>
<td>c)</td>
<td>NRIs/OCBs</td>
<td>15,550,929</td>
<td>0.82%</td>
</tr>
<tr>
<td>d)</td>
<td>Foreign Companies</td>
<td>409,254,605</td>
<td>21.62%</td>
</tr>
<tr>
<td>e)</td>
<td>Any other :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i)</td>
<td>Trusts</td>
<td>4,207,230</td>
<td>0.22%</td>
</tr>
<tr>
<td>ii)</td>
<td>HUF</td>
<td>247,870</td>
<td>0.01%</td>
</tr>
<tr>
<td>iii)</td>
<td>Clearing Members (NSDL &amp; CDSL)</td>
<td>1,962,982</td>
<td>0.10%</td>
</tr>
<tr>
<td></td>
<td>Sub-Total C</td>
<td>474,497,988</td>
<td>25.05%</td>
</tr>
<tr>
<td></td>
<td>GRAND TOTAL (A+B+C)</td>
<td>1,893,879,304</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

#### xi) Dematerialisation of shares and liquidity

Trading in equity shares in dematerialized form became mandatory from May 31, 1999. Ours equity shares are tradable in compulsory dematerialized form since listing i.e. February 15, 2002. To facilitate trading in dematerialized form in India, there are two depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

We have entered into agreement with both these depositories. Shareholders can open their accounts with any of the Depository Participant registered with these depositories.

- As on March 31, 2006, our more than 84% shares were held in dematerialized form;
- Our equity shares are frequently traded at Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

#### xii) Outstanding GDRs/ ADRs/ Warrants/ Options

During the year 2004-05, we issued USD 115,000,000 Zero Coupon Convertible Bonds (“Bonds”) due in 2009. The Bonds are convertible at any time after June 12, 2004 upto April 12, 2009 by the holders, into fully paid equity shares of Rs. 10/- per share, at an initial conversion price of Rs. 233.17 per share. During the year, we received 33 notices from different bondholders aggregating to USD 94.756 million convertible into 17,701,967 equity shares of the Company. After the aforesaid allotment of 17,701,967 equity shares, the issued, subscribed and paid-up capital of the Company is Rs. 18,938,793,040/-. Outstanding FCCBs as at 31.03.2006 are USD 20.244 million the details have been provided under Schedule 23 forming part of the annual accounts.

#### xiii) Investors’ correspondence may be addressed to:

Vijaya Sampath  
General Counsel and Company Secretary  
Bharti Airtel Limited  
Qutab Ambience, H-5/12, Mehrauli Road, New Delhi - 110 030  
Tel: 91-11-41666000-07 Email: ir@bharti.com,  
Fax: 91-11-41666011-12 Website: www.bhartiairtel.in
Annexure B

Declaration

This is to confirm that the Company has adopted a Code of Conduct for its Board members and the senior management and the same is available on the Company’s website.

I confirm that the Company has in respect of financial year ended March 31, 2006, received from the senior management team of the Company and the members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, the term ‘senior management’ means the direct reportees of the Chairman and Managing Director, and the Joint Managing Directors.

Sunil Bharti Mittal
Chairman & Managing Director

New Delhi
April 28, 2006

Annexure A

Chief Executive Officer (CEO)/Chief Financial Officer (CFO) Certification

We, Sunil Bharti Mittal, Chairman and Managing Director and Akhil Gupta, Chief Financial Officer of Bharti Airtel Limited, to the best of our knowledge and belief hereby certify that:

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   (ii) these statements together present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company’s code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit committee:
   (i) Significant changes in internal control over financial reporting during the year;
   (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company’s internal control system over financial reporting.

Name : Sunil Bharti Mittal  Name : Akhil Gupta
Designation : Chairman & CEO  Designation : Joint Managing Director & CFO
Date : April 28, 2006
Auditors’ Certificate
regarding compliance of conditions of Corporate Governance

To the Members of Bharti Airtel Limited,

We have examined the compliance of conditions of Corporate Governance by Bharti Airtel Limited (‘the Company’), for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company’s management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreements), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has in all material respects complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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 and on behalf of

PRICE WATERHOUSE
Chartered Accountants

U. RAJEEV
Partner
Membership No.: F87191

Place: New Delhi
Date: April 28, 2006
Auditors’ Report to the Members of Bharti Airtel Limited (Formerly Bharti Tele-Ventures Limited)

1. We have audited the attached Balance Sheet of Bharti Airtel Limited, as at March 31, 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor’s Report) Order, 2003, as amended by the Companies (Auditor’s Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that:

   (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
   
   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

   (ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
   
   (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
   
   (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

   (iii) The company has neither granted nor taken any loans, secured or unsecured, that need to be entered into the register maintained under section 301 of the Act. Accordingly, clauses (iii) (b), (c), (d), (f) and (g) of the Companies (Auditor’s Report) Order, 2003, as amended by the Companies (Auditor’s Report) (Amendment) Order, 2004 are not applicable to the company for the current year.

   (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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 for the sale of goods and services, except for certain general information system controls, which are being further strengthened by the management. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

(v) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly commenting on transactions made in pursuance of such contracts or arrangements does not arise.

(vi) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

(vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed statutory dues including investor education and protection fund, employees’ state insurance, income-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities though there has been a slight delay in a few cases.

(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2006 which have not been deposited on account of a dispute, are as follows:

<table>
<thead>
<tr>
<th>Name of the Statute</th>
<th>Nature of the Dues</th>
<th>Amount Disputed (in Rs. ‘000)</th>
<th>Amount Deposited (in Rs. ‘000)</th>
<th>Period to which it Relates</th>
<th>Forum where the dispute is pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerala General Sales Tax Act, 1963</td>
<td>Sales Tax</td>
<td>548</td>
<td>548</td>
<td>2003-04</td>
<td>Supreme Court</td>
</tr>
<tr>
<td>CST / UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>140</td>
<td>–</td>
<td>2001-02</td>
<td>Tribunal, Ghaziabad</td>
</tr>
<tr>
<td>Name of the Statute</td>
<td>Nature of the Dues</td>
<td>Amount Disputed (in Rs. '000)</td>
<td>Amount Deposited (in Rs. '000)</td>
<td>Period to which it Relates</td>
<td>Forum where the dispute is pending</td>
</tr>
<tr>
<td>---------------------</td>
<td>--------------------</td>
<td>-----------------------------</td>
<td>-------------------------------</td>
<td>---------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>CST / UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>251</td>
<td>151</td>
<td>2003-04</td>
<td>Assessing Officer</td>
</tr>
<tr>
<td>CST / UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>34</td>
<td>-</td>
<td>2004-05</td>
<td>Assessing Officer</td>
</tr>
<tr>
<td>CST / UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>129</td>
<td>129</td>
<td>2004-05</td>
<td>Assessing Officer</td>
</tr>
<tr>
<td>Punjab General Sales Tax Act</td>
<td>Sales Tax</td>
<td>611</td>
<td>611</td>
<td>2002-03</td>
<td>Sales Tax Tribunal Punjab</td>
</tr>
<tr>
<td>West Bengal Sales Tax Act, 1994</td>
<td>Sales Tax</td>
<td>6,325</td>
<td>-</td>
<td>2002-03</td>
<td>Asst. Commissioner, Commercial Tax Officer, West Bengal</td>
</tr>
<tr>
<td>Andhra Pradesh General Sales Tax Act, 1957</td>
<td>Sales Tax</td>
<td>2,861</td>
<td>-</td>
<td>2001-02</td>
<td>Appellate Deputy Commissioner</td>
</tr>
<tr>
<td>Bihar Value Added Tax Act, 2005</td>
<td>Sales Tax</td>
<td>28,147</td>
<td>-</td>
<td>2005-06</td>
<td>High Court</td>
</tr>
<tr>
<td>Tamil Nadu General Sales Tax Act, 1959</td>
<td>Sales Tax</td>
<td>4,178</td>
<td>1,325</td>
<td>2002-03</td>
<td>CTO</td>
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<tr>
<td>CST / UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>397</td>
<td>-</td>
<td>2005-06</td>
<td>High Court</td>
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<tr>
<td>Delhi Sales Tax Act, 1975</td>
<td>Sales Tax</td>
<td>18,698</td>
<td>3,000</td>
<td>1999-2001</td>
<td>Supreme court</td>
</tr>
<tr>
<td>Tamil Nadu General Sales Tax Act, 1959</td>
<td>Sales Tax</td>
<td>10,928</td>
<td>3,773</td>
<td>1999-2001</td>
<td>Appellate commissioner</td>
</tr>
<tr>
<td><strong>Sub Total (A)</strong></td>
<td></td>
<td><strong>78,831</strong></td>
<td><strong>14,725</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name of the Statute</td>
<td>Nature of the Dues</td>
<td>Amount Disputed (in Rs. ‘000)</td>
<td>Amount Deposited (in Rs. ‘000)</td>
<td>Period to which it Relates</td>
<td>Forum where the dispute is pending</td>
</tr>
<tr>
<td>---------------------</td>
<td>--------------------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>---------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>5</td>
<td>–</td>
<td>1995-96</td>
<td>Commissioner Appeals</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>9,313</td>
<td>–</td>
<td>1998-00</td>
<td>Additional Commissioner</td>
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<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>18,925</td>
<td>–</td>
<td>1997-99</td>
<td>Additional Commissioner</td>
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<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>19,120</td>
<td>–</td>
<td>2001-03</td>
<td>Deputy Commissioner</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>14,154</td>
<td>–</td>
<td>2003-04</td>
<td>Deputy Commissioner</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>2,887</td>
<td>–</td>
<td>2003-04</td>
<td>Deputy Commissioner</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>2,588</td>
<td>–</td>
<td>2003-04</td>
<td>Commissioner of Central Excise</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>9,450</td>
<td>–</td>
<td>2003-04</td>
<td>Commissioner of Central Excise</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>547</td>
<td>–</td>
<td>2003-04</td>
<td>Commissioner of Central Excise</td>
</tr>
<tr>
<td>Finance Act, 1994</td>
<td>Service Tax</td>
<td>2,358</td>
<td>–</td>
<td>2004-05</td>
<td>Commissioner of Central Excise</td>
</tr>
<tr>
<td>Name of the Statute</td>
<td>Nature of the Dues</td>
<td>Amount Disputed (in Rs. '000)</td>
<td>Amount Deposited (in Rs. '000)</td>
<td>Period to which it Relates</td>
<td>Forum where the dispute is pending</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------</td>
<td>------------------------------</td>
<td>------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>Sub Total (B)</strong></td>
<td></td>
<td><strong>123,414</strong></td>
<td><strong>140</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub Total (C)</strong></td>
<td></td>
<td><strong>584,112</strong></td>
<td><strong>381,147</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The above does not include amounts which have not been deposited (as explained in Note 4(b) on Schedule 23 in respect of Sales Tax/Service Tax, wherein the Supreme Court has decided in favour of the telecom operators, consequent to which the respective authorities have/are in the process of issuing necessary orders.

(x) The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

(xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

(xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.

(xiv) In our opinion, the company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year and timely entries have been made therein. Further, such securities have been held by the company in its own name or are in the process of transfer in its name, except to the extent of the exemption granted under Section 49 of the Act.

(xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

(xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

(xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, funds amounting to Rs. 55,874,815 thousand raised on a short term basis (primarily representing capital creditors) have been used for long-term investment (representing Fixed Assets).

(xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

(xix) The company has created security or charge in respect of debentures issued and outstanding at the year-end.

(xx) The company has not raised any money by public issues during the year.

(XX) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management other than 7 cases of employee frauds which in the opinion of the management is not expected to be significant, and an instance of misstatement of financial statements to the extent of Rs. 1,25,720.61 thousands, which has been adjusted in the financial statements by charging it to the Profit and Loss Account as explained in Note 33 of Schedule 23.

4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the company
so far as appears from our examination of those books;

(c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report 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, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act 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, 2006;

(ii) in the case of the Profit and Loss Account, of the profit 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.

U. RAJEEV
Partner
Membership Number F-87191
For and on behalf of

PRICE WATERHOUSE
Chartered Accountants
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Schedule No.</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOURCES OF FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders’ Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital</td>
<td>1</td>
<td>18,938,793</td>
<td>18,560,889</td>
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<tr>
<td>Employee Stock Option Outstanding</td>
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<td>505,961</td>
<td></td>
</tr>
<tr>
<td>Less: Deferred Stock Compensation</td>
<td></td>
<td>384,701</td>
<td>121,260</td>
</tr>
<tr>
<td>Reserve and Surplus</td>
<td>2</td>
<td>54,395,531</td>
<td>34,639,403</td>
</tr>
<tr>
<td><strong>Loan Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured Loans</td>
<td>3</td>
<td>28,633,707</td>
<td>39,598,760</td>
</tr>
<tr>
<td>Unsecured Loans</td>
<td>4</td>
<td>19,329,201</td>
<td>10,344,149</td>
</tr>
<tr>
<td>Deferred Tax Liability</td>
<td></td>
<td>1,890,459</td>
<td>1,009,011</td>
</tr>
<tr>
<td>(Refer Note 32 on Schedule 23)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>123,308,951</td>
<td>104,152,212</td>
</tr>
<tr>
<td><strong>APPLICATION OF FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Block</td>
<td></td>
<td>179,517,371</td>
<td>132,406,305</td>
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<tr>
<td>Less: Depreciation</td>
<td></td>
<td>49,448,600</td>
<td>34,756,448</td>
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<tr>
<td>Net Block</td>
<td></td>
<td>130,068,771</td>
<td>97,649,857</td>
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<tr>
<td>Capital Work in Progress</td>
<td></td>
<td>23,412,498</td>
<td>9,944,602</td>
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<td>Preoperative Expenditure pending allocation</td>
<td>6</td>
<td>153,481,269</td>
<td>107,594,459</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>7</td>
<td>7,196,981</td>
<td>9,318,953</td>
</tr>
<tr>
<td><strong>Current Assets, Loans and Advances</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>8</td>
<td>177,444</td>
<td>315,838</td>
</tr>
<tr>
<td>Sundry Debtors</td>
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<td>10,761,709</td>
<td>7,157,443</td>
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<tr>
<td>Cash and Bank Balances</td>
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<td>3,074,285</td>
<td>3,841,352</td>
</tr>
<tr>
<td>Other Current Assets, Loans and Advances</td>
<td>11</td>
<td>15,529,497</td>
<td>10,676,095</td>
</tr>
<tr>
<td><strong>Less: Current Liabilities and Provisions</strong></td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td>64,655,783</td>
<td>42,079,834</td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td>2,335,851</td>
<td>1,119,910</td>
</tr>
<tr>
<td><strong>Net Current Assets</strong></td>
<td></td>
<td>66,991,634</td>
<td>43,190,744</td>
</tr>
<tr>
<td><strong>Miscellaneous Expenditure</strong></td>
<td></td>
<td>(37,448,699)</td>
<td>(21,209,016)</td>
</tr>
<tr>
<td>(to the extent not written off or adjusted)</td>
<td>13</td>
<td>79,400</td>
<td>583,483</td>
</tr>
<tr>
<td>Profit and Loss Account</td>
<td></td>
<td></td>
<td>7,864,333</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>123,308,951</td>
<td>104,152,212</td>
</tr>
<tr>
<td><strong>Statement of Significant Accounting Policies</strong></td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Notes to Accounts</strong></td>
<td>23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This is the Balance Sheet referred to in our report of even date. The Schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of the Board

U. RAJEEV
Partner
Membership No. F-87191
For and on behalf of PRICE WATERHOUSE Chartered Accountants

PLACE: New Delhi
DATE: April 28, 2006
## Schedule For the year ended March 31, 2006

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Schedule No.</th>
<th>For the year ended March 31, 2006 (Rs. '000)</th>
<th>For the year ended March 31, 2005 (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Revenue</td>
<td></td>
<td>111,572,637</td>
<td>78,301,809</td>
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<tr>
<td>Sale of Goods</td>
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<td>714,176</td>
<td>728,480</td>
</tr>
<tr>
<td>Other Income</td>
<td>14</td>
<td>618,980</td>
<td>411,651</td>
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<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access Charges</td>
<td></td>
<td>21,519,176</td>
<td>16,831,728</td>
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<td>Network Operating</td>
<td>15</td>
<td>11,408,836</td>
<td>6,800,472</td>
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<tr>
<td>Cost of Sales of Goods</td>
<td>16</td>
<td>674,043</td>
<td>721,037</td>
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<tr>
<td>Personnel</td>
<td>17</td>
<td>7,754,523</td>
<td>5,017,651</td>
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<td>Sales and Marketing</td>
<td>18</td>
<td>8,013,612</td>
<td>6,258,076</td>
</tr>
<tr>
<td>Administrative and Others</td>
<td>19</td>
<td>11,953,078</td>
<td>6,241,379</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
<td>61,323,268</td>
<td>41,870,343</td>
</tr>
<tr>
<td><strong>Profit including other income and before Licence Fee, Finance Expenses/(Income) (Net), Depreciation, Amortisation, Pre-operative Expenditure, Charity and Donation and Taxation</strong></td>
<td></td>
<td>51,582,525</td>
<td>37,571,597</td>
</tr>
<tr>
<td>Licence fee &amp; Spectrum charges (revenue share)</td>
<td></td>
<td>10,796,745</td>
<td>7,631,456</td>
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<tr>
<td><strong>Profit including other income and before</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Expenses/(Income) (Net), Depreciation, Amortisation, Pre-operative Expenditure, Charity and Donation and Taxation</td>
<td></td>
<td>40,785,780</td>
<td>29,940,141</td>
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<tr>
<td>Finance Expense/(income) (net)</td>
<td>20</td>
<td>2,256,011</td>
<td>2,459,184</td>
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<tr>
<td>Depreciation</td>
<td></td>
<td>14,323,385</td>
<td>10,193,626</td>
</tr>
<tr>
<td>Amortisation</td>
<td></td>
<td>1,273,894</td>
<td>455,952</td>
</tr>
<tr>
<td>Pre-operative Expenditure written off</td>
<td></td>
<td>74,535</td>
<td>31,137</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td></td>
<td>22,857,955</td>
<td>15,642,762</td>
</tr>
<tr>
<td>Tax Expenses</td>
<td></td>
<td>1,665,243</td>
<td>86,072</td>
</tr>
<tr>
<td>Current Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Net of write back for earlier years’ Rs. 351 thousand; Previous Year Rs. 914,501 thousand)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Inclusive of Provision for earlier years Rs. 72,820 Thousand; Previous year Rs. (914,501) Thousand)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Tax expense (Refer Note 12 on Schedule 22 and 31 on Schedule 23)</td>
<td></td>
<td>881,447</td>
<td>3,449,951</td>
</tr>
<tr>
<td>Fringe Benefit Tax</td>
<td></td>
<td>190,471</td>
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</tr>
<tr>
<td><strong>Profit After Tax</strong></td>
<td></td>
<td>22,428,142</td>
<td>9,627,885</td>
</tr>
<tr>
<td>Tax expenses (Refer Note 12 on Schedule 22 and 31 on Schedule 23)</td>
<td></td>
<td>98,333</td>
<td>8,031</td>
</tr>
<tr>
<td>Transferred to/(from) Debenture Redemption Reserve</td>
<td></td>
<td>(2,307,348)</td>
<td>2,478,854</td>
</tr>
<tr>
<td><strong>Profit/(Loss) brought forward</strong></td>
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<td>22,428,142</td>
<td>9,627,885</td>
</tr>
<tr>
<td>Losses acquired under the scheme of amalgamation</td>
<td></td>
<td>(7,864,333)</td>
<td>8,031</td>
</tr>
<tr>
<td>Difference of consideration and value of net assets acquired under the scheme of amalgamation</td>
<td></td>
<td></td>
<td>(7,010,894)</td>
</tr>
<tr>
<td><strong>Profit/(Loss) carried forward to the Balance Sheet</strong></td>
<td></td>
<td>14,563,809</td>
<td>(7,864,333)</td>
</tr>
<tr>
<td>Earnings per share (in Rs.) - Basic</td>
<td></td>
<td>10.6921</td>
<td>6.5323</td>
</tr>
<tr>
<td>Earnings per share (in Rs.) - Diluted (Refer Note 17 on Schedule 22 and Note 30 on Schedule 23)</td>
<td></td>
<td>10.6051</td>
<td>6.4444</td>
</tr>
<tr>
<td>Statement of Significant Accounting Policies</td>
<td></td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Notes to Accounts</td>
<td></td>
<td>23</td>
<td></td>
</tr>
</tbody>
</table>

This is the Profit and Loss Account referred to in our report of even date. The Schedules referred to above form an integral part of the Profit and Loss Account.

For and on behalf of the Board

U. RAJEEV
Partner
Membership No. F-87191
For and on behalf of PRICE WATERHOUSE Chartered Accountants

SUNIL BHARTI MITTAL
Chairman & Managing Director

AKHIL GUPTA
Joint Managing Director

DEVEN KHANNA
Group Financial Controller

VIJAYA SAMPATH
Company Secretary

SARVJIT SINGH DHILLON
Director (Finance & Business Integration)

Place : New Delhi
Date : April 28, 2006
Cash Flow Statement for the year ended March 31, 2006

(Rs. '000)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>For the year ended March 31, 2006</th>
<th>For the year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Cash flow from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit / (loss) before tax</td>
<td>22,857,955</td>
<td>15,642,762</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>14,323,385</td>
<td>10,196,167</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>2,368,111</td>
<td>3,169,997</td>
</tr>
<tr>
<td>Interest Income</td>
<td>(169,656)</td>
<td>(77,200)</td>
</tr>
<tr>
<td>(Profit)/Loss on Fixed Assets sold</td>
<td>(34,684)</td>
<td>3,896</td>
</tr>
<tr>
<td>(Profit)/Loss on sale of Investments</td>
<td>(106,786)</td>
<td>(398,280)</td>
</tr>
<tr>
<td>ESOP Expenditure written off</td>
<td>127,067</td>
<td>47,080</td>
</tr>
<tr>
<td>Provision for Deferred Bonus</td>
<td>71,921</td>
<td>–</td>
</tr>
<tr>
<td>Licence fee written off</td>
<td>1,146,827</td>
<td>1,110,400</td>
</tr>
<tr>
<td>Debts/Advances Written off</td>
<td>1,301,308</td>
<td>168,297</td>
</tr>
<tr>
<td>Provision for Bad and Doubtful Debts/Advances</td>
<td>2,534,684</td>
<td>1,583,887</td>
</tr>
<tr>
<td>Liability no longer required written back</td>
<td>(176,761)</td>
<td>–</td>
</tr>
<tr>
<td>Provision for Gratuity and Leave Encashment</td>
<td>269,274</td>
<td>184,218</td>
</tr>
<tr>
<td>Unrealized Foreign Exchange (gain)/loss</td>
<td>152,902</td>
<td>(26,685)</td>
</tr>
<tr>
<td>Gain from swap arrangements</td>
<td>(45,307)</td>
<td>(211,415)</td>
</tr>
<tr>
<td>Provision for Wealth Tax</td>
<td>15</td>
<td>22</td>
</tr>
<tr>
<td>Operating profit before working capital changes</td>
<td>44,620,255</td>
<td>31,393,146</td>
</tr>
<tr>
<td>Adjustments for changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- (Increase)/Decrease in Sundry Debtors</td>
<td>(5,535,291)</td>
<td>(2,917,644)</td>
</tr>
<tr>
<td>- (Increase)/Decrease in Other Receivables</td>
<td>(6,480,746)</td>
<td>2,443,817</td>
</tr>
<tr>
<td>- (Increase)/Decrease in Inventories</td>
<td>138,394</td>
<td>(115,671)</td>
</tr>
<tr>
<td>- Increase/(Decrease) in Trade and Other Payables</td>
<td>14,893,742</td>
<td>1,834,610</td>
</tr>
<tr>
<td>- Increase/(Decrease) in Security Deposit from Customers</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>47,636,354</td>
<td>32,638,258</td>
</tr>
<tr>
<td>Taxes (Paid)/Received</td>
<td>(2,164,334)</td>
<td>(2,579,313)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>45,472,020</td>
<td>30,058,945</td>
</tr>
<tr>
<td>B. Cash flow from Investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments for changes in investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of Fixed Assets</td>
<td>(52,516,784)</td>
<td>(8,818,279)</td>
</tr>
<tr>
<td>Proceeds from Sale of Fixed Assets</td>
<td>119,982</td>
<td>509,112</td>
</tr>
<tr>
<td>Net Proceeds from Investments</td>
<td>71,831,468</td>
<td>66,365,086</td>
</tr>
<tr>
<td>Purchase of Investments</td>
<td>(69,445,786)</td>
<td>(80,265,026)</td>
</tr>
<tr>
<td>Licence fee paid for new circles</td>
<td>–</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Interest Received (Revenue)</td>
<td>165,506</td>
<td>45,337</td>
</tr>
<tr>
<td>Advances Given to Subsidiary companies</td>
<td>–</td>
<td>(335,753)</td>
</tr>
<tr>
<td>Acquisition on Subsidiaries/Joint Ventures</td>
<td>(156,947)</td>
<td>(753,487)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(50,002,561)</td>
<td>(23,303,010)</td>
</tr>
</tbody>
</table>
## Particulars For the year ended March 31, 2006 For the year ended March 31, 2005

### C. Cash flow from financing activities:

#### Proceeds from long term borrowings

- **Receipts**: 23,725,487
  - **Payments**: (34,690,540)
- **FCCB issue expenses**: –

#### Proceeds from short term borrowings

- **Net movement in cash credit facilities and short term loans**: 16,810,679
- **Interest Paid**: (2,162,259)
- **Gain from swap arrangements**: 80,107

#### Net cash used in financing activities

- **Net Increase/(Decrease) in Cash and Cash Equivalents**: (767,067)
- **Opening Cash and Cash Equivalents**: 3,841,352
- **Cash and Cash equivalents as at March 31, 2006**: 3,074,285

#### Cash and cash equivalents comprise:

- **Cash and Cheques in hand**: 820,236
  - **Balance with Scheduled Banks**: 2,254,049

### Notes:

1. Figures in brackets indicate cash outgo.
2. Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification.
3. Cash and cash equivalents includes Rs.109,045 thousands pledged with various authorities (Previous year Rs.55,112 thousands) which are not available for use by the Company.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. RAJEEV</td>
<td>Partner</td>
</tr>
<tr>
<td>Membership No. F-87191</td>
<td></td>
</tr>
<tr>
<td>SUNIL BHARTI MITTAL</td>
<td>Chairman &amp; Managing Director</td>
</tr>
<tr>
<td>AKHIL GUPTA</td>
<td>Joint Managing Director</td>
</tr>
<tr>
<td>DEVEN KHANNA</td>
<td>Group Financial Controller</td>
</tr>
<tr>
<td>VIJAYA SAMPATH</td>
<td>Company Secretary</td>
</tr>
<tr>
<td>SARVJIT SINGH DHILLON</td>
<td>Director (Finance &amp; Business Integration)</td>
</tr>
</tbody>
</table>

Place: New Delhi
Date: April 28, 2006
<table>
<thead>
<tr>
<th>Particulars</th>
<th>March 31, 2006 (Rs. ‘000)</th>
<th>March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Schedule : 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorised</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,500,000,000 (Previous Year 2,500,000,000)</td>
<td>25,000,000</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Equity Shares of Rs. 10 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25,000,000</td>
<td>25,000,000</td>
<td></td>
</tr>
<tr>
<td>Issued, Subscribed and Paid up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,893,879,304 Equity Shares of Rs. 10 each fully paid up</td>
<td>18,938,793</td>
<td>18,533,668</td>
</tr>
<tr>
<td>(Previous year 1,853,366,767 Equity Shares of Rs. 10 each)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Suspense Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Refer Note (4) below]</td>
<td></td>
<td>27,221</td>
</tr>
<tr>
<td>Notes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Of the above 1,516,390,970 Equity Shares (Previous year 1,516,390,970) issued as fully paid up bonus shares out of Share Premium Account.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Of the above shares 20,088,445 (Previous year Nil) shares are allotted as fully paid up upon the conversion of OCRD without payment being received in cash.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Of the above shares 17,701,967 (Previous year Nil) shares are allotted as fully paid up upon the conversion of FCCBs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Of the above shares 2,722,125 (Previous year 2,722,125) shares are allotted as fully paid up under the scheme of amalgamation without payments being received in cash.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Schedule : 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reserves and Surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>31,254,879</td>
<td>29,706,859</td>
</tr>
<tr>
<td>Adjustment under the scheme of amalgamation</td>
<td>–</td>
<td>1,548,020</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>7,499,667</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>38,754,546</td>
<td>31,254,879</td>
</tr>
<tr>
<td>Revaluation Reserve</td>
<td>21,284</td>
<td>21,284</td>
</tr>
<tr>
<td>Debenture Redemption Reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>3,363,240</td>
<td>–</td>
</tr>
<tr>
<td>Acquired under the scheme of amalgamation</td>
<td>–</td>
<td>884,386</td>
</tr>
<tr>
<td>Transfer from / (to) Profit and Loss Account during the year</td>
<td>(2,307,348)</td>
<td>2,478,854</td>
</tr>
<tr>
<td></td>
<td>1,055,892</td>
<td>3,363,240</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilization during the period</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Difference of consideration and value of net assets acquired under a scheme of amalgamation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>1,055,892</td>
<td>3,363,240</td>
</tr>
<tr>
<td>Profit &amp; Loss Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance brought forward</td>
<td>(7,864,333)</td>
<td>–</td>
</tr>
<tr>
<td>Acquired on acquisition</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Add: Profit / (Loss) during the period</td>
<td>20,120,794</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>12,256,461</td>
<td>–</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference of consideration and value of net assets acquired under a scheme of amalgamation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amount utilized for issue of shares to minority</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Pre-acquisition Loss adjusted against reserves</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Transferred to Debenture Redemption Reserve (Net)</td>
<td>(2,307,348)</td>
<td>–</td>
</tr>
<tr>
<td>Profit &amp; Loss Account</td>
<td>14,563,809</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>54,395,531</td>
<td>34,639,403</td>
</tr>
<tr>
<td>Particulars</td>
<td>As at March 31, 2006 (Rs. ‘000)</td>
<td>As at March 31, 2005 (Rs. ‘000)</td>
</tr>
<tr>
<td>-------------</td>
<td>---------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td><strong>SCHEDULE : 3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SECURED LOANS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Refer Note 17 on Schedule 23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debentures</td>
<td>3,132,500</td>
<td>4,672,857</td>
</tr>
<tr>
<td>Loans and Advances from Banks :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Term Loan</td>
<td>675,000</td>
<td>3,578,245</td>
</tr>
<tr>
<td>Others Loans and Advances :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Term Loans</td>
<td>24,809,896</td>
<td>31,333,530</td>
</tr>
<tr>
<td>– Vehicle Loans</td>
<td>16,311</td>
<td>14,128</td>
</tr>
<tr>
<td></td>
<td>28,633,707</td>
<td>39,598,760</td>
</tr>
<tr>
<td>Note : Amount repayable within one year</td>
<td>3,710,888</td>
<td>6,015,731</td>
</tr>
</tbody>
</table>

| **SCHEDULE : 4** |                                |                                 |
| **UNSECURED LOANS** |                                |                                 |
| Short Term Loans and Advances |                                |                                 |
| From Banks | 18,424,572 | 1,560,389 |
| From Others | – | 3,750,000 |
| Other Loans and Advances |                                |                                 |
| From Parties - Other than Financial Institutions | 904,629 | 5,033,760 |
|                    | 19,329,201 | 10,344,149 |
| Note : Amount repayable within one year | 18,426,116 | 5,310,388 |
## SCHEDULE 5:
**FIXED ASSETS**
(Refer Notes 2, 3, 8, 14 and 15 on Schedule 22)

(Rs. ‘000)

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>As at April 01, 2005</th>
<th>Additions during the year</th>
<th>Sale/Adjustment during the year</th>
<th>As at March 31, 2006</th>
<th>Depreciation/Amortisation</th>
<th>As at April 01, 2005</th>
<th>Additions during the year</th>
<th>Sale/Adjustment during the year</th>
<th>As at March 31, 2006</th>
<th>Net Block Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTANGIBLE ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>83,993</td>
<td>–</td>
<td>–</td>
<td>83,993</td>
<td>52,059</td>
<td>19,870</td>
<td>–</td>
<td>71,929</td>
<td>12,064</td>
<td>31,934</td>
</tr>
<tr>
<td>Bandwidth</td>
<td>2,042,997</td>
<td>305,749</td>
<td>15,027</td>
<td>2,333,719</td>
<td>209,700</td>
<td>184,142</td>
<td>15,027</td>
<td>378,815</td>
<td>1,954,904</td>
<td>1,833,297</td>
</tr>
<tr>
<td>Licences</td>
<td>21,141,521</td>
<td>–</td>
<td>–</td>
<td>21,141,521</td>
<td>5,835,670</td>
<td>1,146,827</td>
<td>–</td>
<td>6,982,497</td>
<td>14,159,024</td>
<td>15,305,851</td>
</tr>
</tbody>
</table>

| **TANGIBLE ASSETS** | | | | | | | | | | |
| Leasehold Land | 44,414 | 10,685 | – | 55,299 | 2,289 | 471 | – | 2,760 | 52,539 | 42,125 |
| Freehold Land | 328,975 | 63,424 | 8,400 | 383,999 | – | – | – | 383,999 | 328,975 | |
| Building | 1,366,313 | 169,192 | 71,221 | 1,464,284 | 289,776 | 69,146 | 6,661 | 352,261 | 1,112,023 | 1,076,537 |
| Leasehold Improvements | 686,812 | 412,538 | – | 1,099,350 | 219,185 | 119,779 | – | 338,964 | 760,386 | 647,627 |
| Plant & Machinery | 97,852,219 | 45,191,240 | 1,603,937 | 141,439,522 | 22,853,065 | 11,562,600 | 664,295 | 33,751,370 | 107,688,152 | 74,999,154 |
| Computers | 7,15,462 | 2,329,961 | 70,737 | 9,974,686 | 4,572,703 | 2,138,061 | 55,946 | 6,654,818 | 3,319,868 | 3,142,759 |
| Office Equipment | 651,782 | 242,359 | 6,861 | 887,280 | 417,818 | 123,706 | 8,130 | 539,394 | 347,868 | 233,964 |
| Furniture & Fixture | 407,992 | 155,006 | 22,876 | 540,122 | 260,337 | 82,466 | 22,876 | 319,927 | 220,195 | 147,655 |
| Vehicle on Finance Lease | 5,386 | – | – | 5,386 | 1,632 | 329 | – | 1,961 | 3,425 | 3,754 |
| TOTAL | 132,406,305 | 48,920,726 | 1,809,660 | 179,517,371 | 34,756,448 | 15,470,212 | 778,060 | 49,448,600 | 153,481,269 | 107,594,459 |

**Capital Work-in-Progress** –– –– –– –– 23,412,498 9,944,602

**GRAND TOTAL** 132,406,305 48,920,726 1,809,660 179,517,371 34,756,448 15,470,212 778,060 49,448,600 153,481,269 107,594,459

**Previous Year** 100,728,710 32,857,954 1,180,359 132,406,305 24,117,233 11,306,567 667,352 34,756,448 97,649,857

Notes:
1. Capital Work-in-Progress includes:
   (a) Capital advances of Rs.1,026,633 thousand (Previous year Rs. 540,326 thousand).
   (b) Borrowing cost of Rs.Nil (Previous year Rs.1,912 thousand).
2. Addition to fixed assets during the year include:
   (a) Rs. 178,859 thousand of Loss (Previous year loss of Rs. 9,773 thousand) on account of fluctuations in foreign exchange rates.
   (b) Borrowing costs capitalised Rs. 31,132 thousand (Previous year Rs.13,207 thousand).
3. Lease hold land of Rs. 955 thousand (Previous year Rs.955 thousand) represents land acquired on lease cum sale basis from Karnataka Industrial Areas Development Board.
4. Capital/Work-in-Progress as on March 31, 2006 is net of Rs. 89,785 thousand being loss (Previous year includes Rs. 142,382 thousand gain) on account of fluctuation in Exchange rate.
5. Additions during the year includes Rs. Nil thousand (Previous year Rs. 140,418 thousand) allocated from pre-operative expenditure. (Refer Schedule 6).
6. Freehold Land and Building includes Rs. 26,468 thousand (Previous year Rs. 26,468 thousand) and Rs. 71,477 thousand (previous year Rs. 71,477 thousand) respectively, in respect of which registration of title in favour of group is pending.
7. The remaining amortisation period of licence fees as at March 31, 2006 ranges between 8 to 19 years for Unified Access Service Licence and 14 to 16 years for Long Distance.
8. Capital Work-in-Progress includes goods in transit Rs. 4,116,163 thousand (Previous year Rs. 960,717 thousand).
9. Computers include Gross Block of assets capitalised during the year under finance lease Rs. 3,426,544 thousand (Previous year Rs.1,879,716 thousand and depreciation charged for the year Rs.1,576,976 thousand (Previous year Rs. 529,232 thousand), Net book value Rs. 1,849,566 thousand.

10. **Notes:**
### SCHEDULE : 6

**PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION**

(Refer Note 10 on Schedule 22)

**Opening Balance**
- Acquired under the schemes of amalgamation
  - 5,891

**Additions during the period**

**Network Operating Expenses**
- Insurance Premium
  - 1,007
- Repairs and Maintenance
  - 26,388
- Power & Fuel
  - 19,454
- Rent
  - 25,999
- Leased Line
  - 12,914
- Others
  - 29,343

Sub-Total
  - 115,105

**Personnel Expenses**
- Salaries
  - 161,053
- Contribution to Provident & Other Funds
  - 5,172
- Staff Welfare
  - 11,056
- Recruitment & Training
  - 29,282

Sub-Total
  - 206,563

**Selling Expenses**
- Advertisement & Marketing
  - 94,306
- Other selling & distribution
  - 15,143

Sub-Total
  - 109,449

**Administrative & Other Expenses**
- Legal & Professional
  - 19,224
- Rates and Taxes
  - 10,392
- Power and Fuel
  - 4,614
- Travelling and Conveyance
  - 56,009
- Rent
  - 13,982
- Repairs and Maintenance
  - 94
  - 86
  - Others
  - 13,610
- Insurance
  - 576
- Miscellaneous
  - 32,175
- Collection and Recovery
  - 1,245
- Charity & Donation
  - 0

Sub-Total
  - 152,007

**Finance Expenses**
- Other Bank/Finance Charges
  - 4,814

**Depreciation**
  - 2,541

**Total**
  - 596,370

Less: Allocated to Fixed Assets
  - 140,418

Less: Transferred to Profit & Loss Account
  - 455,952

Total amount carried to Balance Sheet
  - 92
## SCHEDULE : 7
### INVESTMENTS
(Refer Note 6 on Schedule 22 and Note 25 on Schedule 23)

#### Current
**Other than Trade (Quoted)**

#### Other than Trade (Unquoted)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other than Trade (Quoted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government securities</td>
<td>475,421</td>
<td>1,035,840</td>
</tr>
<tr>
<td>Mutual Funds, Debentures and Bonds</td>
<td>1,956,326</td>
<td>3,674,826</td>
</tr>
<tr>
<td>Other than Trade (Unquoted)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government securities</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,433,547</strong></td>
<td><strong>4,712,466</strong></td>
</tr>
</tbody>
</table>

#### Long Term Investments : Trade (Unquoted)

**Investment in Subsidiaries**
- Bharti Hexacom Limited: 122,751,980 (Previous year 122,751,980)
  - Equity shares of Rs.10/- each fully paid up: 4,332,748 (2006), 4,332,748 (2005)
- Bharti Comtel Limited: 100,000 (Previous year 100,000)
  - Equity shares of Rs.10/- each fully paid up: 1,000 (2006), 1,000 (2005)
- Satcom Broadband Equipment Limited: 24,859,200
  - (Previous year 12,678,192) Equity shares of Rs.10/- each fully paid up: 248,973 (2006), 126,976 (2005)
- Bharti Aquanet Limited 1,275,000 (Previous year 1,275,000)
  - Equity shares of Rs.10/- each fully paid up: 102,000 (2006), 102,000 (2005)

**Investment in Joint Ventures**
- Bridge Mobile PTE Limited: 1,000,000 (Previous year 1,000,000)
  - Equity shares of USD 1 each fully paid up: 34,950 (2006), – (2005)
  - Forum I Aviation Ltd. Equity Share of 9,95,000 of Rs. 10 each: 4,763,434 (2006), 4,606,487 (2005)
  - **Total** 7,196,981 (2006), 9,318,953 (2005)

- **Aggregate Market Value of Quoted Investments** 2,439,862 (2006), 4,727,055 (2005)
- **Aggregate amount of Quoted Investments** 2,431,747 (2006), 4,710,666 (2005)

## SCHEDULE : 8
### INVENTORY
(Refer Note 5 on Schedule 22)

**Stock-In-Trade**

**Total** 177,444 (2006), 315,838 (2005)
### SCHEDULE : 9

**SUNDRY DEBTORS**

(Refer Note 4 on Schedule 22 and Note 14 on Schedule 23)

(Unsecured, considered good unless otherwise stated)

**Billing Debtors**:
- Debts outstanding for a period exceeding six months
  - Considered good 1,403,976  833,659
  - Considered doubtful 3,438,771  3,290,974
  Less: Provision for doubtful debts (3,438,771)  1,403,976 (3,290,974)  833,659

**Other debts**
- Considered good 9,357,733  6,323,784
- Considered doubtful 1,299,548  874,422
Less: Provision for doubtful debts (1,299,548)  9,357,733 (874,422)  6,323,784

---

### SCHEDULE : 10

**CASH AND BANK BALANCES**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in Hand</td>
<td>61,085</td>
<td>41,260</td>
</tr>
<tr>
<td>Cheques in Hand</td>
<td>759,151</td>
<td>699,470</td>
</tr>
<tr>
<td>Balances with Scheduled Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- in Current Account</td>
<td>1,197,913</td>
<td>1,008,879</td>
</tr>
<tr>
<td>- in Fixed deposits *</td>
<td>1,055,049</td>
<td>2,090,973</td>
</tr>
<tr>
<td>- in Deposit Account as Margin Money</td>
<td>1,087</td>
<td>770</td>
</tr>
<tr>
<td>Total</td>
<td>3,074,285</td>
<td>3,841,352</td>
</tr>
</tbody>
</table>

[Includes Rs.109,045 thousand pledged with various authorities (Previous year Rs.55,112 thousand)]

---

### SCHEDULE : 11

**OTHER CURRENT ASSETS, LOANS AND ADVANCES**

(Unsecured, considered good unless otherwise stated)

Interest Accrued on Investment 37,776 33,626

Advances and Loans to Subsidiary Companies:
- Bharti Comtel Limited 447,523 182,718
- Bharti Hexacom Limited 317,533 23,435
- Bharti Broadband Limited
  (formerly Comsat Max Limited) 412,331 1,177,387 129,905 336,058

Advances Recoverable in cash or in kind or for value to be received:
- Considered good 9,514,753 6,702,289
- Considered doubtful 2,369,135 407,374
Less: Provision (2,369,135) 9,514,753 (407,374) 6,702,289

Accrued Billing Revenue 3,469,604 2,675,433

Advance to ESOP Trust 195,906 251,519

Advance Tax (Net of provision for tax Rs. 3,038,518 thousand),
(Previous Year Rs. 1,373,275 thousand) 980,374 671,754

Balance with Custom Authorities 153,697 5,416

Total 15,529,497 10,676,095
### SCHEDULE : 12
#### CURRENT LIABILITIES AND PROVISIONS

#### Current Liabilities

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundry Creditors :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total outstanding dues of Small Scale Industrial Undertaking (s)* (Refer Note 23 on Schedule 23)</td>
<td>6,613</td>
<td>4,186</td>
</tr>
<tr>
<td>Total outstanding dues of Creditors other than Small Scale Industrial Undertaking (s)*</td>
<td>44,440,883</td>
<td>44,447,496</td>
</tr>
<tr>
<td>Advance Billing and Prepaid Card Revenue</td>
<td>14,150,174</td>
<td>7,648,023</td>
</tr>
<tr>
<td>Premium on Redemption of Bonds (Refer Note 11 on Schedule 23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest accrued but not due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance Received from customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security Deposits (Refer Note 14 on Schedule 23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* This information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancilliary undertakings on the basis of information available with the Company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>64,655,783</td>
<td>42,079,834</td>
</tr>
</tbody>
</table>

#### Provisions

(Refer Note 19 on Schedule 22 and Note 26 on Schedule 23)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gratuity</td>
<td>244,008</td>
<td>77,017</td>
</tr>
<tr>
<td>Leave Encashment</td>
<td>231,510</td>
<td>129,227</td>
</tr>
<tr>
<td>Provision for Wealth Tax</td>
<td>164</td>
<td>149</td>
</tr>
<tr>
<td>Provision for Fringe Benefit Tax (Net of payments of Rs. 10,246 thousand, Previous year Rs. Nil)</td>
<td>19,765</td>
<td>–</td>
</tr>
<tr>
<td>Other Provisions</td>
<td>1,840,404</td>
<td>913,517</td>
</tr>
<tr>
<td>Deferred Employee Compensation Expense*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>13,372</td>
<td>13,035</td>
</tr>
<tr>
<td>Acquired under the scheme of amalgamation</td>
<td>–</td>
<td>62,137</td>
</tr>
<tr>
<td>Add: Addition/(Adjustments) during the year</td>
<td>(4,118)</td>
<td>(14,720)</td>
</tr>
<tr>
<td>Less: Amortisation for the year**</td>
<td>5,806</td>
<td>47,080</td>
</tr>
<tr>
<td></td>
<td>3,448</td>
<td>13,372</td>
</tr>
</tbody>
</table>

* Relating to Employee Stock Option Plan 2001 and 2004
** Net of stock compensation income of Rs. 3,777 thousand

#### MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)
(Refer Note 13 on Schedule 22 and Note 32 on Schedule 23)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium on Redemption of Debentures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>570,111</td>
<td>–</td>
</tr>
<tr>
<td>Add : Addition/(writeback) during the year</td>
<td>(404,059)</td>
<td>693,027</td>
</tr>
<tr>
<td>Less : Amortisation for the year</td>
<td>90,100</td>
<td>122,916</td>
</tr>
<tr>
<td></td>
<td>75,952</td>
<td>570,111</td>
</tr>
<tr>
<td></td>
<td>79,400</td>
<td>583,483</td>
</tr>
<tr>
<td>Particulars</td>
<td>For the year ended March 31, 2006 (Rs. ‘000)</td>
<td>For the year ended March 31, 2005 (Rs. ‘000)</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>SCHEDULE : 14</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities/Provisions no longer required written back</td>
<td>176,761</td>
<td>222,313</td>
</tr>
<tr>
<td>Profit on Sale of Assets (Net)</td>
<td>34,684</td>
<td>–</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>407,535</td>
<td>189,338</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>618,980</td>
<td>411,651</td>
</tr>
<tr>
<td><strong>SCHEDULE : 15</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NETWORK OPERATING EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interconnect charges and PSTN Rentals</td>
<td>1,454,270</td>
<td>640,248</td>
</tr>
<tr>
<td>Power and Fuel</td>
<td>2,989,626</td>
<td>1,440,779</td>
</tr>
<tr>
<td>Rent</td>
<td>1,669,731</td>
<td>968,576</td>
</tr>
<tr>
<td>Insurance</td>
<td>32,053</td>
<td>36,262</td>
</tr>
<tr>
<td>Repairs and Maintenance – Building</td>
<td>406,842</td>
<td>138,796</td>
</tr>
<tr>
<td>– Plant and Machinery</td>
<td>3,033,254</td>
<td>1,908,587</td>
</tr>
<tr>
<td>– Others</td>
<td>325,539</td>
<td>144,436</td>
</tr>
<tr>
<td>Leased Line and Gateway charges</td>
<td>685,067</td>
<td>712,486</td>
</tr>
<tr>
<td>Other Network Operating Expenses</td>
<td>812,454</td>
<td>810,302</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,408,836</td>
<td>6,800,472</td>
</tr>
<tr>
<td><strong>SCHEDULE : 16</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>COST OF SALES OF GOODS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Stock</td>
<td>315,838</td>
<td>–</td>
</tr>
<tr>
<td>Acquired under the schemes of amalgamation</td>
<td>–</td>
<td>200,167</td>
</tr>
<tr>
<td>Add : Purchases</td>
<td>738,540</td>
<td>1,089,152</td>
</tr>
<tr>
<td>Less : Simcard Utilisation</td>
<td>194,347</td>
<td>252,144</td>
</tr>
<tr>
<td>Less : Internal issues / capitalised</td>
<td>8,544</td>
<td>300</td>
</tr>
<tr>
<td>Less : Closing Stock</td>
<td>177,444</td>
<td>315,838</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>674,043</td>
<td>721,037</td>
</tr>
<tr>
<td><strong>SCHEDULE : 17</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PERSONNEL EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, Wages and Bonus *</td>
<td>6,568,218</td>
<td>4,268,536</td>
</tr>
<tr>
<td>Contribution to Provident and Other Funds</td>
<td>362,881</td>
<td>188,074</td>
</tr>
<tr>
<td>Staff Welfare</td>
<td>410,856</td>
<td>278,655</td>
</tr>
<tr>
<td>Recruitment and Training</td>
<td>412,568</td>
<td>282,386</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,754,523</td>
<td>5,017,651</td>
</tr>
<tr>
<td>* Excluding amortisation of Deferred ESOP cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCHEDULE : 18</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SALES AND MARKETING EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement and Marketing</td>
<td>4,003,273</td>
<td>3,255,973</td>
</tr>
<tr>
<td>Sales Commission and Incentive</td>
<td>2,689,470</td>
<td>1,883,503</td>
</tr>
<tr>
<td>Simcard Utilisation</td>
<td>194,347</td>
<td>252,144</td>
</tr>
<tr>
<td>Other Selling and Distribution Expenses</td>
<td>1,126,522</td>
<td>866,456</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,013,612</td>
<td>6,258,076</td>
</tr>
<tr>
<td>Particulars</td>
<td>For the year ended March 31, 2006 (Rs. ‘000)</td>
<td>For the year ended March 31, 2005 (Rs. ‘000)</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>SCHEDULE : 19</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADMINISTRATIVE AND OTHER EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and Professional</td>
<td>3,776,442</td>
<td>1,525,973</td>
</tr>
<tr>
<td>Rates and Taxes</td>
<td>41,192</td>
<td>27,740</td>
</tr>
<tr>
<td>Power and Fuel</td>
<td>269,799</td>
<td>166,946</td>
</tr>
<tr>
<td>Travelling and Conveyance</td>
<td>735,123</td>
<td>458,245</td>
</tr>
<tr>
<td>Rent</td>
<td>405,117</td>
<td>219,086</td>
</tr>
<tr>
<td>Repairs and Maintenance – Building</td>
<td>85,029</td>
<td>68,660</td>
</tr>
<tr>
<td>– Plant and Machinery</td>
<td>69,325</td>
<td>22,890</td>
</tr>
<tr>
<td>– Others</td>
<td>168,794</td>
<td>39,507</td>
</tr>
<tr>
<td>Insurance</td>
<td>14,465</td>
<td>11,892</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>1,301,308</td>
<td>168,297</td>
</tr>
<tr>
<td>Provision for doubtful debts/advances</td>
<td>2,594,939</td>
<td>1,681,613</td>
</tr>
<tr>
<td>Less : Provision for doubtful debts written back</td>
<td>60,255</td>
<td>97,726</td>
</tr>
<tr>
<td>Collection and Recovery Expenses</td>
<td>1,312,735</td>
<td>908,360</td>
</tr>
<tr>
<td>Loss on sale of assets (net)</td>
<td>–</td>
<td>3,896</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>1,239,065</td>
<td>1,036,000</td>
</tr>
<tr>
<td></td>
<td>11,953,078</td>
<td>6,241,379</td>
</tr>
<tr>
<td><strong>SCHEDULE : 20</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FINANCE EXPENSES/(INCOME) (Net)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– On Term Loan</td>
<td>1,540,231</td>
<td>1,849,100</td>
</tr>
<tr>
<td>– On Debentures</td>
<td>283,995</td>
<td>664,911</td>
</tr>
<tr>
<td>– On Others</td>
<td>59,396</td>
<td>143,643</td>
</tr>
<tr>
<td>Amortisation of Premium on Redemption of Foreign Currency Convertible Bonds</td>
<td>90,100</td>
<td>122,916</td>
</tr>
<tr>
<td>Other Finance Charges</td>
<td>394,389</td>
<td>389,427</td>
</tr>
<tr>
<td></td>
<td>2,368,111</td>
<td>3,169,997</td>
</tr>
<tr>
<td>Less : Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on sale of Current Investments</td>
<td>106,786</td>
<td>398,280</td>
</tr>
<tr>
<td>Interest Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– from Current Investments Other than Trade</td>
<td>[Gross of TDS Rs. 20,949 thousand; Previous year Rs. 831 thousand]</td>
<td>153,270</td>
</tr>
<tr>
<td>– from loans and advances etc.</td>
<td>16,386</td>
<td>2,214</td>
</tr>
<tr>
<td>Exchange Fluctuation Gain/(Loss) (Net)</td>
<td>(209,649)</td>
<td>23,918</td>
</tr>
<tr>
<td>Gains from swap arrangements</td>
<td>45,307</td>
<td>211,415</td>
</tr>
<tr>
<td>Other Finance Income</td>
<td>–</td>
<td>2,711</td>
</tr>
<tr>
<td></td>
<td>112,100</td>
<td>710,813</td>
</tr>
<tr>
<td></td>
<td>2,256,011</td>
<td>2,459,184</td>
</tr>
<tr>
<td><strong>SCHEDULE : 21</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AMORTISATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Refer Note 3 and 13 on Schedule 22)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation of Licence Fee</td>
<td>1,146,827</td>
<td>1,110,400</td>
</tr>
<tr>
<td>Personnel – Deferred ESOP Cost</td>
<td>127,067</td>
<td>47,080</td>
</tr>
<tr>
<td></td>
<td>1,273,894</td>
<td>1,157,480</td>
</tr>
</tbody>
</table>
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

2. FIXED ASSETS

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, including taxes, duties, freight and other incidental expenses related to acquisition and installation. Capital work-in-progress is stated at cost.

Site restoration cost obligations are capitalized when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The fixed component of license fee payable by the Company for cellular and basic circles, upon migration to the National Telecom Policy (NTP 1999), i.e. Entry Fee, has been capitalised as an asset and the one time license fee paid by the Company for acquiring new licences (post NTP-99) has been capitalised as an asset.

3. DEPRECIATION / AMORTISATION

Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on all assets, except for the following on which depreciation is provided on straight line method to write off the cost of the fixed assets over their estimated useful lives as below:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Rate of Depreciation per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>5%</td>
</tr>
<tr>
<td>Building on Leased Land</td>
<td>5%</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>20.00% / 50.00%</td>
</tr>
<tr>
<td>Computer / Software</td>
<td>33.33%</td>
</tr>
<tr>
<td>Vehicles</td>
<td>20.00%</td>
</tr>
<tr>
<td>Furniture and Fixtures</td>
<td>20.00%</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
<td>6.67% / 10.00% / 50.00%</td>
</tr>
<tr>
<td>Leasehold Land</td>
<td>Period of lease</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>Period of lease or 10 years whichever is less</td>
</tr>
</tbody>
</table>

Assets individually costing Rs. 5 thousand or less are fully depreciated in the month of purchase. Software up to Rs. 500 thousand is written off in the year of purchase.

Bandwidth capacity is depreciated over the period of the agreement subject to a maximum of 15 years.

Additional depreciation is provided as appropriate, towards diminution in value of assets.

The Entry Fee capitalised is being amortised equally over the period of the license and the one time licence fee is being amortised equally over the balance period of licence from the date of commencement of commercial operations.

The site restoration cost obligation capitalised is being depreciated over the period of the useful life of the related asset.

4. REVENUE RECOGNITION AND RECEIVABLES

Mobile Services: Service revenue is recognised on completion of provision of services. Service revenue includes income on roaming commission and access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.

On introduction of new prepaid products, processing fees on recharge coupon is being recognised over the estimated customer relationship period or coupon validity period, as applicable.
Telephone and Broadband and Long Distance Services: Service revenue is recognised on completion of provision of services. Revenue on account of bandwidth service is recognised on time proportion basis in accordance with the related contracts. Billing Revenue includes access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

Enterprise Services: Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

Service Revenues includes revenues from registration, installation and provision of Internet and Satellite services. Registration fees is recognised at the time of dispatch and invoicing of Start up Kits. Installation charges are recognised as revenue on satisfactory completion of installation of hardware and service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of Internet and Satellite services.

Revenue from prepaid dialup packs is recognised on the actual usage basis and is net of sales return and discount.

Investing and other Activities: Income on account of interest and other activities are recognised on an accrual basis. Dividends are accounted for when the right to receive the payment is established.

Provision for doubtful debts: Provision for doubtful debts is made for dues outstanding for more than 90 days in case of active subscribers, and dues from customers who have been deactivated other than those covered by security deposit, or in specific cases where management is of the view that the amounts are recoverable.

Provision for doubtful debts, in case of Other Telecom Operators on account of their ILD traffic and on account of Interconnect Usage Charges (IUC), is made for dues outstanding more than 120 days from the date of billing after considering any amount payable to that operator pertaining to the same period or in specific case when management is of the view that the amount is recoverable.

Accrued Billing revenue: Accrued billing revenue represent revenues recognized in respect of Mobile, Broadband and Telephone, and Long Distance services provided from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

5. INVENTORIES

Inventories for mobile operations are valued at the lower of cost and net realisable value. Cost is determined on First in First out basis.

Inventories for telephone and broadband and long distance services and enterprise services are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

6. INVESTMENT

Current Investments are valued at lower of cost and fair market value. Long term Investments are valued at cost. Provision is made for diminution in value to recognise a decline, if any, other than that of temporary nature.

7. LICENSE FEES – REVENUE SHARE

With effect from August 1, 1999 the variable Licence fee computed at prescribed rates of revenue share is being charged to the Profit and Loss Account in the year in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the license agreement of the license area to which the licence pertains.

8. TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Transactions in Foreign Currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary items are restated at year-end foreign exchange rates. Resultant exchange differences arising on payment or conversion of liabilities are recognised as income or expense in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract (or forward rate last used to measure gain or loss) and the contracted forward rate which is recognized as income or expense for the year.
The premium or discount arising at the inception of other forward exchange contracts is amortized as income or expense over the life of the contract and exchange difference on such contracts is recognised as income or expense in the reporting period in which the exchange rate change, except, in respect of liabilities incurred for acquiring fixed assets, in which case, such difference is adjusted in carrying amount of the respective fixed assets.

9. RETIREMENT BENEFITS

Contribution to provident fund is made at predetermined rates and is charged to Profit and Loss Account. The Company has provided for the liability at year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

The Company either contributes to a Company Gratuity Scheme with Life Insurance Corporation of India to cover the gratuity liability for its employees, such contribution being charged to the Profit and Loss Account for the year or provides the gratuity liability in its books. Liability at the year-end in both cases is determined on the basis of actuarial valuation, based on the Projected Unit Credit Method.

10. PRE-OPERATIVE EXPENDITURE

Expenditure incurred by the Company from the date of acquisition of license for a new circle, up to the date of commencement of commercial operations of the circle, not directly attributable to fixed assets are charged to the Profit and Loss Account in the year in which such expenditure is incurred.

11. LEASES

a) As Lessee – Operating Lease

Lease Rentals in respect of assets taken on ‘Operating Lease’ are charged to the Profit and Loss Account on a straight-line basis over the lease term.

b) As Lessee – Finance Lease

Assets acquired on ‘Finance Lease’ which transfer risk and rewards of ownership to the Company are capitalized as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets.

Amortization of capitalised leased assets is computed on the Straight Line method over the useful life of the assets. Lease rental payable is apportioned between principal and finance charge using the internal rate of return method. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

c) As Lessor – Operating Lease

Lease income in respect of ‘Operating Lease’ is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

d) As Lessor – Finance Lease

Finance leases as a dealer lessor are recognized as a sale transaction in the Profit and Loss Account and are treated like other outright sales.

Finance Income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment of the lessor outstanding in respect of the lease.

e) Initial direct costs are expensed in the Profit and Loss Account at the inception of the lease.

12. TAXATION

Tax expense for the year, comprising current tax, deferred tax and Fringe Benefit Tax is included in determining the net profit/(loss) for the year.

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable profit will be available against which such deferred tax assets can be realised.
Deferred tax assets to the extent they pertain to brought forward losses and unabsorbed depreciation, are recognised
only to the extent that there is virtual certainty of realisation, based on expected profitability in the future as estimated by
the Company.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the
balance sheet date.

13. MISCELLANEOUS EXPENDITURE

a) Premium on redemption of debentures is recognised as an expense to the Profit and Loss Account over the period
of the related contract.

b) Employee Stock Option Plan 2001 and 2004 (‘ESOP’) - The aggregate amount of liability on account of ESOP as
ascertained at year-end is being carried forward as Deferred Employee Compensation Benefit under Miscellaneous
Expenditure to be written off on a straight-line basis over the related vesting period of individual options.

14. BORROWING COST

Borrowing cost attributable to the acquisition or construction of a qualifying asset is capitalised as part of the cost of that
asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

15. IMPAIRMENT OF ASSETS

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances
indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which
the assets’ carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value
less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable
cash flows (cash generating units).

16. SEGMENTAL REPORTING

a) Primary Segment:
   The Company operates in four primary business segments viz. Broadband & Telephone Services, Mobile Services,
   Long Distance Services and Enterprise Service.

b) Secondary Segment:
   The Company has operations within India as well as with entities located in other countries. The operations in India
   constitute the major part, which is the only reportable segment, the remaining portion being attributable to others.

17. EARNING PER SHARE

The earnings considered in ascertaining the Company’s Earnings per Share (‘EPS’) comprise the net profit after tax. The
number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.
The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity
shares.

18. WARRANTY

Provision for warranty is based on past experience and technical estimates.

19. PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of past events; it is more likely than not
that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

20. EMPLOYEE STOCK OPTIONS OUTSTANDING

Employee Stock options outstanding are valued using Black Scholes option – pricing model and the fair value is recognised
as an expense over the period in which the options vest.
NOTES TO ACCOUNTS

1. Bharti Airtel Limited (formerly Bharti Tele-Ventures Limited) (‘BAL’ or ‘the Company’) incorporated in India on July 7, 1995, is a company promoted by Bharti Telecom Limited (‘BTL’), a company incorporated under the laws of India.

2. New Operations

On April 16, 2005, the Company acquired 49% shareholding in Satcom Broadband Equipment Limited (‘SBEL’) at a consideration of Rs. 121,997 thousand making SBEL a 100% subsidiary of the Company.

The Company and Bharti Hexacom limited (BHL) have entered into a Scheme of Arrangement for transfer pursuant to de-merger of North East Circle Undertaking from Bharti Hexacom Limited to the Company effective April 1, 2005, which has been approved by the Board of Directors of the Company in their meeting held on July 26, 2005 and July 27, 2005 and the Board of Directors of BHL in their meeting held on July 20, 2005. The Company is in the process of filing the approved scheme in the High Court.

The Company has entered into a Scheme of Amalgamation of Satcom Broadband Equipment Limited (SBEL) and Bharti Broadband Limited (BBL) with the Company effective October 1, 2005, which has been approved by the Board of Directors of the Company in their meeting held on July 26, 2005 and the Board of Directors of SBEL and BBL in their meetings held on July 15, 2005 and July 16, 2005 respectively. The Company is in the process of filing the approved scheme in the High Court.

3. Guarantees

a) Total Guarantees outstanding as at March 31, 2006 amounting to Rs. 9,090,487 thousand (March 31, 2005 Rs. 5,263,869 thousand) have been taken from the banks.

b) Corporate Guarantees outstanding as at March 31, 2006 amounting to Rs. 241,182 thousand (March 31, 2005 Rs. 95,252 thousand) have been given to banks and financial institutions on behalf of group companies.

4. Contingent liabilities

a) Claims against the Company not acknowledged as debt: (Excluding cases where the possibility of any outflow in settlement is remote):

(Rs.’000)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Taxes, Duties and Other demands (under adjudication/appeal/dispute)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Sales Tax (see note 4 b below)</td>
<td>100,887</td>
<td>5,151,974</td>
</tr>
<tr>
<td>- Service Tax (see note 4 b below)</td>
<td>589,395</td>
<td>461,382</td>
</tr>
<tr>
<td>- Income Tax</td>
<td>288,115</td>
<td>163,309</td>
</tr>
<tr>
<td>- Excise Duty</td>
<td>–</td>
<td>255,609</td>
</tr>
<tr>
<td>- Customs Duty (see note 4 d below)</td>
<td>1,230,678</td>
<td>486,378</td>
</tr>
<tr>
<td>- Stamp Duty</td>
<td>529,186</td>
<td>539,267</td>
</tr>
<tr>
<td>- Entry Tax (see note 4 e below)</td>
<td>787,390</td>
<td>231,516</td>
</tr>
<tr>
<td>- Municipal Taxes</td>
<td>529,171</td>
<td>13,782</td>
</tr>
<tr>
<td>- Access Charges/Port Charges</td>
<td>806,025</td>
<td>263,500</td>
</tr>
<tr>
<td>- DoT demands (see 4 c (vii) below)</td>
<td>157,955</td>
<td>2,561,838</td>
</tr>
<tr>
<td>- Other miscellaneous demands</td>
<td>307,751</td>
<td>54,335</td>
</tr>
<tr>
<td>(ii) Claims under legal cases including arbitration matters (see 4 f below)</td>
<td>356,833</td>
<td>402,622</td>
</tr>
</tbody>
</table>

|                                  | 5,683,386            | 10,585,512           |
Of the above details of unpaid amounts together with forum where dispute is pending as at March 31, 2006 is set out.

<table>
<thead>
<tr>
<th>Name of the Statute</th>
<th>Nature of the Dues</th>
<th>Amounts disputed (Rs. ‘000)</th>
<th>Amount disputed (Rs. ‘000)</th>
<th>Period to which it relates</th>
<th>Forum when the dispute is pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerala General Sales Tax Act, 1963</td>
<td>Sales Tax</td>
<td>548</td>
<td>548</td>
<td>2003-04</td>
<td>Supreme Court</td>
</tr>
<tr>
<td>CST/UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>172</td>
<td>–</td>
<td>2005-06</td>
<td>Deputy Commissioner</td>
</tr>
<tr>
<td>CST/UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>140</td>
<td>–</td>
<td>2001-02</td>
<td>Tribunal, Meerut</td>
</tr>
<tr>
<td>CST/UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>251</td>
<td>151</td>
<td>2003-04</td>
<td>Assessing Officer</td>
</tr>
<tr>
<td>CST/UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>34</td>
<td>–</td>
<td>2004-05</td>
<td>Assessing Officer</td>
</tr>
<tr>
<td>CST/UP Trade Tax Act, 1948</td>
<td>Sales Tax</td>
<td>129</td>
<td>129</td>
<td>2004-05</td>
<td>Assessing Officer</td>
</tr>
<tr>
<td>Punjab General Sales Tax Act</td>
<td>Sales Tax</td>
<td>611</td>
<td>611</td>
<td>2002-03</td>
<td>Sales Tax Tribunal, Punjab</td>
</tr>
<tr>
<td>Punjab General Sales Tax Act</td>
<td>Sales Tax</td>
<td>80</td>
<td>–</td>
<td>2001-02</td>
<td>Deputy Commissioner of Excise &amp; Taxation</td>
</tr>
<tr>
<td>West Bengal Sales Tax Act, 1994</td>
<td>Sales Tax</td>
<td>6,325</td>
<td>–</td>
<td>2002-03</td>
<td>Asstl. Commissioner, Commercial Tax Officer, West Bengal</td>
</tr>
<tr>
<td>Andhra Pradesh General Sales Tax Act, 1957</td>
<td>Sales Tax</td>
<td>2,861</td>
<td>–</td>
<td>2001-02</td>
<td>Appellate Deputy Commissioner</td>
</tr>
<tr>
<td>Bihar Value Added Tax Act, 2005</td>
<td>Sales Tax</td>
<td>28,147</td>
<td>–</td>
<td>2005-06</td>
<td>High Court</td>
</tr>
<tr>
<td>Tamil Nadu General Sales Tax Act – 1959</td>
<td>Sales Tax</td>
<td>4,178</td>
<td>1,325</td>
<td>2002-03</td>
<td>CTO</td>
</tr>
<tr>
<td>CST/UP Trade tax Act, 1948</td>
<td>Sales Tax</td>
<td>397</td>
<td>–</td>
<td>2005-06</td>
<td>High Court</td>
</tr>
<tr>
<td>Delhi Sales Tax Act, 1975</td>
<td>Sales Tax</td>
<td>18,698</td>
<td>3,000</td>
<td>1999-2001</td>
<td>Supreme Court</td>
</tr>
<tr>
<td>Tamil Nadu General Sales Tax Act, 1959</td>
<td>Sales Tax</td>
<td>10,928</td>
<td>3,773</td>
<td>1999-2001</td>
<td>Appellate Commissioner</td>
</tr>
</tbody>
</table>

Sub Total (A)  

<table>
<thead>
<tr>
<th>Nature of the Dues</th>
<th>Amounts disputed (Rs. ‘000)</th>
<th>Amount disputed (Rs. ‘000)</th>
<th>Period to which it relates</th>
<th>Forum when the dispute is pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Tax</td>
<td>4</td>
<td>–</td>
<td>1998-99</td>
<td>Additional Commissioner</td>
</tr>
<tr>
<td>Service Tax</td>
<td>56</td>
<td>–</td>
<td>1995-96</td>
<td>Commissioner Appeals</td>
</tr>
<tr>
<td>Service Tax</td>
<td>5</td>
<td>–</td>
<td>1995-96</td>
<td>Commissioner Appeals</td>
</tr>
<tr>
<td>Service Tax</td>
<td>87</td>
<td>–</td>
<td>1995-96</td>
<td>Commissioner Appeals</td>
</tr>
<tr>
<td>Service Tax</td>
<td>10</td>
<td>–</td>
<td>1995-96</td>
<td>Commissioner Appeals</td>
</tr>
<tr>
<td>Service Tax</td>
<td>233</td>
<td>–</td>
<td>1998-99</td>
<td>Additional Commissioner</td>
</tr>
<tr>
<td>Service Tax</td>
<td>9,313</td>
<td>–</td>
<td>1998-00</td>
<td>Additional Commissioner</td>
</tr>
<tr>
<td>Service Tax</td>
<td>18,925</td>
<td>–</td>
<td>1997-99</td>
<td>Additional Commissioner</td>
</tr>
<tr>
<td>Name of the Statute</td>
<td>Nature of the Dues</td>
<td>Amounts disputed (Rs. '000)</td>
<td>Amount disputed (Rs. '000)</td>
<td>Period to which it relates</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Finance Act, 1994 (Service Tax Provisions)</td>
<td>Service Tax</td>
<td>19,120</td>
<td>–</td>
<td>2001-03</td>
</tr>
<tr>
<td><strong>Sub Total (B)</strong></td>
<td></td>
<td><strong>123,414</strong></td>
<td><strong>140</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Sub Total (C)</strong></td>
<td></td>
<td><strong>584,112</strong></td>
<td><strong>381,147</strong></td>
<td></td>
</tr>
</tbody>
</table>
b) In a case involving the Uttar Pradesh Trade Tax Department and the DoT, the Supreme Court of India had ruled that a telephone connection along with a telephone set provided by a company rendering basic services tantamount to a "transfer of right to use the telephone system" and the rentals collected by DoT towards this right to use should suffer sales tax. Subsequent to the passing of this order, the Cellular Operators as well as the basic operators agitated the same issue before the Supreme Court by way of a Petition under Article 32 of the Constitution. The Hon'ble Supreme Court, in spite of its own earlier judgement, admitted the Petitions and vide orders dated September 25, 2003 referred the matter to a larger bench for determination of dispute on merits. Vide an order dated March 2, 2006, the larger bench of the Hon'ble Supreme Court, while overruling its abovementioned judgment has held, inter alia, that provision of telecom services does not involve any transfer of right to use the telephone system/network and that imposition of sales tax on any facilities of telecom services is untenable in law. On SIM cards, the Court has held that depending upon the facts of the case, (i) if SIM card is not being sold, then the state cannot levy sales tax on SIM card value as the same is exigible to service tax; (ii) alternatively, if SIM card is being sold, then centre cannot levy service tax on the SIM card value as the same is exigible to sales tax. Accordingly, the respective authorities are in the process of complying with the Supreme Court order as above in respect of total amount disputed estimated as at March 31, 2006 in respect of sales tax of Rs. 5,742,668 thousand (March 31, 2005 Rs. 4,079,507 thousand) and service tax of Rs. 236,220 thousand (March 31, 2005 Rs. 140,762 thousand).

c) Erstwhile Bharti Mobile Limited ('BML') was awarded license by the DoT to operate cellular services in the state of Punjab in December 1995. On April 18, 1996, subject to certain conditions, the Company obtained the permission from the DoT to operate the Punjab license through its wholly owned subsidiary, Evergrowth Telecom Limited ('ETL').

i) In December 1996, DoT withdrew the permission dated April 18, 1996. DoT, however, again reinstated the permission on March 10, 1998 (the period from April 18, 1996 to March 10, 1998 has been hereinafter referred to as 'the black-out period'). On July 15, 1999 license was terminated due to alleged non-payment of license fees, liquidated damages and related penal interest.

ii) Subsequently in September 2001, BML received from the DoT, an offer for the restoration of the license subject to the condition that BML pays all the dues (license fee, WPC charges, liquidated damages and related penal interest) pending the resolution of dispute relating to the license fee for the blackout period. BML accordingly paid Rs. 4,909,948 thousand as demanded by DoT subject to resolution of the dispute through Arbitration. Consequently the license was restored and an arbitrator appointed for the settlement of the dispute.

iii) In the arbitration proceedings the order was not favorable to BML. BML subsequently filed objections to the arbitrator's award before the Delhi High Court. The Delhi High Court vide orders dated February 19, 2003 issued notices to the DoT. It is pertinent to note that the issuance of notice means stay of the implementation of the award. While the ultimate outcome of the matter cannot be predicted with certainty, BML had, in the accounts for the year ended March 31, 2003, as a matter of conservative accounting, recognized Rs. 1,541,667 thousand (including Rs. 280,000 thousand recoverable from ETL on account of encashment of bank guarantee) as license fees in addition to Rs. 800,000 thousand recognized in the year ended March 31, 2002.

iv) The management has also provided for Rs. 69,340 thousand pertaining to liquidated charges and WPC charges paid in 2003-04 in accordance with the order of DoT in respect of restoration of Punjab license in the year 2002-03.

v) In a case against DoT, TDSAT had earlier passed an order, directing DoT to refund the interest accrued on delayed deposit of license fees, pre NTP 99, due to extension of the effective date of license period by six months. DoT had filed an appeal against the said order before the Supreme Court, which in its judgement dated March 4, 2003 upheld the contention of GSM operators.

vi) In view of the non refund of the complete amount due pursuant to the Order dated March 4, 2003 of the Hon'ble Supreme Court the COAI moved a clarification application of the Order dated March 4, 2003, before the Hon'ble Supreme Court which was dismissed as withdrawn. COAI thereafter moved execution applications in TDSAT which also stands disposed off. The COAI moved to the Supreme Court against the interpretation advanced by the TDSAT in the execution proceedings. The Supreme Court has admitted the matter. The matter will now come up for hearing in due course of time.

vii) The Company received refund order of interest from the DoT in the circles of Andhra Pradesh and Karnataka amounting to Rs. 770,334 thousand and had taken such amounts as an income to Profit and loss Account.
during the year 2002-03. The Company also received the interest refund order in the case of mobile operations in Punjab on the same grounds amounting to Rs. 856,644 thousand, which was set off against the interest claim of DoT amounting to Rs. 2,778,941 thousand in 2002-03. During the year ended March 31, 2005, the Company received a further refund of Rs. 57,338 thousand. The balance amount of Rs. 1,864,959 thousand has been provided in the books during the year ended March 31, 2006. Pending decision of the Delhi High Court, any amount determined as due from the Company on account of interest etc. cannot be quantified till the matter is sub-judice. Though the Company is of the view that it has a good arguable case, still, as a matter of conservative accounting practice, it has now provided for the above-mentioned amount of Rs. 1,864,959 thousand.

d) The Customs Authorities, in some states, has issued show cause notices amounting to Rs. 1,230,678 thousand (included in Note 4 (a) (i) above) (March 31, 2005 Rs. 486,378 thousand) on import of special software on the ground that this value forms part of the hardware along with which the same has been imported. The view of the Company is that such imports should not suffer any customs duty as such software is an operating software and exempt from any customs duty.

e) In certain states Entry Tax is levied on receipt of material from outside the state. This position has been challenged by the Company in the respective states, on the grounds that the specific Entry Tax is ultravires the constitution, classification issues have been raised whereby, in view of the Company, the material proposed to be taxed is not covered under the specific category. The amount under dispute as at March 31, 2006 is Rs. 787,390 thousand (included in Note 4 (a) (i) above) (March 31, 2005 Rs. 231,516).

f) BAL is currently in litigation with DSS Enterprises Private Limited (‘DSS’) (0.34 per cent equity interest in erstwhile BCL) on various counts. This inter alia includes alleged claim for specific performance in respect of alleged agreements to sell the equity interest of DSS in erstwhile Bharti Mobinet Limited. (BMNL) to BAL (formerly BTVL). The case filed by DSS to enforce the sale of equity shares before the Delhi High Court was transferred to District Court. The suit filed by DSS was dismissed in default by the Ld. Additional District judge on the ground of non-prosecution. Subsequently, DSS filed an application for restoration of the suit on which notices were issued to BAL (formerly BTVL) and other defendants returnable on August 22, 2006.

In respect of the same transaction, Crystal Technologies Private Limited, an intermediary, initiated arbitration proceedings against the Company demanding Rs. 194,843 thousand (March 31, 2005 Rs. 194,843 thousand) regarding termination of its appointment as a consultant to negotiate with DSS for the sale of DSS stake in erstwhile Bharti Mobinet Limited to BAL (formerly BTVL). The next date of hearing is yet to be intimated by the Arbitrator.

5. Export Obligation
Erstwhile BIL and BCL have obtained licenses under the Export Promotion Credit Guarantee (‘EPCG’) Scheme for importing capital goods at a concessional rate of customs duty against submission of bank guarantee and bonds. Under the terms of the respective schemes, these companies are required to export goods of FOB value equivalent to, or more than, five times the CIF value of imports in respect of certain licenses and eight times the duty saved in respect of licenses where export obligation has been refixed by the order of Director General Foreign Trade, Ministry of Finance, as applicable. Accordingly the Companies are now required to export goods of FOB value of at least Rs. 26,550,884 thousand (March 31, 2005 Rs. 23,470,852 thousand).

6. a) Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 41,478,800 thousand (March 31, 2005 Rs. 19,491,800 thousand).

b) Under the IT Outsourcing Agreement, the Company has commitments to pay Rs. 3,731,265 thousand (March 31, 2005 Rs. 5,988,619 thousand) during the non-cancellable period of the contract for three years ending on March 31, 2007, comprising finance lease and servicing charges.

7. During the year, the Company has revised its estimations for recognition of site restoration cost and its depreciation from fifteen years to ten years and has provided depreciation as per the revised estimate of useful life, resulting in a decline in value of plant and machinery by Rs. 345,053 thousand and a higher charge of depreciation by Rs. 42,926 thousand with a consequential impact on profit for the year and net assets of the Company as at that date.

8. a) The Company has entered into a Joint Venture agreement dated November 3, 2004 with 7 other overseas mobile operators to form a regional alliance called the Bridge Mobile Alliance incorporated in Singapore as Bridge Mobile Pte Ltd. with initial equity to be equally held amongst the eight operators/shareholders. On March 31, 2005 the
Company invested USD-1,000 thousand in ordinary shares of USD 1 each in Bridge Mobile Pte Ltd. amounting to Rs. 43,763 thousand.

b) The Company has entered into a Memorandum of Understanding dated July 8, 2005 with 5 other parties to form an aircraft chartering company called the Forum I Aviation Limited incorporated in India with initial equity to be equally held amongst the six members. During the period ended March 31, 2006, the Company has invested Rs. 34,950 thousand in ordinary shares of Forum I Aviation Limited.

c) Investment in Joint Ventures

<table>
<thead>
<tr>
<th>Joint Venture</th>
<th>Country of Business</th>
<th>Ownership Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridge Mobile Pte Ltd.</td>
<td>Singapore</td>
<td>12.50%</td>
</tr>
<tr>
<td>Forum I Aviation Ltd.</td>
<td>India</td>
<td>16.64%</td>
</tr>
</tbody>
</table>

The following represent the Company’s share of Assets and Liabilities, and income and results of the Joint Venture. They are included in the balance sheet and profit and loss account statement.

<table>
<thead>
<tr>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve and surplus</td>
<td>(15,631)</td>
</tr>
<tr>
<td>Fixed assets, net</td>
<td>9,190</td>
</tr>
<tr>
<td>Investments</td>
<td>2,526</td>
</tr>
<tr>
<td>Current asset</td>
<td></td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>1,757</td>
</tr>
<tr>
<td>Cash and bank</td>
<td>29,419</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>35,475</td>
</tr>
<tr>
<td>Current liabilities and provisions</td>
<td>14,439</td>
</tr>
<tr>
<td>Miscellaneous Expenditure</td>
<td>–</td>
</tr>
</tbody>
</table>

Amounts in respect of joint ventures – statement of profit and loss

| Turnover   | 14,203         |
| Expenses   |                |
| Operating expenses | 11            |
| Selling, general and administration expenses | 25,161 |
| Interest (net) | (1,344)     |
| Depreciation | 1,353        |
| Profit before tax | (10,978) |
| Provision for tax | 2            |
| Profit after tax | (10,980) |

9. Vide a Supply contract and Construction and maintenance agreement executed on March 27, 2004, Alcatel Submarine Networks of France and Fujitsu Ltd. of Japan provided the SEA-ME-WE-4 Cable Systems (broadly described as a submarine cable system linking South East Asia and Europe, via the Indian Sub-Continent & Middle East) and will also provide long term technical support to a consortium of sixteen Telecom operators in various countries including the Company whose share (8.051%) of the contract price is estimated to be USD 37,840 thousand (March 31, 2005 USD 39,055 thousand).

10. The Company had allotted 37,500 Optionally Convertible Redeemable Debentures (‘OCRDs’) of Rs. 100,000 each aggregating to Rs. 3,750,000 thousand that were optionally convertible into equity shares at an Agreed Price on a
preferential basis to the erstwhile shareholders of BHL (the sellers) as part of the consideration for 67.5% equity in Bharti Hexacom limited acquired during 2004-05. The tenor of the OCRDs was 364 days from and including the date of allotment. The OCRDs were convertible solely and entirely at the option of the Seller and BAL (formerly BTVL) was not entitled to convert the same into equity shares unless the Sellers exercised their option to convert. If the Sellers chose not to convert all or part of the OCRDs, then the outstanding OCRDs were to be redeemed at face value at the end of the tenor. BAL (formerly BTVL) and the Sellers were to share any upside in the BAL (formerly BTVL) stock price, at the time of Conversion. The difference between the Relevant Price and the Agreed Price was to be shared in the 60:40 ratio (BTVL:Sellers) respectively at the time of conversion of the OCRDs. The upside was to be adjusted by way of reducing the number of shares to be allotted on conversion. The Relevant Price would be the average of the closing prices (as given in the Exchange Bhav Copy) of BAL (formerly BTVL) shares quoted on NSE and BSE (both) during the three trading days preceding the Notice Date or the end of the Tenor as applicable.

During the year ended March 31, 2006 the Company has issued 20,088,445 equity shares of Rs. 10/- each fully paid up to M/s. Shyam Cellular Infrastructures Projects Limited upon conversion of Optionally Convertible Redeemable Debentures (OCRDs) which is as follows:

<table>
<thead>
<tr>
<th>Date of Allotment</th>
<th>No. of Shares Allotted</th>
<th>Conversion Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 24, 2005</td>
<td>5,424,479</td>
<td>1,012,609</td>
</tr>
<tr>
<td>May 10, 2005</td>
<td>14,538,078</td>
<td>2,713,881</td>
</tr>
<tr>
<td>June 9, 2005</td>
<td>125,888</td>
<td>23,500</td>
</tr>
</tbody>
</table>

11. During the year ended March 31, 2005 the Company issued USD 115,000,000 Zero Coupon Convertible Bonds due 2009 (the “Bonds”). The Bonds are convertible at any time on or after June 12, 2004 (or such earlier date as is notified to the holders of the Bonds by the Issuer) up to April 12, 2009 by holders into fully paid equity shares with full voting rights with a par value of Rs. 10 each of the Issuer (“Shares”) at an initial Conversion Price (as defined in the “Terms and Conditions of the Bonds”) of Rs. 233.17 per share with a fixed rate of exchange on conversion of Rs. 43.56 = USD 1.00. The Conversion Price is subject to adjustment in certain circumstances.

The Bonds may be redeemed, in whole or in part, at the option of the Issuer at any time on or after May 12, 2007 and prior to April 12, 2009, subject to satisfaction of certain conditions, at their “Early Redemption Amount” (as defined in the “Terms and Conditions of the Bonds”) at the date fixed for such redemption if the “Closing Price” (as defined in the “Terms and Conditions of the Bonds”) of the Shares translated into U.S. dollars at the “prevailing rate” (as defined in the “Terms and Conditions of the Bonds”) for each of 30 consecutive “Trading Days” (as defined in the “Terms and Conditions of the Bonds”), the last of which occurs not more than five days prior to the date upon which notice of such redemption is published, is greater than 120 percent of the “Conversion Price” (as defined in the “Terms and Conditions of the Bonds”) then in effect translated into U.S. dollars at the rate of Rs. 43.56 = USD 1.00.

The Bonds may also be redeemed in whole, and not in part, at any time at the option of the Issuer at their Early Redemption Amount if less than 5 percent in aggregate principal amount of the Bonds originally issued is outstanding.

The Issuer will, at the option of any holder of any Bonds, repurchase at the Early Redemption Amount such Bonds at such time as the Shares cease to be listed or admitted to trading on the NSE or upon the occurrence of a “Change of Control” (as defined in the “Terms and Conditions of the Bonds”) in respect of the Issuer. These Bonds are listed in the Singapore Exchange Securities Trading Limited (the “SGX-ST”).
The Company has during the period ended March 31, 2006 Converted Bonds equivalent to USD 94,756,000 into 17,701,967 equity shares of the Company at the option exercised by the bond holders which is as follows:

<table>
<thead>
<tr>
<th>Date of Allotment</th>
<th>No. of Shares Allotted</th>
<th>FCCB Value (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 12, 2005</td>
<td>840,673</td>
<td>4,500,000</td>
</tr>
<tr>
<td>August 20, 2005</td>
<td>706,166</td>
<td>3,780,000</td>
</tr>
<tr>
<td>September 15, 2005</td>
<td>3,693,360</td>
<td>19,770,000</td>
</tr>
<tr>
<td>September 23, 2005</td>
<td>2,640,088</td>
<td>14,132,000</td>
</tr>
<tr>
<td>October 19, 2005</td>
<td>3,462,828</td>
<td>18,536,000</td>
</tr>
<tr>
<td>November 7, 2005</td>
<td>2,073,661</td>
<td>11,100,000</td>
</tr>
<tr>
<td>December 12, 2005</td>
<td>467,041</td>
<td>2,500,000</td>
</tr>
<tr>
<td>January 12, 2006</td>
<td>2,860,159</td>
<td>15,310,000</td>
</tr>
<tr>
<td>February 2, 2006</td>
<td>453,588</td>
<td>2,428,000</td>
</tr>
<tr>
<td>March 9, 2006</td>
<td>504,403</td>
<td>2,700,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,701,967</strong></td>
<td><strong>94,756,000</strong></td>
</tr>
</tbody>
</table>

12. Profit on sale of investments is net of loss on sale of investments Rs. 2,103 thousand (March 31, 2005 Rs. 6,732 thousand).

13. Billing Revenue in the Profit and Loss Account is net of Rebates and Discounts Rs. 27,908 thousand (March 31, 2005 Rs. 1,918,625 thousand).

14. Rs. 2,762,604 thousand (March 31, 2005 Rs. 2,585,873 thousand) included under Current Liabilities, represents refundable security deposits received from subscribers on activation of connections granted thereto and are repayable on disconnection, net of outstanding, if any. Sundry debtors are secured to the extent of the amount outstanding against individual subscribers by way of Security Deposit received from them.

15. As at March 31, 2006 4,195,449 equity shares (March 31, 2005 6,436,266 equity shares) of the Company are held by Bharti Tele-Ventures Employee’s Welfare Trust (“The Trust”) issued at the rate of Rs. 51.36 per equity share fully paid up.

16. The Loans and Advances granted to subsidiaries and associates are repayable on demand and repayments made during the year are as mutually agreed.

17. Particulars of securities charged against secured loans taken by the Company are as follow:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount Outstanding (Rs.’000s)</th>
<th>Security charges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debentures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.55%, 5 Non-Convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from December 2004</td>
<td>12,500</td>
<td>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by the Company including plant and machinery office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</td>
</tr>
<tr>
<td>10.90%, 27 Non-Convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from December 2006</td>
<td>270,000</td>
<td></td>
</tr>
<tr>
<td>11.45%, 5 Non-Convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from December 2009</td>
<td>50,000</td>
<td>• All rights, titles, interests in the accounts, and monies deposited and investments made there from and in project documents, book debts and insurance policies.</td>
</tr>
<tr>
<td>11.70%, 45 Non-Convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from December 2009</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td>7.25%, 200 Non-Convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from October 2003</td>
<td>1,400,000</td>
<td></td>
</tr>
<tr>
<td>8.65%, 95 Non-Convertible Redeemable Debentures of Rs. 10,000 each repayable in May 2007</td>
<td>950,000</td>
<td></td>
</tr>
<tr>
<td><strong>Debentures</strong></td>
<td><strong>3,132,500</strong></td>
<td></td>
</tr>
<tr>
<td>Particulars</td>
<td>Amount Outstanding (Rs.’000s)</td>
<td>Security charges</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Loans and Advances from Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Term Loan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rupee Loan Rs. 400,000 thousand repayable in 4 half yearly installments beginning March 2005</td>
<td>100,000</td>
<td>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by the Company including plant and machinery office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</td>
</tr>
<tr>
<td>Rupee Loan Rs. 500,000 thousand repayable in 4 half yearly installments beginning September 2005</td>
<td>125,000</td>
<td></td>
</tr>
<tr>
<td>Rupee Loan of Rs. 900,000 thousand repayable in 4 half yearly installments beginning July 2005</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>675,000</td>
<td></td>
</tr>
<tr>
<td><strong>Other Loans and Advances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loan from Financial Institution for Rs. 3,000,000 thousand repayable in 11 quarterly installments commencing from October 2006</td>
<td>3,000,000</td>
<td>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by the Company including plant and machinery office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</td>
</tr>
<tr>
<td>Rupee Loan from financial institutions Rs. 2,500,000 thousand repayable in 10 half yearly installments beginning March 2007</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 86,110 thousand repayable in 20 half yearly installments beginning December 2002</td>
<td>2,687,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 37,057 thousand repayable in 20 half yearly installments beginning August 2003</td>
<td>1,274,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 37,009 thousand repayable in 20 half yearly installments beginning February 2004</td>
<td>1,216,000</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 30,000 thousand repayable in 10 half yearly installments beginning July 2006</td>
<td>1,438,500</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 10,000 thousand repayable in 13 half yearly installments beginning June 2005</td>
<td>384,774</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 12,000 thousand repayable in 13 half yearly installments beginning June 2005</td>
<td>461,729</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 46,000 thousand repayable in 20 half yearly installments beginning June 2004</td>
<td>1,673,408</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 27,956 thousand repayable in 19 half yearly installments beginning June 2004</td>
<td>696,632</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 18,996 thousand repayable in 20 half yearly installments beginning May 2005</td>
<td>765,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 43,035 thousand repayable in 20 half yearly installments beginning September 2005</td>
<td>1,522,000</td>
<td></td>
</tr>
<tr>
<td>Particulars</td>
<td>Amount Outstanding (Rs.'000)</td>
<td>Security charges</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 36,822 thousand</td>
<td>1,565,000</td>
<td></td>
</tr>
<tr>
<td>repayable in 20 half yearly installments beginning January 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 52,125 thousand</td>
<td>2,333,000</td>
<td></td>
</tr>
<tr>
<td>repayable in 20 half yearly installments beginning May 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 48,310 thousand</td>
<td>2,155,000</td>
<td></td>
</tr>
<tr>
<td>repayable in 20 half yearly installments beginning September 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 5,000 thousand</td>
<td>219,700</td>
<td></td>
</tr>
<tr>
<td>repayable in 20 half yearly installments beginning September 2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 4,645 thousand</td>
<td>204,100</td>
<td></td>
</tr>
<tr>
<td>repayable in 20 half yearly installments beginning March 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 27,229 thousand</td>
<td>1,196,400</td>
<td></td>
</tr>
<tr>
<td>repayable in 20 half yearly installments beginning July 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 11,781 thousand</td>
<td>517,653</td>
<td></td>
</tr>
<tr>
<td>repayable in 20 half yearly installments beginning November 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Term Loan Total</strong></td>
<td><strong>24,809,896</strong></td>
<td></td>
</tr>
<tr>
<td>Vehicle Loans From Banks</td>
<td>16,311</td>
<td>Secured by Hypothecation of vehicles of the Company.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,633,707</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: Following shall be excluded from Securities as mentioned above:

a) Intellectual properties of BAL (formerly BTVL).
b) Investment in subsidiaries of BAL (formerly BTVL).
c) Licenses issued by DoT to operate various telecom services.
18. Expenditure/Earnings in Foreign Currency (on accrual basis):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Period ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On account of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>909,265</td>
<td>1,175,095</td>
</tr>
<tr>
<td>Professional &amp; Consultation Fees</td>
<td>20,706</td>
<td>106,362</td>
</tr>
<tr>
<td>Travelling</td>
<td>11,792</td>
<td>9,173</td>
</tr>
<tr>
<td>Roaming Charges (Incl. Commission)</td>
<td>831,529</td>
<td>731,870</td>
</tr>
<tr>
<td>Membership &amp; Subscription</td>
<td>2,716</td>
<td>5,467</td>
</tr>
<tr>
<td>Staff Training &amp; Others</td>
<td>2,535</td>
<td>11,353</td>
</tr>
<tr>
<td>Services</td>
<td>15,618</td>
<td>408,885</td>
</tr>
<tr>
<td>Annual Maintenance</td>
<td>122,460</td>
<td>8,103</td>
</tr>
<tr>
<td>Bandwidth Charges</td>
<td>680,263</td>
<td>256,760</td>
</tr>
<tr>
<td>Access Charges</td>
<td>3,987,105</td>
<td>2,146,771</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>–</td>
<td>832</td>
</tr>
<tr>
<td>Investment</td>
<td>–</td>
<td>63,378</td>
</tr>
<tr>
<td>Marketing</td>
<td>296</td>
<td>115,597</td>
</tr>
<tr>
<td>Material</td>
<td>1,011,797</td>
<td>–</td>
</tr>
<tr>
<td>Upfront fee</td>
<td>527,593</td>
<td>145,102</td>
</tr>
<tr>
<td>Signalling charges</td>
<td>3,880</td>
<td>2,292</td>
</tr>
<tr>
<td>Registration fee</td>
<td>124</td>
<td>–</td>
</tr>
<tr>
<td>US Point of Presence Charges</td>
<td>29,524</td>
<td>31,084</td>
</tr>
<tr>
<td>Board Meeting Expenses</td>
<td>637</td>
<td>615</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>287</td>
<td>–</td>
</tr>
<tr>
<td>Directors Commission</td>
<td>5,114</td>
<td>–</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>392</td>
<td>–</td>
</tr>
<tr>
<td>Delegation fee</td>
<td>734</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,164,367</td>
<td>5,218,739</td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roaming Revenue</td>
<td>2,740,674</td>
<td>2,239,362</td>
</tr>
<tr>
<td>Billing Revenue</td>
<td>9,968,082</td>
<td>7,554,242</td>
</tr>
<tr>
<td>Swap Income</td>
<td>8,507</td>
<td>63,001</td>
</tr>
<tr>
<td>Interest Income</td>
<td>9,078</td>
<td>5,521</td>
</tr>
<tr>
<td>EKN Premium Refund</td>
<td>34,016</td>
<td>1,390</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,760,357</td>
<td>9,863,516</td>
</tr>
</tbody>
</table>

19. CIF Value of Imports:

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006 (Rs.’000)</th>
<th>Year ended March 31, 2005 (Rs.’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Goods</td>
<td>16,262,423</td>
<td>17,307,308</td>
</tr>
<tr>
<td>Components and spare parts</td>
<td>13,142</td>
<td>24,307</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>16,275,565</td>
<td>17,331,615</td>
</tr>
</tbody>
</table>
20. The aggregate managerial remuneration under Section 198 of the Companies Act, 1956 to the directors (including managing director) is:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole Time Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary *</td>
<td>90,609</td>
<td>68,875</td>
</tr>
<tr>
<td>Reimbursements and Perquisites</td>
<td>680</td>
<td>795</td>
</tr>
<tr>
<td>Performance Linked Incentive</td>
<td>102,126</td>
<td>56,087</td>
</tr>
<tr>
<td>Total Remuneration payable to Whole Time Directors</td>
<td><strong>193,415</strong></td>
<td><strong>125,757</strong></td>
</tr>
<tr>
<td>Non Whole Time Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>9,898</td>
<td>9,801</td>
</tr>
<tr>
<td>Sitting Fees</td>
<td>710</td>
<td>800</td>
</tr>
<tr>
<td>Total amount paid/payable to Non-Whole Time Directors</td>
<td><strong>10,608</strong></td>
<td><strong>10,601</strong></td>
</tr>
<tr>
<td>Total Managerial Remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>204,023</strong></td>
<td><strong>136,358</strong></td>
</tr>
</tbody>
</table>

* The amount excludes Company’s contribution/provision for gratuity cost for the year, which is determined annually on actuarial basis.

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956, and calculation of Remuneration payable to Directors

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit before tax from ordinary activities</td>
<td>22,857,955</td>
<td>15,642,762</td>
</tr>
<tr>
<td>Add: Whole Time Director’s Remuneration</td>
<td>192,735</td>
<td>124,962</td>
</tr>
<tr>
<td>Add: Reimbursements to Whole Time Directors</td>
<td>680</td>
<td>795</td>
</tr>
<tr>
<td>Add: Directors Sitting Fees</td>
<td>710</td>
<td>800</td>
</tr>
<tr>
<td>Add: Commission to Non-Whole Time Director</td>
<td>9,898</td>
<td>9,801</td>
</tr>
<tr>
<td>Add: Provision for Doubtful Loans and advances</td>
<td>2,659,300</td>
<td>1,583,887</td>
</tr>
<tr>
<td>Add: Provision for Wealth Tax</td>
<td>15</td>
<td>22</td>
</tr>
<tr>
<td>Net Profit/(Loss) for the year Under Section 349</td>
<td><strong>25,721,293</strong></td>
<td><strong>17,363,029</strong></td>
</tr>
<tr>
<td>Maximum Amount paid/payable to Non-Whole Time Directors</td>
<td><strong>257,213</strong></td>
<td><strong>173,630</strong></td>
</tr>
<tr>
<td>Restricted to 1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum Amount paid/payable to Whole Time Directors</td>
<td><strong>2,829,342</strong></td>
<td><strong>1,909,933</strong></td>
</tr>
<tr>
<td>Restricted to 11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount Paid/Payable to Directors</td>
<td><strong>204,023</strong></td>
<td><strong>136,358</strong></td>
</tr>
</tbody>
</table>

21. (i) The Central Government’s approval is pending against the application made by erstwhile BML in respect of remuneration of Rs. 1,943 thousand [Rs. 1,274 thousand for the five month period ended August 31, 2000 and Rs. 669 thousand for the year ended March 31, 2000 respectively] (March 2003: Rs. 1,943 thousand) payable to the former Whole Time Director which exceeds the limits prescribed by Schedule XIII of the Companies Act, 1956.

(ii) The Central Government’s approval is pending against the application made by erstwhile BCL in respect of excess remuneration paid to Whole Time Directors of Rs. 4,063 thousand (March 31, 2005 Rs.4,063 thousand).

(iii) The cumulative amount of excess remuneration paid to the Whole Time Director of the Company pending approval of Central Government is Rs. 565 thousand (March 31, 2005 Rs. 565 thousand) and is refundable by the director.

(iv) The cumulative amount of excess remuneration paid to Managing Director and Whole Time Directors (erstwhile ‘BIL’ pertaining to earlier years, pending approval of the Central Government is Rs. 3,114 thousand (March 31, 2005 Rs. 3,114 thousand) and is refundable by Directors.
22. **Auditors Remuneration:**

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Fee</strong>*</td>
<td>63,300</td>
<td>53,401</td>
</tr>
<tr>
<td><strong>Certification Fee</strong></td>
<td>2,202</td>
<td>3,730</td>
</tr>
<tr>
<td><strong>Reimbursement of Expenses</strong></td>
<td>709</td>
<td>2,352</td>
</tr>
<tr>
<td><strong>Other Fees</strong>*</td>
<td>15,750</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,961</td>
<td>59,483</td>
</tr>
</tbody>
</table>

* Excluding Service Tax

23. **Details of SSI Creditors having outstanding balance for more than 30 days**

<table>
<thead>
<tr>
<th>Name of SSI creditors</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumar Printers</td>
<td>68</td>
<td>–</td>
</tr>
<tr>
<td>Cantech Engineers</td>
<td>80</td>
<td>137</td>
</tr>
<tr>
<td>GKA Rajeendran &amp; Co.</td>
<td>123</td>
<td>1</td>
</tr>
<tr>
<td>3 GUYS</td>
<td>84</td>
<td>179</td>
</tr>
<tr>
<td>S.P. Projects</td>
<td>169</td>
<td>111</td>
</tr>
<tr>
<td>Solux Galfab Private Limited</td>
<td>2,926</td>
<td>63</td>
</tr>
<tr>
<td>Soumitra Das</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Axis Galvanising Industries</td>
<td>55</td>
<td>370</td>
</tr>
<tr>
<td>Globe Detective Agency Pvt. Ltd.</td>
<td>12</td>
<td>77</td>
</tr>
<tr>
<td>Shiva Fabricators</td>
<td>53</td>
<td>–</td>
</tr>
<tr>
<td>Kotagi Structural</td>
<td>2,995</td>
<td>452</td>
</tr>
<tr>
<td>Ridings Consultants P. Ltd.</td>
<td>26</td>
<td>–</td>
</tr>
<tr>
<td>Modern Engineers Construction Co-op. Society Ltd.</td>
<td>6</td>
<td>–</td>
</tr>
<tr>
<td>Axis Engineers</td>
<td>–</td>
<td>88</td>
</tr>
<tr>
<td>Dubas Engineering Pvt. Limited</td>
<td>–</td>
<td>323</td>
</tr>
<tr>
<td>Jakson Generators (P) Ltd.</td>
<td>–</td>
<td>357</td>
</tr>
<tr>
<td>Precision Control</td>
<td>–</td>
<td>495</td>
</tr>
<tr>
<td>Print Screen</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Sai Electricals</td>
<td>–</td>
<td>117</td>
</tr>
<tr>
<td>Selvon Instruments</td>
<td>–</td>
<td>964</td>
</tr>
<tr>
<td>Shiva Fabricators</td>
<td>–</td>
<td>378</td>
</tr>
<tr>
<td>Shruti Art</td>
<td>–</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,613</strong></td>
<td><strong>4,186</strong></td>
</tr>
</tbody>
</table>
24. Quantitative Information
2005-06

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended March 31, 2005 Qty. Value (’000)</th>
<th>Purchases (Refer Notes 1) 2005-06 Qty. Value (’000)</th>
<th>Sales/Internal Utilisation 2005-06 Qty. Value (’000)</th>
<th>Year ended March 31, 2006 Qty. Value (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handsets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simcards(Note 2)</td>
<td>5,363,201 302,202</td>
<td>26,102,020 684,268</td>
<td>24,859,782 694,368</td>
<td>6,605,439 172,933</td>
</tr>
<tr>
<td>TDMA/PAMA VSATs Assembly sets</td>
<td>145 2,048</td>
<td>–</td>
<td>49</td>
<td>96</td>
</tr>
<tr>
<td>Broadband Interactive Terminal/Gateways</td>
<td>70</td>
<td>–</td>
<td>70</td>
<td>–</td>
</tr>
<tr>
<td>Internet Modem &amp; others</td>
<td>18 11,588</td>
<td>2,247 52,856</td>
<td>1,133 18,163</td>
<td>1,132 3,155</td>
</tr>
<tr>
<td>–</td>
<td>315,838</td>
<td>–</td>
<td>714,176</td>
<td>–</td>
</tr>
</tbody>
</table>

2004-05

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Acquired on Amalgamation April 1, 2004 Qty. Value (’000)</th>
<th>Purchases (Refer Notes 1 &amp; 3 below) 2004-05 Qty. Value (’000)</th>
<th>Sales/Internal Utilisation 2004-05 Qty. Value (’000)</th>
<th>As at March 31, 2005 Qty. Value (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handsets</td>
<td>69 103</td>
<td>–</td>
<td>69</td>
<td>–</td>
</tr>
<tr>
<td>Simcards(Note 2)</td>
<td>2,450,748 152,810</td>
<td>20,381,108 1,050,435</td>
<td>17,468,655 689,604</td>
<td>5,363,201 302,202</td>
</tr>
<tr>
<td>TDMA/PAMA VSATs Assembly sets</td>
<td>145 12,011</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Broadband Interactive Terminal/Gateways</td>
<td>70 1,468</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Internet Modem</td>
<td>32 33,775</td>
<td>5 21,646</td>
<td>19 38,876</td>
<td>18 11,588</td>
</tr>
<tr>
<td>–</td>
<td>200,167</td>
<td>–</td>
<td>728,480</td>
<td>–</td>
</tr>
</tbody>
</table>

1. Includes cost transferred from fixed assets.
2. Excludes value of simcards issued free of cost.
3. The above table does not include the value of Sim card utilization Rs. 194,347 thousand (March 31, 2005 : Rs. 252,144 thousand), TDMA/PAMA VSATs Assembly sets does not include utilization of Rs 692 thousand (March 31, 2005 : Rs. 9,963 thousand)
25. The details of investments required as per Schedule VI of the Companies Act 1956 are provided below.

a) Details of Investments held as at March 31, 2006

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(No. of Units)</td>
<td>Face Value</td>
<td>Cost</td>
<td>Face Value</td>
</tr>
<tr>
<td>Other than Trade (Quoted) - Government Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.81% GOI 2010@6.67% YTM</td>
<td>1,000,000</td>
<td>100,000</td>
<td>119,208</td>
<td></td>
</tr>
<tr>
<td>6.18% GOI 2005</td>
<td>1,500,000</td>
<td>150,000</td>
<td>150,525</td>
<td></td>
</tr>
<tr>
<td>6.18% GOI 2005</td>
<td>1,000,000</td>
<td>100,000</td>
<td>100,370</td>
<td></td>
</tr>
<tr>
<td>6.18% GOI 2005</td>
<td>1,000,000</td>
<td>100,000</td>
<td>100,270</td>
<td></td>
</tr>
<tr>
<td>6.18% GOI 2005</td>
<td>1,000,000</td>
<td>100,000</td>
<td>100,370</td>
<td></td>
</tr>
<tr>
<td>6.18% GOI 2005</td>
<td>1,000,000</td>
<td>100,000</td>
<td>100,270</td>
<td></td>
</tr>
<tr>
<td>7.15% Union Bank 2015</td>
<td>50,000</td>
<td>50,000</td>
<td>56,802</td>
<td></td>
</tr>
<tr>
<td>7.15% Union Bank 2015</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>7.15% Union Bank 2015</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>11.50% IDBI 2010</td>
<td>500,000</td>
<td>50,000</td>
<td>59,388</td>
<td></td>
</tr>
<tr>
<td>11.50% IDBI 2010</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>94,881</td>
<td></td>
</tr>
<tr>
<td>Other than Trade (Quoted) - Mutual Funds,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debitures and Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kotak Mahindra Mutual Fund</td>
<td>5,120,185</td>
<td>55,000</td>
<td>55,000</td>
<td></td>
</tr>
<tr>
<td>Kotak Mahindra Mutual Fund</td>
<td>6,488,251</td>
<td>51,000</td>
<td>51,000</td>
<td></td>
</tr>
<tr>
<td>PRUDENTIAL ICICI MF</td>
<td>9,669,403</td>
<td>100,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>ABN AMRO Floating Rate Fund</td>
<td>6,480,357</td>
<td>64,804</td>
<td>66,360</td>
<td></td>
</tr>
<tr>
<td>ABN AMRO Liquid Fund I Plan</td>
<td>16,708,746</td>
<td>167,087</td>
<td>171,590</td>
<td></td>
</tr>
<tr>
<td>Birla Mutual Fund - Liquid - I Plan Premium</td>
<td>6,467,645</td>
<td>64,766</td>
<td>67,955</td>
<td></td>
</tr>
<tr>
<td>Deutsche Floating rate fund</td>
<td>10,582,759</td>
<td>105,828</td>
<td>113,031</td>
<td></td>
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<tr>
<td>DSP ML Liquid Fund</td>
<td>3,309,093</td>
<td>33,091</td>
<td>35,623</td>
<td></td>
</tr>
<tr>
<td>HDFC Mutual Fund - Cash Mgmt. Saving Plus Plan</td>
<td>21,214,445</td>
<td>212,144</td>
<td>239,310</td>
<td></td>
</tr>
<tr>
<td>HDFC Mutual Fund - Cash Mgmt. Saving Plan</td>
<td>21,760,891</td>
<td>217,609</td>
<td>233,910</td>
<td></td>
</tr>
<tr>
<td>HSBC Floating Rate Fund</td>
<td>2,423,159</td>
<td>42,432</td>
<td>43,223</td>
<td></td>
</tr>
<tr>
<td>HSBC Liquid Fund</td>
<td>1,921,303</td>
<td>19,213</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>ING ST Floater</td>
<td>5,939,171</td>
<td>59,392</td>
<td>60,621</td>
<td></td>
</tr>
<tr>
<td>ING Vysya Liquid</td>
<td>3,355,543</td>
<td>33,555</td>
<td>34,850</td>
<td></td>
</tr>
<tr>
<td>J M Fixed Maturity Plan QSA 5</td>
<td>20,344,838</td>
<td>203,448</td>
<td>232,487</td>
<td></td>
</tr>
<tr>
<td>J M MUTUAL FUND - Equity &amp; Derivative</td>
<td>5,000,000</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>Kotak Floater ST Growth</td>
<td>10,784,823</td>
<td>107,848</td>
<td>117,238</td>
<td></td>
</tr>
<tr>
<td>Prudential ICICI Mutual Fund - FMP Series 25 Quaterly</td>
<td>24,987,007</td>
<td>249,870</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>Prudential ICICI Mutual Fund - Floating Rate Plan C</td>
<td>2,588,907</td>
<td>25,889</td>
<td>26,734</td>
<td></td>
</tr>
<tr>
<td>Principal Floating Rate Fund</td>
<td>4,907,164</td>
<td>49,072</td>
<td>50,364</td>
<td></td>
</tr>
<tr>
<td>Reliance Mutual Fund - Floating</td>
<td>6,984,563</td>
<td>69,846</td>
<td>71,752</td>
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</tr>
<tr>
<td>Reliance Mutual Fund - FMP Quarter Plan 8</td>
<td>15,000,000</td>
<td>150,000</td>
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<td>Reliance Mutual Fund - FMP Quarter Plan 7</td>
<td>20,000,000</td>
<td>200,000</td>
<td>200,000</td>
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<tr>
<td>Tata Mutual Fund Floating Rate</td>
<td>20,034,464</td>
<td>200,345</td>
<td>205,980</td>
<td></td>
</tr>
<tr>
<td>UTI Floater</td>
<td>7,085,128</td>
<td>70,851</td>
<td>76,370</td>
<td></td>
</tr>
<tr>
<td>HDFC (M + 55) Floating Rate Bonds 2007</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>5.87% HDFC NCD 2006</td>
<td>250,000</td>
<td>250,000</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>Kotak Mahindra Bank</td>
<td>1,000,000</td>
<td>100,000</td>
<td>95,444</td>
<td></td>
</tr>
<tr>
<td>ING Vysya Bank</td>
<td>3,000,000</td>
<td>300,000</td>
<td>286,333</td>
<td></td>
</tr>
<tr>
<td>Alliance Mutual Fund - Liquid - I Plan</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Birla Mutual Fund - Liquid - I Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canbank Mutual - liquid Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Mutual Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Particulars</td>
<td>Rate of Interest</td>
<td>As at March 31, 2006 (No. of Units)</td>
<td>As at March 31, 2006 Face Value</td>
<td>As at March 31, 2005 (No. of Units)</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>------------------</td>
<td>------------------------------------</td>
<td>---------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>Deutsche Liquid Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DSP ML Liquid Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First India Mutual Fund - Liquid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grindlay Liquid Fund - I Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IL &amp; FS Mutual Fund - Liquid- I Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IL &amp; FS Mutual Fund - Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J M MUTUAL FUND - Liquid - I Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KMMF K Liquid - Premium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prudential ICICI Liquid - I Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prudential ICICI Mutual Fund - Floating Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliance Mutual Fund - Liquid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Templeton India Floating Rate ST</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Templeton India Mutual Liquid Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.55% Bharti Mobile Debentures</td>
<td>10.55%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABN AMRO Flexi Debt Fund</td>
<td>9,730,824</td>
<td>102,566</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAN Bank Floater Fund</td>
<td>6,710,663</td>
<td>71,421</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Liquid Cash Plus - IP</td>
<td>4,973,082</td>
<td>54,516</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DSP Liquid Fund</td>
<td>137,116</td>
<td>139,941</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kotak Liquid Premium</td>
<td>8,010,148</td>
<td>112,803</td>
<td></td>
<td></td>
</tr>
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<td>Prudential ICICI Mutual Fund - Floating Rate Plan D</td>
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## 25. (b) Details of Investments purchased and redeemed/sold during the year

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<th>Purchased During the Year</th>
<th>Sale/Redemption Proceeds</th>
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**Notes:**
- The table lists various mutual fund schemes along with their respective units and INR values as of 1.04.05.
- The data includes units and INR values for different schemes across different columns under the headings 'Balance as on 1.04.05,' 'Purchased During the Year,' and 'Sale/Redemption Proceeds.'
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<th>Sale/Redemption Proceeds</th>
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**Note:** The above table contains details of balance purchased, sale/redemption during the year, and proceeds in Indian Rupees (INR) for various mutual fund schemes as of 1.04.05.
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<th>Sale/Redemption Proceeds</th>
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<td></td>
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<tr>
<td>8.07% GOI 2017</td>
<td>–</td>
<td>5 54,800 5 52,600</td>
<td></td>
</tr>
<tr>
<td>7.77% SDL Gujarat 2015</td>
<td>–</td>
<td>108,800 10,880</td>
<td></td>
</tr>
<tr>
<td>7.77% SDL Karnataka 2015</td>
<td>–</td>
<td>51,700 51,700</td>
<td></td>
</tr>
<tr>
<td>7.77% SDL Maharashtra 2015</td>
<td>–</td>
<td>187,500 187,500</td>
<td></td>
</tr>
<tr>
<td>6.85% GOI 2012</td>
<td>–</td>
<td>500,000 50,088</td>
<td></td>
</tr>
<tr>
<td>7.55% GOI 2010</td>
<td>–</td>
<td>500,000 51,873</td>
<td></td>
</tr>
<tr>
<td>7.55% GOI 2010</td>
<td>–</td>
<td>500,000 51,873</td>
<td></td>
</tr>
<tr>
<td>7.77% SDL Karnataka</td>
<td>–</td>
<td>500,000 50,400</td>
<td></td>
</tr>
<tr>
<td>6.65% HDFC 2008</td>
<td>–</td>
<td>320,000 320,000</td>
<td></td>
</tr>
<tr>
<td>6.65% HDFC 2008</td>
<td>–</td>
<td>200,000 200,000</td>
<td></td>
</tr>
<tr>
<td>PFC Ltd. Commercial Paper</td>
<td>–</td>
<td>340 166,090 340 166,317</td>
<td></td>
</tr>
<tr>
<td>10.25% GOI 2021</td>
<td>–</td>
<td>500,000 62,375 500,000 62,750</td>
<td></td>
</tr>
<tr>
<td>10.25% GOI 2021</td>
<td>–</td>
<td>500,000 62,320 500,000 62,650</td>
<td></td>
</tr>
<tr>
<td>7.50% GOI 2034</td>
<td>–</td>
<td>500,000 50,000 500,000 50,275</td>
<td></td>
</tr>
<tr>
<td>6.10% PGC 2014</td>
<td>–</td>
<td>625,000 57,717 625,000 57,906</td>
<td></td>
</tr>
<tr>
<td>7.4% IOB 2015</td>
<td>–</td>
<td>1,000,000 100,000 1,000,000 100,400</td>
<td></td>
</tr>
<tr>
<td>10.25% GOI 2021</td>
<td>–</td>
<td>500,000 62,185 500,000 62,540</td>
<td></td>
</tr>
<tr>
<td>7.45% BOB 2015</td>
<td>–</td>
<td>100 100,000 100 100,400</td>
<td></td>
</tr>
<tr>
<td>Standard Chartered Inv &amp; Loan CP</td>
<td>–</td>
<td>1,000,000 99,851 1,000,000 100,000</td>
<td></td>
</tr>
<tr>
<td>7.49% GOI 2017</td>
<td>–</td>
<td>1,500,000 151,830 1,500,000 152,235</td>
<td></td>
</tr>
<tr>
<td>HDFC Ltd. CP</td>
<td>–</td>
<td>1,000,000 99,785 1,000,000 100,000</td>
<td></td>
</tr>
<tr>
<td>Citi Corp Finance India Ltd. CP</td>
<td>–</td>
<td>2,500,000 249,380 2,500,000 250,000</td>
<td></td>
</tr>
<tr>
<td>6.15% Rabo India Finance P Ltd. 2005</td>
<td>–</td>
<td>1,000,000 100,000 1,000,000 100,000</td>
<td></td>
</tr>
<tr>
<td>6.65% ICICI Securities Ltd. 2005</td>
<td>–</td>
<td>2,500,000 250,000 2,500,000 250,000</td>
<td></td>
</tr>
<tr>
<td>7.40% IOC 2015</td>
<td>–</td>
<td>200 20,010 200 20,560</td>
<td></td>
</tr>
<tr>
<td>6.30% GE Capital Services Ltd. 2005</td>
<td>–</td>
<td>2,500,000 250,000 2,500,000 250,000</td>
<td></td>
</tr>
<tr>
<td>8.07% GOI 2017</td>
<td>–</td>
<td>500,000 53,110 500,000 53,405</td>
<td></td>
</tr>
<tr>
<td>HDFC Ltd. CP</td>
<td>–</td>
<td>400 195,314 400 196,036</td>
<td></td>
</tr>
<tr>
<td>6.45% ICICI Securities Ltds. 2005</td>
<td>–</td>
<td>500 250,000 500 250,000</td>
<td></td>
</tr>
<tr>
<td>7.40% IOC 2015</td>
<td>–</td>
<td>24 23,421 24 23,978</td>
<td></td>
</tr>
<tr>
<td>Citifinancial Consumer Finance India Ltd.</td>
<td>–</td>
<td>250 250,000 250 250,000</td>
<td></td>
</tr>
<tr>
<td>DSP Merrill Lynch Capital Ltd.</td>
<td>–</td>
<td>400 198,888 400 200,000</td>
<td></td>
</tr>
<tr>
<td>7.50% GE Capital Services India</td>
<td>–</td>
<td>50 500,000 50 500,000</td>
<td></td>
</tr>
<tr>
<td>12% HULCO 2011</td>
<td>–</td>
<td>500 53,450 500 54,493</td>
<td></td>
</tr>
<tr>
<td>Total Trade</td>
<td>916,632</td>
<td>5,952,671 5,399,726</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>1,900,000 1,900,000</td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>4,712,466</td>
<td>69,445,758 71,942,601</td>
<td></td>
</tr>
</tbody>
</table>
26. a) The Company uses various premises on lease to install the equipment. A provision is recognized for the costs to be incurred for the restoration of these premises at the end of the lease period. It is expected that this provision will be utilized at the end of the lease period of the respective sites as per the respective lease agreements.

b) The Company has introduced bonus plans aimed towards performance and retention of employees who are eligible based on certain eligibility criteria. This provision will be utilized at the end of the period of the bonus plan on payment to the eligible employees.

c) The movement of Provision made for Site Restoration Cost, leave encashment and deferred bonus plan in accordance with AS-29 ‘Provisions, Contingent liabilities and Contingent Assets’ issued by Institute of Chartered Accountants of India, is given below:

(i) Site Restoration Cost:

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006 (In Rs.’000)</th>
<th>Year ended March 31, 2005 (In Rs.’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>913,517</td>
<td>–</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>854,966</td>
<td>913,517</td>
</tr>
<tr>
<td>Less: Utilised during the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td><strong>1,768,483</strong></td>
<td><strong>913,517</strong></td>
</tr>
</tbody>
</table>

(ii) Leave encashment:

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006 (In Rs.’000)</th>
<th>Year ended March 31, 2005 (In Rs.’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>129,227</td>
<td>9,789</td>
</tr>
<tr>
<td>Acquired under the scheme of amalgamation</td>
<td>–</td>
<td>71,624</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>150,659</td>
<td>88,493</td>
</tr>
<tr>
<td>Less: Utilised during the year</td>
<td>48,376</td>
<td>40,679</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td><strong>231,510</strong></td>
<td><strong>129,227</strong></td>
</tr>
</tbody>
</table>

(iii) Deferred Bonus plan:

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006 (In Rs.’000)</th>
<th>Year ended March 31, 2005 (In Rs.’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquired under the scheme of amalgamation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>71,921</td>
<td>–</td>
</tr>
<tr>
<td>Less: Utilised during the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td><strong>71,921</strong></td>
<td>–</td>
</tr>
</tbody>
</table>
### 27. Information about Business Segments - Primary

**For the year ended March 31, 2006**

**(Rs. '000)**

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<th>Mobile Service</th>
<th>Broadband &amp; Telephone Services</th>
<th>Enterprise Services Carriers</th>
<th>Enterprise Services Corporate</th>
<th>Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing Revenue/Sale of Goods and Other Income</td>
<td>77,886,497</td>
<td>14,368,482</td>
<td>14,617,951</td>
<td>5,956,863</td>
<td>76,000</td>
<td>–</td>
<td>112,905,793</td>
</tr>
<tr>
<td>Inter Segment Revenue</td>
<td>1,390,163</td>
<td>705,927</td>
<td>10,009,882</td>
<td>74,110</td>
<td>–</td>
<td>(12,180,082)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>79,276,660</td>
<td>15,074,409</td>
<td>24,627,833</td>
<td>6,030,973</td>
<td>76,000</td>
<td>(12,180,082)</td>
<td>112,905,793</td>
</tr>
</tbody>
</table>

**Results**

| Segment Result, Profit/(Loss) | 16,095,910 | 625,962 | 7,767,797 | 1,935,248 | (1,310,951) | – | 25,113,966 |
| Operating Profit/(Loss) before Finance Expenses | 16,095,910 | 625,962 | 7,767,797 | 1,935,248 | (1,310,951) | – | 25,113,966 |
| Net Finance Expense/(Income) net | – | – | – | – | 2,256,011 | – | 2,256,011 |
| **Net Profit/(Loss)** | 16,095,910 | 625,962 | 7,767,797 | 1,935,248 | (3,566,962) | – | 22,857,955 |

**Provision for Tax** – – – – 1,665,243 – 1,665,243

**Fringe Benefit Tax** – – – – 190,471 – 190,471

**Deferred Tax Expense** – – – – 881,447 – 881,447

**Net Profit/(Loss) after tax** | 16,095,910 | 625,962 | 7,767,797 | 1,935,248 | (6,304,123) | – | 20,120,794 |

**Segment Assets** 117,096,613 30,116,537 25,814,960 7,984,043 8,308,058 – 189,320,211

**Inter Segment Assets** 2,118,844 10,895,906 19,002,918 3,304,018 41,039,987 (76,361,673) –

**Advance Tax** (Net of provision for tax) – – – – 980,374 – 980,374

**Total Assets** 119,215,457 41,012,443 44,817,878 11,288,061 50,328,419 (76,361,673) 190,300,585

**Segmental Liabilities** 83,852,497 7,689,976 12,680,132 3,028,685 7,703,252 – 114,954,542

**Inter Segment Liabilities** 20,075,885 35,645,249 16,305,686 4,272,539 62,314 (76,361,673) –

**Deferred Tax Liability** – – – – 1,890,459 – 1,890,459

**Total Liabilities** 103,928,382 43,335,225 28,985,818 7,301,224 9,656,025 (76,361,673) 116,845,001

**Capital Expenditure** 32,787,757 10,027,692 4,776,788 1,290,082 38,407 – 48,920,726

**Depreciation and Amortisation** 10,695,396 2,647,182 1,878,171 313,409 881,447 – 15,597,279

---

### For the year ended March 31, 2005

**(Rs. '000)**

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<th>Mobile Service</th>
<th>Broadband &amp; Telephone Services</th>
<th>Enterprise Services Carriers</th>
<th>Enterprise Services Corporate</th>
<th>Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing Revenue/Sale of Goods and Other Income</td>
<td>52,774,090</td>
<td>10,642,645</td>
<td>11,091,243</td>
<td>7,984,043</td>
<td>8,308,058</td>
<td>–</td>
<td>79,441,940</td>
</tr>
<tr>
<td>Inter Segment Revenue</td>
<td>83,852,497</td>
<td>7,689,976</td>
<td>12,680,132</td>
<td>3,028,685</td>
<td>7,703,252</td>
<td>–</td>
<td>114,954,542</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>53,568,956</td>
<td>11,307,189</td>
<td>18,688,206</td>
<td>4,970,230</td>
<td>379,637</td>
<td>(9,472,278)</td>
<td>79,441,940</td>
</tr>
</tbody>
</table>

**Results**

| Segment Result, Profit/(Loss) | 9,931,452 | 1,437,465 | 4,686,201 | 2,362,204 | (1,310,951) | – | 18,101,946 |
| Operating Profit/(Loss) before Finance Expenses | 9,931,452 | 1,437,465 | 4,686,201 | 2,362,204 | (2,774,560) | – | 15,642,762 |
| Net Finance Expense/(Income) net | – | – | – | – | 86,072 | – | 86,072 |
| **Net Profit/(Loss)** | 9,931,452 | 1,437,465 | 4,686,201 | 2,362,204 | (6,310,583) | – | 12,106,739 |

**Other Information**

| Segment Assets | 85,630,271 | 17,905,094 | 20,273,214 | 3,346,207 | 11,661,083 | – | 138,815,869 |
| Inter Segment Assets | 920,746 | 7,821,542 | 13,073,257 | 1,324,688 | 37,582,615 | (60,722,848) | – |
| Advance Tax (Net of provision for tax) | – | – | – | – | 910,144 | – | 910,144 |
| **Total Assets** | 86,551,017 | 25,726,636 | 33,346,471 | 4,670,895 | 49,915,452 | (60,722,848) | 139,487,623 |

**Segmental Liabilities** 64,213,131 3,679,996 12,739,284 890,107 11,620,135 – 93,142,653

**Inter Segment Liabilities** 22,180,852 23,741,405 12,835,337 1,960,336 | 4,918 | (60,722,848) | – |

**Deferred Tax Liability** – – – – 1,009,011 – 1,009,011

**Total Liabilities** 86,393,983 27,421,401 25,574,621 | 2,850,443 | 12,634,064 | (60,722,848) | 94,151,664 |

**Capital Expenditure** 24,408,708* | 4,371,934 | 3,247,497 | 802,275 | 27,540 | – | 32,857,954 |

**Depreciation** 7,852,127 | 1,775,714 | 1,476,810 | 196,319 | 175,593 | – | 11,476,563 |

* Includes Rs.50,000 thousand for license fee paid towards Unified Access License.
Notes:
1. Others’ represents the unallocated revenue, profit/(loss), assets & liabilities of the Corporate office of the Company.
2. Segment results represents Profit/(loss) before Finance expenses and tax.
3. Capital expenditure pertains to gross additions made to fixed assets during the year.
4. Segment Assets include Fixed Assets, Capital Work in progress, Pre-operative expenses pending allocation, Current Assets and Miscellaneous Expenditure to the extent not written off.
5. Segment Liabilities include Secured and Unsecured loans, current liabilities and provisions.
6. Inter segment assets/liabilities represent the inter segment account balances.
7. Inter segment revenue excludes the provision of telephone services free of cost among Group Companies. Other Inter segment revenues are accounted for at market prices. These transactions have been eliminated in consolidation.
8. The accounting policies used to derive reportable segment results are consistent with those described in the “Significant Accounting Policies” note to the financial statements.
9. The Company has revised its estimation for Site Restoration Cost, resulting in a higher charge of depreciation by Rs. 43,310 thousand in Mobile services and Rs. Nil in Broadband and Telephone service, Long Distance, Enterprise Services and Others, decrease in Fixed assets and Provisions by Rs. 337,367 thousand in Mobile Services and Rs. Nil in Broadband and Telephone services, Long Distance, Enterprise Services and Others with corresponding impact on profit for the year and net assets of the Company.
10. During the year the Company has changed the name of its long distance and Enterprises Services segment to Enterprise Services Carrier and Enterprise Services Corporate respectively.

Information about Geographical Segment – Secondary

The Company has operations within India as well as with entities located in other countries. The information relating to the Geographical segments in respect of operations within India, which is the only reportable segment, the remaining portion being attributable to others, is presented below:

(Rs. ‘000)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Revenue from external customers based on geographical location of customers (including Other Income)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within India</td>
<td>102,396,639</td>
<td>71,888,881</td>
</tr>
<tr>
<td>Others</td>
<td>10,509,154</td>
<td>7,553,059</td>
</tr>
<tr>
<td></td>
<td>112,905,793</td>
<td>79,441,940</td>
</tr>
<tr>
<td>Carrying amount of Segment Assets by geographical location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within India *</td>
<td>184,038,121</td>
<td>135,553,034</td>
</tr>
<tr>
<td>Others</td>
<td>6,262,464</td>
<td>3,934,589</td>
</tr>
<tr>
<td></td>
<td>190,300,585</td>
<td>139,487,623</td>
</tr>
<tr>
<td>Cost incurred during the year to acquire segment assets by geographical location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within India</td>
<td>45,718,253</td>
<td>32,151,849</td>
</tr>
<tr>
<td>Others</td>
<td>3,202,473</td>
<td>706,105</td>
</tr>
<tr>
<td></td>
<td>48,920,726</td>
<td>32,857,954</td>
</tr>
</tbody>
</table>

Notes:
1. ‘Others’ represents the unallocated revenue, assets and acquisition of segment assets of the Company.
3. Cost incurred to acquire segment assets pertain to gross additions made to Fixed Assets during the year.
28. **Related Party Disclosures:**

In accordance with the requirements of Accounting Standards (AS) -18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management are:

**Key Management Personnel:**
- Sunil Bharti Mittal
- Rajan Bharti Mittal
- Akhil Gupta
- Manoj Kohli

**Other Related Parties**

<table>
<thead>
<tr>
<th>Name of the Related Party</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bharti Comtel Limited</td>
<td>Subsidiary Company</td>
</tr>
<tr>
<td>Bharti Aquanet Limited</td>
<td>Subsidiary Company</td>
</tr>
<tr>
<td>Bharti Hexacom limited</td>
<td>Subsidiary Company</td>
</tr>
<tr>
<td>Bharti Broadband Limited</td>
<td>Subsidiary Company</td>
</tr>
<tr>
<td>Satcom Broadband Equipment Limited</td>
<td>Subsidiary Company</td>
</tr>
<tr>
<td>Singapore Telecommunications Limited</td>
<td>Entity having Significant Influence</td>
</tr>
<tr>
<td>Bharti Telesoft Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Teletech Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Telesoft International Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Teletech Services (India) Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Mulberry Projects Private Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Foundation</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Tele-Ventures Employees’ Trust</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Forum I Aviation Limited</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Bridge Mobile Pte Limited</td>
<td>Joint Venture</td>
</tr>
</tbody>
</table>

## Related Party Transaction for 2005–06

(\textbf{Rs.’000})

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Fixed assets</td>
<td>6,902</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1,555)</td>
<td>(303,750)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td>10,118</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Rendering of Services</td>
<td>310,255</td>
<td>107</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,426,840</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Receiving of Services</td>
<td>220,906</td>
<td>(30,601)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(894,333)</td>
<td>(3,775)</td>
<td>(9,630)</td>
<td>(13,103)</td>
<td>(316,667)</td>
<td>(22,049)</td>
<td>(67,592)</td>
<td>(10,918)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Funds transferred/Includes expenses incurred on behalf of others</td>
<td>508,844</td>
<td>503</td>
<td>627,598</td>
<td>8,510</td>
<td>247,770</td>
<td>–</td>
<td>5,800</td>
<td>–</td>
<td>618</td>
<td>15,451</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Funds received/Includes expenses incurred on behalf of company</td>
<td>(165,704)</td>
<td>(28,896)</td>
<td>(333,997)</td>
<td>(9,500)</td>
<td>(160,516)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>108</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Employee Related Transaction incurred on behalf of others</td>
<td>6,546</td>
<td>643</td>
<td>37,608</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Employee Related Transaction incurred on behalf of company</td>
<td>(4,027)</td>
<td>(3)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Salary</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Donation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amount received on exercise of ESOP options</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>380,681</td>
<td>(3,599)</td>
<td>470,106</td>
<td>(975)</td>
<td>388,534</td>
<td>318,373</td>
<td>2,025</td>
<td>(2,970)</td>
<td>245,944</td>
<td>(38,513)</td>
<td>(4,842)</td>
<td>–</td>
<td>7,920</td>
<td>–</td>
<td>215,533</td>
<td>–</td>
</tr>
<tr>
<td>Unsecured Loan</td>
<td>– (1,406)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Creditors</td>
<td>– (2,193)</td>
<td>–</td>
<td>(975)</td>
<td>(58,989)</td>
<td>–</td>
<td>(2,970)</td>
<td>–</td>
<td>(38,513)</td>
<td>(4,842)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loan and Advances</td>
<td>317,533</td>
<td>–</td>
<td>412,331</td>
<td>–</td>
<td>447,523</td>
<td>–</td>
<td>2,025</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7,920</td>
<td>–</td>
<td>215,533</td>
<td>–</td>
</tr>
<tr>
<td>Debtors</td>
<td>63,148</td>
<td>–</td>
<td>57,775</td>
<td>–</td>
<td>318,373</td>
<td>–</td>
<td>245,944</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>380,681</td>
<td>(3,599)</td>
<td>470,106</td>
<td>(975)</td>
<td>388,534</td>
<td>318,373</td>
<td>2,025</td>
<td>(2,970)</td>
<td>245,944</td>
<td>(38,513)</td>
<td>(4,842)</td>
<td>–</td>
<td>7,920</td>
<td>–</td>
<td>215,533</td>
<td>–</td>
</tr>
</tbody>
</table>

**Notes:**

1. The above excludes provision of telephone services free of cost among the Group Companies and free of cost use of Billing System of the Company by its subsidiaries.

2. Refer Note 20 on Schedule 23 for Managerial Remuneration paid to Key managerial personnel.
## Related Party Transaction for 2004–05

(Rs.'000)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Fixed assets</td>
<td>(2,774)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,982)</td>
<td>(3,475)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td>27,208</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rendering of Services</td>
<td>215,038</td>
<td>113</td>
<td>-</td>
<td>784</td>
<td>1,326,818</td>
<td>-</td>
<td>-</td>
<td>1,926</td>
<td>61</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Receiving of Services</td>
<td>(85,951)</td>
<td>(46,992)</td>
<td>-</td>
<td>(11,426)</td>
<td>(267,882)</td>
<td>-</td>
<td>-</td>
<td>(1,425)</td>
<td>(368,216)</td>
<td>(107,722)</td>
<td>(6,835)</td>
<td>(23,360)</td>
<td>(2,929)</td>
<td>(67,591)</td>
<td>-</td>
</tr>
<tr>
<td>Funds transferred/Includes expenses incurred on behalf of others</td>
<td>28,422</td>
<td>76,168</td>
<td>23,520</td>
<td>144,714</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36</td>
<td>103,044</td>
<td>-</td>
<td>7,920</td>
<td>828</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Funds received/Includes expenses incurred on behalf of company</td>
<td>(32,965)</td>
<td>(33,911)</td>
<td>(92,624)</td>
<td>(173,039)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(689)</td>
<td>(5,179)</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee Related Transaction incurred on behalf of company</td>
<td>299</td>
<td>771</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>247</td>
<td>360</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee Related Transaction incurred on behalf of company*</td>
<td>-</td>
<td>(554)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(247)</td>
<td>(360)</td>
<td>-</td>
<td>(13)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>31,226</td>
<td>(6,287)</td>
<td>138,896</td>
<td>15</td>
<td>236,901</td>
<td>54,941</td>
<td>-</td>
<td>4,258</td>
<td>(26,129)</td>
<td>(24,466)</td>
<td>7,920</td>
<td>95,625</td>
<td>4,113</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unsecured Loan</td>
<td>-</td>
<td>(3,660)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Creditors</td>
<td>-</td>
<td>(2,627)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loan and Advances</td>
<td>23,435</td>
<td>-</td>
<td>129,905</td>
<td>-</td>
<td>182,718</td>
<td>-</td>
<td>-</td>
<td>2,450</td>
<td>-</td>
<td>-</td>
<td>7,920</td>
<td>95,625</td>
<td>4,113</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debtors</td>
<td>7,791</td>
<td>-</td>
<td>8,991</td>
<td>15</td>
<td>54,183</td>
<td>54,941</td>
<td>-</td>
<td>1,808</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>31,226</td>
<td>(6,287)</td>
<td>138,896</td>
<td>15</td>
<td>236,901</td>
<td>54,941</td>
<td>-</td>
<td>4,258</td>
<td>(26,129)</td>
<td>(24,466)</td>
<td>7,920</td>
<td>95,625</td>
<td>4,113</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Entity where Key Management Personnel exercises significant influence in the year 2004–05.
** Entity having significant influence in the year 2004–05.

Notes:
1. The above excludes provision of telephone services free of cost among the Group Companies and free of cost use of Billing System of the Company by its wholly owned subsidiary.
2. Refer Note 20 on Schedule 23 for Managerial Remuneration paid to Key managerial personnel.
29. Leases

a) Operating lease - As a Lessee

The lease rentals charged during the year for cancelable/non-cancellable leases relating to rent of building premises and cell sites as per the agreements and maximum obligation on long-term non-cancellable operating leases are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2006 (Rs.'000s)</td>
<td>March 31, 2005 (Rs.'000s)</td>
</tr>
<tr>
<td>Lease Rentals</td>
<td>2,074,848</td>
<td>1,227,643</td>
</tr>
</tbody>
</table>

Obligations on non-cancellable leases:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>30,560</td>
<td>2,445</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>146,663</td>
<td>58,362</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>177,223</strong></td>
<td><strong>60,807</strong></td>
</tr>
</tbody>
</table>

b) Operating Lease – As a Lessor

i) The Company has entered into a non-cancellable lease arrangement to provide approximately 100,000 Fiber pair kilometers of dark fiber on Indefeasible Right of Use (IRU) basis for a period of 15 years. The lease rental receivable proportionate to actual kilometers accepted by the customer is credited to the Profit and Loss Account on a straight-line basis over the lease term. Due to the nature of the transaction, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as at March 31, 2006 and accordingly, disclosures required by AS 19 is not provided.

ii) The future minimum lease payments receivable are:

<table>
<thead>
<tr>
<th></th>
<th>Year ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2006 (Rs.'000s)</td>
<td>March 31, 2005 (Rs.'000s)</td>
</tr>
<tr>
<td>Not later than one year</td>
<td>281,734</td>
<td>280,000</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>1,126,936</td>
<td>1,120,000</td>
</tr>
<tr>
<td>Later than five year</td>
<td>2,300,829</td>
<td>2,567,699</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,709,499</strong></td>
<td><strong>3,967,699</strong></td>
</tr>
</tbody>
</table>

c) Finance Lease – As a Lessee

During the year the Company has taken certain vehicles on Finance lease. The reconciliation between the total of minimum lease payments as at March 31, 2006 and their present value is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Minimum Lease Payments (Rs. '000)</th>
<th>Future Finance Charges (Rs. '000)</th>
<th>Present Value (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>375</td>
<td>6</td>
<td>369</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>156</td>
<td>1</td>
<td>155</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>531</strong></td>
<td><strong>7</strong></td>
<td><strong>524</strong></td>
</tr>
</tbody>
</table>

As at March 31, 2005

<table>
<thead>
<tr>
<th></th>
<th>Minimum Lease Payments (Rs. '000)</th>
<th>Future Finance Charges (Rs. '000)</th>
<th>Present Value (Rs. '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>1,681</td>
<td>96</td>
<td>1,585</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>1,442</td>
<td>32</td>
<td>1,410</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,123</strong></td>
<td><strong>128</strong></td>
<td><strong>2,995</strong></td>
</tr>
</tbody>
</table>
d) **Exchange of IRU’s**

The Company has also entered into a non-cancellable operating lease to take approximately 922.37 kilometers 2 pair of dark fiber pairs against consideration in cash and exchange of approximately 246.75 kilometers 2 pair of dark fiber pairs and bandwidth on IRU basis for a period of 15 years. Due to the nature of the transaction, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as at March 31, 2006 and accordingly, disclosures required by AS 19 is not provided.

e) The Company entered into a composite IT outsourcing agreement, whereby the vendor supplied fixed assets and IT related services to the Company. Based on the risks and rewards incident to the ownership, the fixed assets received are accounted for as a finance lease transaction. Accordingly, the asset and liability are recorded at the fair value of the leased assets at the inception. These assets are depreciated over their useful lives as in the case of the Company’s own assets.

Since the entire amount payable to the vendor towards the supply of fixed assets during the year is accrued, there are no minimum lease payments outstanding as at the year-end in relation to these assets and accordingly, other disclosures as per AS 19 are not applicable.

30. **Earnings per share (Basic and Diluted):**

<table>
<thead>
<tr>
<th></th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic and Diluted Earnings per Share:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal value of equity shares (Rs.)</td>
<td>10/-</td>
<td>10/-</td>
</tr>
<tr>
<td>Profit attributable to equity shareholders (Rs. ‘000) (A)</td>
<td>20,120,794</td>
<td>12,106,739</td>
</tr>
<tr>
<td>Weighted average number of equity shares outstanding during the year (B)</td>
<td>1,881,838,518</td>
<td>1,853,366,767</td>
</tr>
<tr>
<td>Basic earnings per Share (Rs.) (A/B)</td>
<td>10.6921</td>
<td>6.5323</td>
</tr>
<tr>
<td>Dilutive effect on profit (Rs. ‘000) (C)*</td>
<td>4,080</td>
<td>75,652</td>
</tr>
<tr>
<td>Profit attributable to equity shareholders for computing Diluted EPS (Rs. ‘000) (D)= (A+C)</td>
<td>20,124,874</td>
<td>12,182,391</td>
</tr>
<tr>
<td>Dilutive effect on weighted average number of equity shares outstanding during the year (E)*</td>
<td>15,822,704</td>
<td>37,018,694</td>
</tr>
<tr>
<td>Weighted Average number of Equity shares and Equity Equivalent shares for computing Diluted EPS (F)=(B+E)</td>
<td>1,897,661,222</td>
<td>1,890,385,461</td>
</tr>
<tr>
<td>Diluted earnings per share (Rs.) (D/F)</td>
<td>10.6051</td>
<td>6.4444</td>
</tr>
</tbody>
</table>

* Diluted effect on weighted average number of equity shares and profit attributable is on account of Foreign Currency Convertible Bonds and Optionally Convertible Redeemable Debentures. Refer Notes 10 and 11 above.

31. a) The breakup of net Deferred Tax Asset/(Liability) as on March 31, 2005 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred Tax Assets/(Liabilities) arising from:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Provision for doubtful debts/advances charged in the financial statements but allowed as deduction under the Income Tax Act in future years (to the extent considered realisable)</td>
<td>807,343</td>
<td>544,843</td>
</tr>
<tr>
<td>(ii) Unabsorbed depreciation allowance and business loss carried forward (to the extent considered realizable, on the basis of estimated future profitability)</td>
<td>–</td>
<td>1,137,463</td>
</tr>
<tr>
<td>(iii) Depreciation claimed as deduction under the Income Tax Act but chargeable in the financial statements in future years.</td>
<td>(2,646,398)</td>
<td>(2,508,144)</td>
</tr>
<tr>
<td>(iv) Other expenses claimed as deduction under the Income Tax Act but chargeable in the financial statements in future years (Net)</td>
<td>(51,404)</td>
<td>(183,173)</td>
</tr>
<tr>
<td><strong>Net Deferred Tax Asset/(Liability)</strong></td>
<td>(1,890,459)</td>
<td>(1,009,011)</td>
</tr>
</tbody>
</table>

The Tax impact for the above purpose has been arrived at by applying a tax rate of 33.66% being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.
32. Employee stock compensation

(i) Pursuant to the shareholders’ resolutions dated February 27, 2001 and September 25, 2001, the Company has introduced the “Bharti Tele-Ventures Employees’ Stock Option Plan” (hereinafter called “the Old Scheme”) under which the Company decided to grant, from time to time, options to the employees of the Company and its subsidiaries. The grant of options to the employees under the ESOP Scheme is on the basis of their performance and other eligibility criteria.

(ii) On August 31, 2001 and September 28, 2001, the Company issued a total of 1,440,000 equity shares at a price of Rs. 565 per equity share to the Trust. The Company issued bonus shares in the ratio of 10 equity shares for every one equity share held as of September 30, 2001, as a result of which the total number of shares allotted to the trust increased to 15,840,000 equity shares.

(iii) Pursuant to the shareholders’ further resolution dated September 6, 2005, the Company announced a new Employee Stock Option Scheme (hereinafter called “the New Scheme”) under which the maximum quantum of options was determined at 9,367,276 options to be granted to employees from time to time on the basis of their performance and other eligibility criteria.

(iv) All above options are planned to be settled in equity at the time of exercise and have maximum period of 7 years from the date of respective grants. The plans existing during the year are as follows:

a) 2001 Plan under the Old Scheme

The options under this plan have an exercise price of Rs. 22.50 per share and vest on a graded basis as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 36 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>20%</td>
</tr>
<tr>
<td>On completion of 24 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 36 months</td>
<td>50%</td>
</tr>
<tr>
<td>For options with a vesting period of 42 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>15%</td>
</tr>
<tr>
<td>On completion of 18 months</td>
<td>15%</td>
</tr>
<tr>
<td>On completion of 30 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 42 months</td>
<td>40%</td>
</tr>
<tr>
<td>For options with a vesting period of 48 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>10%</td>
</tr>
<tr>
<td>On completion of 24 months</td>
<td>20%</td>
</tr>
<tr>
<td>On completion of 36 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 48 months</td>
<td>40%</td>
</tr>
</tbody>
</table>

b) 2004 Plan under the Old Scheme

The options under this plan have an exercise price of Rs. 70 per share and vest on a graded basis as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 48 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>10%</td>
</tr>
<tr>
<td>On completion of 24 months</td>
<td>20%</td>
</tr>
<tr>
<td>On completion of 36 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 48 months</td>
<td>40%</td>
</tr>
</tbody>
</table>

c) Super-pot Plan under the Old Scheme

The options under this plan have an exercise price of Rs. Nil per share and vest on a graded basis as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 36 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 24 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 36 months</td>
<td>40%</td>
</tr>
</tbody>
</table>
d) 2005 Plan under the New Scheme

The options under this plan have an exercise price in the range of Rs. 221 to Rs. 366 per share and vest on a graded basis from the effective date of grant as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 48 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>10%</td>
</tr>
<tr>
<td>On completion of 24 months</td>
<td>20%</td>
</tr>
<tr>
<td>On completion of 36 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 48 months</td>
<td>40%</td>
</tr>
</tbody>
</table>

(v) The Information concerning stock options granted, exercised, forfeited and outstanding at the year-end is as follows:

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Options (Shares in thousands)</td>
</tr>
<tr>
<td>2001 Plan</td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of year</td>
<td>2,321</td>
</tr>
<tr>
<td>Granted</td>
<td>–</td>
</tr>
<tr>
<td>Exercised</td>
<td>2,024</td>
</tr>
<tr>
<td>Cancelled or expired</td>
<td>27</td>
</tr>
<tr>
<td>Outstanding at the year end</td>
<td>270</td>
</tr>
<tr>
<td>Exercisable at end of year</td>
<td>270</td>
</tr>
<tr>
<td>2004 Plan</td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of year</td>
<td>2,134</td>
</tr>
<tr>
<td>Granted</td>
<td>–</td>
</tr>
<tr>
<td>Exercised</td>
<td>203</td>
</tr>
<tr>
<td>Cancelled or expired</td>
<td>271</td>
</tr>
<tr>
<td>Outstanding at the year end</td>
<td>1,660</td>
</tr>
<tr>
<td>Exercisable at end of year</td>
<td>266</td>
</tr>
<tr>
<td>Superpot Plan</td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of year</td>
<td>–</td>
</tr>
<tr>
<td>Granted</td>
<td>71</td>
</tr>
<tr>
<td>Exercised</td>
<td>14</td>
</tr>
<tr>
<td>Cancelled or expired</td>
<td>5</td>
</tr>
<tr>
<td>Outstanding at the year end</td>
<td>52</td>
</tr>
<tr>
<td>Exercisable at end of year</td>
<td>6</td>
</tr>
<tr>
<td>Weighted average fair value of options granted during the year</td>
<td>71</td>
</tr>
<tr>
<td>2005 Plan</td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of year</td>
<td>–</td>
</tr>
<tr>
<td>Granted</td>
<td>2,589</td>
</tr>
<tr>
<td>Exercised</td>
<td>–</td>
</tr>
<tr>
<td>Cancelled or expired</td>
<td>–</td>
</tr>
<tr>
<td>Outstanding at the year end</td>
<td>2,589</td>
</tr>
<tr>
<td>Exercisable at end of year</td>
<td>–</td>
</tr>
<tr>
<td>Weighted average fair value of options granted during the year</td>
<td>2,589</td>
</tr>
</tbody>
</table>
(vi) The fair value of the options granted during the year under the Super-pot Plan and the New Scheme is estimated on the date of grant using the Black-Scholes model with the following assumptions.

<table>
<thead>
<tr>
<th></th>
<th>Superpot Scheme</th>
<th>Scheme 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Free Interest Rates</td>
<td>4.59% p.a. to 5.30% p.a.</td>
<td>6.65% p.a. to 7.33% p.a.</td>
</tr>
<tr>
<td>Expected Life</td>
<td>12 to 36 months</td>
<td>48 to 66 months</td>
</tr>
<tr>
<td>Expected Volatility</td>
<td>55.15%</td>
<td>44.48% to 45.87%</td>
</tr>
<tr>
<td>Expected Dividend</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Expected volatility is determined by taking into account the closing prices of stock listed on Bombay Stock Exchange from February 18, 2002 i.e. the date of the initial public offer (IPO).

(vii) The balance of deferred stock compensation as on March 31, 2006 is Rs. 388,149 thousand (March 31, 2005 Rs. 13,370 thousand) and total employee compensation cost recognized for the year then ended is Rs. 127,067 thousand (March 31, 2005 Rs. 47,128 thousand).

33. a) During the year there have been seven instances of employee frauds reported across five circles of the Company. These frauds are in the nature of extending favours to third parties. The amounts of these cases are not presently quantifiable. The management has taken appropriate action against these employees.

b) During the year there was an instance of financial misstatement at one of the circles of the Company, estimated at approximately Rs. 125,721 thousand, which have been appropriately adjusted in the financial statements. The Company has taken appropriate action against the circle management.

34. The Company has undertaken to provide financial support, to its subsidiaries – Bharti Comtel Limited and Satcom Broadband Equipment Limited.

35. Previous Year figures have been regrouped or reclassified, wherever necessary, to conform to current year classifications.
I. Registration Details

<table>
<thead>
<tr>
<th>Registration No.</th>
<th>7 0 6 0 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Code</td>
<td>5 5</td>
</tr>
<tr>
<td>Balance Sheet Date</td>
<td>3 1 - 0 3 - 0 6</td>
</tr>
</tbody>
</table>

II. Capital raised during the year (Amount in thousands)

<table>
<thead>
<tr>
<th>Public Issue</th>
<th>Rights Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Bonus Issue</td>
<td>Private Placement</td>
</tr>
<tr>
<td>NIL</td>
<td>4 0 5 1 2</td>
</tr>
</tbody>
</table>

III. Position of mobilisation and deployment of funds (Amount in thousands)

<table>
<thead>
<tr>
<th>Total Liabilities</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 0 8 9 5 1</td>
<td>1 2 3 0 8 9 5 1</td>
</tr>
<tr>
<td>Paid up Capital</td>
<td>Reserves and Surplus</td>
</tr>
<tr>
<td>1 8 9 3 8 7 9 3</td>
<td>5 4 3 9 5 5 3 1</td>
</tr>
<tr>
<td>Secured Loans</td>
<td>Unsecured Loans</td>
</tr>
<tr>
<td>2 8 6 3 7 0 7</td>
<td>1 9 3 2 9 2 0 1</td>
</tr>
<tr>
<td>Net Fixed Assets</td>
<td>Investments</td>
</tr>
<tr>
<td>1 5 3 4 8 1 2 6 9</td>
<td>7 1 9 6 9 8 1</td>
</tr>
<tr>
<td>Net Current Assets</td>
<td>Miscellaneous Expenditure</td>
</tr>
<tr>
<td>3 7 4 4 8 6 9 9</td>
<td>7 9 4 0 0</td>
</tr>
</tbody>
</table>

IV. Performance of the Company (Amount in thousands)

<table>
<thead>
<tr>
<th>Turnover</th>
<th>Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 1 2 9 0 5 7 9 3</td>
<td>9 0 0 4 7 8 3 7</td>
</tr>
<tr>
<td>Profit/(Loss) Before Tax</td>
<td>Profit/(Loss) After Tax</td>
</tr>
<tr>
<td>2 2 8 5 7 9 5 6</td>
<td>2 0 1 2 0 7 9 4</td>
</tr>
<tr>
<td>Earning per Share in Rs.</td>
<td>Dividend Rate</td>
</tr>
<tr>
<td>1 0 1 6 9</td>
<td>NIL</td>
</tr>
</tbody>
</table>

V. Generic names of three principal products/services of the Company (as per monetary terms)

<table>
<thead>
<tr>
<th>Item Code No. (ITC Code)</th>
<th>Product Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOT APP LIC A B L E</td>
<td>BASIC AND CELLULAR TELEPHONE SERVICES, BROAD-BAND &amp; LONG DISTANCE COMMUNICATION SERVICES</td>
</tr>
</tbody>
</table>

On behalf of the Board

SUNIL BHARTI MITTAL
Chairman & Managing Director

AKHIL GUPTA
Joint Managing Director

DEVEN KHANNA
Group Financial Controller

VIJAYA SAMPATH
Company Secretary

SARVJIT SINGH DHILLON
Director (Finance & Business Integration)

Place: New Delhi
Date: April 28, 2006
STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956, RELATING TO SUBSIDIARY COMPANIES

<table>
<thead>
<tr>
<th>1. Name of Subsidiary</th>
<th>Bharti Aquanet Limited</th>
<th>Bharti Hexacom Limited</th>
<th>Bharti Comtel Limited</th>
<th>Satcom Broadband Equipment Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Financial Year of the Subsidiary ended on :</td>
<td>31-03-2006</td>
<td>31-03-2006</td>
<td>31-03-2006</td>
<td>31-03-2006</td>
</tr>
<tr>
<td>3. Shares of the Subsidiary held by the company on the above dates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Nos.</td>
<td>1,275,000</td>
<td>122,751,980</td>
<td>100,000</td>
<td>24,859,200</td>
</tr>
<tr>
<td>(b) Face Value</td>
<td>Rs. 10/-</td>
<td>Rs. 10/-</td>
<td>Rs. 10/-</td>
<td>Rs. 10/-</td>
</tr>
<tr>
<td>(c) Extent of Holding</td>
<td>51%</td>
<td>68.5%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>4. Net aggregate amount of profit / losses of the Subsidiary for the above financial year so far as they concern members of the Company (Rs.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Dealt with the accounts of the Company for the year ended 31-03-2006</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>(b) Not dealt with in the Accounts of the Company for the year ended 31-03-2006 (Rs. in Thousands)</td>
<td>5,624</td>
<td>567,879</td>
<td>(80,048)</td>
<td>4,320</td>
</tr>
<tr>
<td>5. Net aggregate amount of profits / (losses) for the previous financial years of the Subsidiary so far as they concern the members of the Company (Rs.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Dealt with in the Accounts of the Company for previous financial years</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>(b) Not dealt with in the Accounts of the Company for previous financial years (Rs. in Thousands)</td>
<td>17,584</td>
<td>322,581</td>
<td>(23,707)</td>
<td>(9,097)</td>
</tr>
</tbody>
</table>

On behalf of the Board

SUNIL BHARTI MITTAL
Chairman & Managing Director

AKHIL GUPTA
Joint Managing Director

DEVEN KHANNA
Group Financial Controller

VIJAYA SAMPATH
Company Secretary

SARVJIT SINGH DHILLON
Director (Finance & Business Integration)

Place: New Delhi
Date: April 28, 2006
Report of the Auditors to the Board of Directors of Bharti Airtel Limited (Formerly Bharti Tele-Ventures Limited) on the Consolidated Financial Statements of Bharti Airtel Limited and its Subsidiaries

1. We have audited the attached consolidated Balance Sheet of Bharti Airtel Limited (Formerly Bharti Tele-Ventures Limited) and its subsidiaries as at March 31, 2006, the consolidated Profit and Loss Account for the year ended on that date annexed thereto and the consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 ‘Consolidated Financial Statements’ issued by the Institute of Chartered Accountants of India and on the basis of separate audit of financial statements of Bharti Airtel Limited and its subsidiaries included in the consolidated financial statements.

4. On the basis of the information and explanations given to us, and on consideration of the separate audit reports of individual audited financial statements of Bharti Airtel Limited and its aforesaid subsidiaries, in our opinion, consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of Bharti Airtel Limited and its subsidiaries as at March 31, 2006;

(ii) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of Bharti Airtel Limited and its subsidiaries for the year ended on that date; and

(iii) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of Bharti Airtel Limited and its subsidiaries for the year ended on that date.

U. RAJEEV
Partner
Membership No. F-87191
For and on behalf of
PLACE: New Delhi
DATE: April 28, 2006
PRICE WATERHOUSE Chartered Accountants
### Consolidated Balance Sheet as at March 31, 2006

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Schedule No.</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOURCES OF FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital</td>
<td>1</td>
<td>18,938,793</td>
<td>18,560,889</td>
</tr>
<tr>
<td>Employee Stock Option Outstanding</td>
<td></td>
<td>505,961</td>
<td>–</td>
</tr>
<tr>
<td>Less: Deferred Stock Compensation</td>
<td></td>
<td>384,701</td>
<td>121,260</td>
</tr>
<tr>
<td>(Refer Note 26 on Schedule 23 and Note 22 on Schedule 22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves and Surplus</td>
<td>2</td>
<td>54,563,810</td>
<td>34,639,403</td>
</tr>
<tr>
<td><strong>Loan Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured Loans</td>
<td>3</td>
<td>28,399,081</td>
<td>39,619,760</td>
</tr>
<tr>
<td>Unsecured Loans</td>
<td>4</td>
<td>19,329,267</td>
<td>10,386,242</td>
</tr>
<tr>
<td><strong>Deferred Tax Liability (Net)</strong></td>
<td></td>
<td>1,948,431</td>
<td>1,011,019</td>
</tr>
<tr>
<td>(Refer Note 14 on Schedule 22, Note 25 on Schedule 23 and Note 2 on Schedule 22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Minority Interest</strong></td>
<td></td>
<td>1,091,048</td>
<td>924,569</td>
</tr>
<tr>
<td>(Refer Note 11 on Schedule 23 and Note 2 on Schedule 22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>APPLICATION OF FUNDS</strong></td>
<td></td>
<td>124,391,690</td>
<td>105,141,882</td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Block</td>
<td>5</td>
<td>190,488,165</td>
<td>140,627,322</td>
</tr>
<tr>
<td>Less: Depreciation</td>
<td></td>
<td>52,302,210</td>
<td>36,802,292</td>
</tr>
<tr>
<td><strong>Net Block</strong></td>
<td></td>
<td>138,185,955</td>
<td>103,825,030</td>
</tr>
<tr>
<td>Capital Work-in-Progress</td>
<td></td>
<td>24,364,837</td>
<td>10,166,556</td>
</tr>
<tr>
<td>Pre-operative Expenditure Pending Allocation</td>
<td>6</td>
<td>162,550,792</td>
<td>113,991,586</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>7</td>
<td>2,479,545</td>
<td>4,780,749</td>
</tr>
<tr>
<td><strong>Current Assets, Loans and Advances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>8</td>
<td>381,320</td>
<td>544,835</td>
</tr>
<tr>
<td>Sundry Debtors</td>
<td>9</td>
<td>11,140,089</td>
<td>7,414,710</td>
</tr>
<tr>
<td>Cash and Bank Balances</td>
<td>10</td>
<td>3,510,627</td>
<td>4,098,042</td>
</tr>
<tr>
<td>Other Current Assets, Loans and Advances</td>
<td>11</td>
<td>15,089,432</td>
<td>10,819,812</td>
</tr>
<tr>
<td><strong>Less: Current Liabilities and Provisions</strong></td>
<td>12</td>
<td>68,399,949</td>
<td>43,760,812</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td>2,439,565</td>
<td>1,185,269</td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td>70,839,514</td>
<td>44,946,081</td>
</tr>
<tr>
<td><strong>Net Current Assets</strong></td>
<td></td>
<td>(40,718,046)</td>
<td>(22,068,682)</td>
</tr>
<tr>
<td><strong>Miscellaneous Expenditure</strong></td>
<td></td>
<td>79,399</td>
<td>583,483</td>
</tr>
<tr>
<td>(to the extent not written off or adjusted)</td>
<td>13</td>
<td></td>
<td>7,854,746</td>
</tr>
<tr>
<td><strong>Profit and Loss Account</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statement of Significant Accounting Policies</strong></td>
<td>22</td>
<td>124,391,690</td>
<td>105,141,882</td>
</tr>
<tr>
<td><strong>Notes to Accounts</strong></td>
<td>23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This is the Balance Sheet referred to in our report of even date. The Schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of the Board

U. RAJEEV
Partner
Membership No. F-87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Date: April 28, 2006

SUNIL BHARTI MITTAL
Chairman & Managing Director

AKHIL GUPTA
Joint Managing Director

DEVEN KHANNA
Group Financial Controller

VIJAYA SAMPATH
Company Secretary

SARVJIT SINGH DHILLON
Director (Finance & Business Integration)
### Consolidated Profit and Loss Account

for the year ended March 31, 2006

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Schedule No.</th>
<th>For the year ended March 31, 2006 (Rs. ‘000)</th>
<th>For the year ended March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Revenue</td>
<td>11</td>
<td>115,392,605</td>
<td>80,076,607</td>
</tr>
<tr>
<td>Sale of Goods</td>
<td>14</td>
<td>1,248,248</td>
<td>1,046,428</td>
</tr>
<tr>
<td>Other Income</td>
<td>14</td>
<td>614,240</td>
<td>434,810</td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access Charges</td>
<td>15</td>
<td>21,795,091</td>
<td>16,893,080</td>
</tr>
<tr>
<td>Network Operating</td>
<td>15</td>
<td>12,125,988</td>
<td>7,102,625</td>
</tr>
<tr>
<td>Cost of Sales of Goods</td>
<td>16</td>
<td>1,146,560</td>
<td>1,026,989</td>
</tr>
<tr>
<td>Personnel</td>
<td>17</td>
<td>8,005,395</td>
<td>5,170,882</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>18</td>
<td>8,335,924</td>
<td>6,442,162</td>
</tr>
<tr>
<td>Administrative and Others</td>
<td>19</td>
<td>12,459,623</td>
<td>6,474,627</td>
</tr>
<tr>
<td><strong>Profit including other income and before Licence Fee, Finance Expenses/(Income) (Net), Depreciation, Amortisation, Pre-operative Expenditure, Charity and Donation and Taxation</strong></td>
<td></td>
<td>53,386,512</td>
<td>38,447,480</td>
</tr>
<tr>
<td>Licence fee and Spectrum charges (revenue share)</td>
<td></td>
<td>11,136,540</td>
<td>7,789,494</td>
</tr>
<tr>
<td><strong>Profit including Other Income and before Finance Expenses/ (Income) (Net), Depreciation, Amortisation, Pre-operative Expenditure, Charity and Donation and Taxation</strong></td>
<td></td>
<td>42,249,972</td>
<td>30,657,986</td>
</tr>
<tr>
<td>Finance Expenses (Net)</td>
<td>20</td>
<td>2,244,107</td>
<td>2,439,179</td>
</tr>
<tr>
<td>Depreciation</td>
<td>20</td>
<td>14,819,199</td>
<td>10,441,487</td>
</tr>
<tr>
<td>Amortisation</td>
<td>21</td>
<td>1,599,575</td>
<td>1,440,296</td>
</tr>
<tr>
<td>Pre-operative Expenditure written off</td>
<td>21</td>
<td>29,668</td>
<td>473,912</td>
</tr>
<tr>
<td>Charity and Donation</td>
<td></td>
<td>102,534</td>
<td>31,139</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td></td>
<td>23,454,889</td>
<td>15,831,973</td>
</tr>
<tr>
<td>Tax Expenses /(Credit)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Current</td>
<td></td>
<td>1,773,852</td>
<td>130,861</td>
</tr>
<tr>
<td>– Deferred (Refer Note 14 on Schedule 22 and Note 25 on Schedule 23)</td>
<td></td>
<td>937,413</td>
<td>3,464,514</td>
</tr>
<tr>
<td>– Fringe Benefit Tax</td>
<td></td>
<td>197,593</td>
<td></td>
</tr>
<tr>
<td><strong>Profit After Tax</strong></td>
<td></td>
<td>20,546,031</td>
<td>12,236,598</td>
</tr>
<tr>
<td>Minority Interest (Refer Note 11 on Schedule 23 and Note 2 on Schedule 22)</td>
<td></td>
<td>266,545</td>
<td>120,857</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>20,279,486</td>
<td>12,115,741</td>
</tr>
<tr>
<td>Transferred (from)/to Debenture Redemption Reserve</td>
<td></td>
<td>(2,307,348)</td>
<td>2,478,854</td>
</tr>
<tr>
<td><strong>Loss brought forward</strong></td>
<td></td>
<td>22,586,834</td>
<td>9,638,687</td>
</tr>
<tr>
<td>Adjustments under the schemes of amalgamation during the year</td>
<td></td>
<td>(7,854,746)</td>
<td>(6,747,934)</td>
</tr>
<tr>
<td>Profit for pre-acquisition period for 1% stake of BHL acquired</td>
<td></td>
<td>–</td>
<td>(10,742,998)</td>
</tr>
<tr>
<td>–</td>
<td></td>
<td>–</td>
<td>(701)</td>
</tr>
<tr>
<td><strong>Profit/ (Loss) carried forward to the Balance Sheet</strong></td>
<td></td>
<td>14,732,088</td>
<td>(7,854,746)</td>
</tr>
<tr>
<td>Earnings per share in Rs. (Basic)</td>
<td></td>
<td>10.776</td>
<td>6.528</td>
</tr>
<tr>
<td>Earnings per share in Rs. (Diluted) (Refer Note 19 on Schedule 22 and Note 28 on Schedule 23)</td>
<td></td>
<td>10.689</td>
<td>6.440</td>
</tr>
<tr>
<td><strong>Statement of Significant Accounting Policies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes to Accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This is the Profit and Loss Account referred to in our report of even date. The Schedules referred to above form an integral part of the Profit and Loss Account. For and on behalf of the Board

U. RAJEEV                        SUNIL BHARTI MITTAL             AKHIL GUPTA
Partner                           Chairman & Managing Director      Joint Managing Director
Membership No. F-87191           For and on behalf of
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

DEVEN KHANNA                      VIJAYA SAMPATH              SARVJIT SINGH DHILLON
Group Financial Controller       Company Secretary          Director (Finance & Business Integration)

Place : New Delhi
Date : April 28, 2006
## Consolidated Cash Flow Statement
for the year ended March 31, 2006

(Rs. ’000)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>For the year ended March 31, 2006</th>
<th>For the year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Cash flow from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit / (loss) before tax</td>
<td>23,454,889</td>
<td>15,831,973</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>14,819,199</td>
<td>10,444,026</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>2,385,639</td>
<td>3,178,002</td>
</tr>
<tr>
<td>Interest Income</td>
<td>(201,627)</td>
<td>(102,576)</td>
</tr>
<tr>
<td>(Profit)/Loss on Fixed Assets sold</td>
<td>(24,607)</td>
<td>9,583</td>
</tr>
<tr>
<td>(Profit)/Loss on sale of Investments</td>
<td>(108,940)</td>
<td>(400,180)</td>
</tr>
<tr>
<td>ESOP Expenditure written off</td>
<td>127,067</td>
<td>47,128</td>
</tr>
<tr>
<td>Amortisation of Goodwill</td>
<td>268,325</td>
<td>231,145</td>
</tr>
<tr>
<td>Pre-operative Expenditure Written off</td>
<td>410</td>
<td>–</td>
</tr>
<tr>
<td>Provision for Deferred Bonus</td>
<td>73,622</td>
<td>–</td>
</tr>
<tr>
<td>Licence fee written off</td>
<td>1,204,183</td>
<td>1,162,023</td>
</tr>
<tr>
<td>Debts / Advances Written off</td>
<td>1,317,725</td>
<td>208,233</td>
</tr>
<tr>
<td>Provision for Bad and Doubtful Debts/Advances</td>
<td>2,620,280</td>
<td>1,598,136</td>
</tr>
<tr>
<td>Liability no longer required written back</td>
<td>(147,681)</td>
<td>(226,356)</td>
</tr>
<tr>
<td>Provision for Gratuity and Leave Encashment</td>
<td>270,530</td>
<td>65,964</td>
</tr>
<tr>
<td>Provision for Inventory for obsolete/Damaged stock</td>
<td>78,796</td>
<td>9,420</td>
</tr>
<tr>
<td>Unrealized Foreign Exchange (gain)/loss</td>
<td>154,246</td>
<td>(28,822)</td>
</tr>
<tr>
<td>Provision for Warranty</td>
<td>(4,567)</td>
<td>1,829</td>
</tr>
<tr>
<td>Gain from swap arrangements</td>
<td>(45,307)</td>
<td>(211,415)</td>
</tr>
<tr>
<td>Provision for Wealth Tax</td>
<td>15</td>
<td>(1,257)</td>
</tr>
<tr>
<td>Inventory Written Off</td>
<td>9,014</td>
<td>11,267</td>
</tr>
<tr>
<td><strong>Operating profit before working capital changes</strong></td>
<td>46,251,211</td>
<td>31,828,123</td>
</tr>
<tr>
<td><strong>Adjustments for changes in working capital:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– (Increase)/Decrease in Sundry Debtors</td>
<td>(5,748,529)</td>
<td>(3,250,277)</td>
</tr>
<tr>
<td>– (Increase)/Decrease in Other Receivables</td>
<td>(5,885,376)</td>
<td>(2,920,453)</td>
</tr>
<tr>
<td>– (Increase)/Decrease in Inventories</td>
<td>75,705</td>
<td>(224,025)</td>
</tr>
<tr>
<td>– Increase/(Decrease) in Trade and Other Payables</td>
<td>16,312,918</td>
<td>11,077,687</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>51,005,929</td>
<td>36,511,055</td>
</tr>
<tr>
<td>Taxes (Paid)/Received</td>
<td>(2,306,611)</td>
<td>(1,413,212)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>48,699,318</td>
<td>35,097,843</td>
</tr>
</tbody>
</table>

**B. Cash flow from Investing activities:**

<p>| Adjustments for changes in: | | |
| Purchase of fixed assets | (55,343,408) | (27,734,476) |
| Proceeds from Sale of fixed assets | 118,777 | 518,342 |
| Net Proceeds from Investments | 71,943,399 | 104,444,000 |
| Purchase of Investments | (69,826,973) | (105,435,006) |
| Licence fee paid for new circles | – | (50,000) |
| Interest Received (Revenue) | 201,627 | 66,339 |
| Amount paid for acquisition of subsidiaries/joint ventures | (121,997) | (753,487) |
| <strong>Net cash used in investing activities</strong> | (53,028,575) | (28,944,288) |</p>
<table>
<thead>
<tr>
<th>Particulars</th>
<th>For the year ended March 31, 2006</th>
<th>For the year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Cash flow from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from long term borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td>23,725,487</td>
<td>7,508,781</td>
</tr>
<tr>
<td>Payments</td>
<td>(26,818,595)</td>
<td>(7,670,432)</td>
</tr>
<tr>
<td>FCCB issue expenses</td>
<td>–</td>
<td>(96,861)</td>
</tr>
<tr>
<td>Proceeds from short term borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement in credit facilities and short term loans</td>
<td>8,891,080</td>
<td>(671,111)</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>(2,179,787)</td>
<td>(3,157,001)</td>
</tr>
<tr>
<td>Realised Gain from swap arrangements</td>
<td>80,107</td>
<td>211,415</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>3,698,292</td>
<td>(3,875,209)</td>
</tr>
<tr>
<td>Net Increase/(Decrease) in Cash and Cash Equivalents</td>
<td>(630,965)</td>
<td>2,278,346</td>
</tr>
<tr>
<td>Opening Cash and Cash Equivalents</td>
<td>4,098,042</td>
<td>1,354,194</td>
</tr>
<tr>
<td>Cash and Cash Equivalents on consolidation of Joint Ventures</td>
<td>43,550</td>
<td>465,502</td>
</tr>
<tr>
<td>Cash and cash equivalents as at March 31, 2006</td>
<td>3,510,627</td>
<td>4,098,042</td>
</tr>
<tr>
<td>Cash and cash equivalents comprise:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cheques in hand</td>
<td>861,581</td>
<td>742,500</td>
</tr>
<tr>
<td>Balance with Scheduled Banks</td>
<td>2,649,046</td>
<td>3,355,542</td>
</tr>
</tbody>
</table>

Notes:
1. Figures in brackets indicate cash outgo.
2. Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification.
3. Cash and cash equivalents includes Rs.230,294 thousands pledged with various authorities (Previous year Rs.227,730 thousands) which are not available for use by the Company.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board

U. RAJEEV
Partner
Membership No. F-87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

SUNIL BHARTI MITTAL
Chairman & Managing Director

AKHIL GUPTA
Joint Managing Director

DEVEN KHANNA
Group Financial Controller

VIJAYA SAMPATH
Company Secretary

SARVJIT SINGH DHILLON
Director (Finance & Business Integration)

Place: New Delhi
Date: April 28, 2006
Schedules Annexed to and forming part of Accounts

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ’000)</th>
<th>As at March 31, 2005 (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCHEDULE : 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SHARE CAPITAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorised</td>
<td>2,500,000,000 (Previous year 2,500,000,000)</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Equity Shares of Rs.10 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued, Subscribed and Paid up</td>
<td>1,893,879,304 Equity Shares of Rs.10 each fully paid up</td>
<td>18,938,793</td>
</tr>
<tr>
<td>(Previous year 1,853,366,767 Equity Shares of Rs.10 each)</td>
<td>[Refer Note (a), (b) and (c) below]</td>
<td></td>
</tr>
<tr>
<td>Capital Suspense Account</td>
<td>[Refer Note (d) below]</td>
<td>–</td>
</tr>
<tr>
<td>Notes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Of the above 1,516,390,970 Equity Shares (Previous year 1,516,390,970) issued as fully paid up bonus shares out of Share Premium Account.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Of the above shares 20,088,445 (Previous year Nil) shares are allotted as fully paid up upon the conversion of OCRD without payment being received in cash. [Refer Note 12 on Schedule 23]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Of the above shares 17,701,967 (Previous year Nil) shares are allotted as fully paid up upon the conversion of FCCBs. [Refer Note 14 on Schedule 23]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Of the above shares 2,722,125 (Previous year 2,722,125) shares are allotted as fully paid up under the scheme of amalgamation without payments being received in cash.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,938,793</td>
</tr>
<tr>
<td><strong>SCHEDULE : 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RESERVES AND SURPLUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>31,254,879</td>
<td>29,706,859</td>
</tr>
<tr>
<td>Adjustment under the scheme of amalgamation</td>
<td>–</td>
<td>1,548,020</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>7,499,667</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>38,754,546</td>
<td>31,254,879</td>
</tr>
<tr>
<td>Revaluation Reserve</td>
<td>21,284</td>
<td>21,284</td>
</tr>
<tr>
<td>Debentures Redemption Reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>3,363,240</td>
<td>884,386</td>
</tr>
<tr>
<td>Transfer from / (to) Profit and Loss Account during the year</td>
<td>(2,307,348)</td>
<td>2,478,854</td>
</tr>
<tr>
<td></td>
<td>1,055,892</td>
<td>3,363,240</td>
</tr>
<tr>
<td>Profit and Loss Account</td>
<td>14,732,088</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>54,563,810</td>
<td>34,639,403</td>
</tr>
<tr>
<td>Particulars</td>
<td>As at March 31, 2006 (Rs. ‘000)</td>
<td>As at March 31, 2005 (Rs. ‘000)</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>---------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td><strong>SCHEDULE : 3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SECURED LOANS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Refer Note 19 on Schedule 23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debentures</td>
<td>2,882,500</td>
<td>4,672,857</td>
</tr>
<tr>
<td>Loans and Advances from Banks :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Term Loans</td>
<td>675,000</td>
<td>3,578,245</td>
</tr>
<tr>
<td>– Cash Credit</td>
<td>15,373</td>
<td>21,000</td>
</tr>
<tr>
<td>Other Loans and Advances :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Term Loans</td>
<td>24,809,897</td>
<td>31,333,530</td>
</tr>
<tr>
<td>– Vehicle Loans</td>
<td>16,311</td>
<td>14,128</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28,399,081</td>
<td>39,619,760</td>
</tr>
<tr>
<td>* Note : Amount repayable within one year</td>
<td>3,417,929</td>
<td>6,036,731</td>
</tr>
<tr>
<td><strong>SCHEDULE : 4</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UNSECURED LOANS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short Term Loans and Advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Banks</td>
<td>18,426,182</td>
<td>1,606,142</td>
</tr>
<tr>
<td>From Others</td>
<td>–</td>
<td>3,750,000</td>
</tr>
<tr>
<td>Other Loans and Advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Others</td>
<td>903,085</td>
<td>5,030,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,329,267</td>
<td>10,386,242</td>
</tr>
<tr>
<td>Note: Amount repayable within one year</td>
<td>18,426,182</td>
<td>5,356,141</td>
</tr>
</tbody>
</table>
### SCHEDULE 5:
**FIXED ASSETS**
(Refer Note 3, 4, 5, 10, 13, 16 and 17 on Schedule 22 and Note 10, 24 on Schedule 23)

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>Gross Block Value</th>
<th>Depreciation/Amortisation</th>
<th>Net Block</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at April 01, 2005</td>
<td>Additions during the year</td>
<td>Sale/Adjustment during the year</td>
</tr>
<tr>
<td><strong>INTANGIBLE ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,158,345</td>
<td>26,581</td>
<td>–</td>
</tr>
<tr>
<td>Software</td>
<td>83,993</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Bandwidth</td>
<td>2,042,997</td>
<td>305,749</td>
<td>15,027</td>
</tr>
<tr>
<td>Licence</td>
<td>22,219,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TANGIBLE ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold Land</td>
<td>53,039</td>
<td>10,885</td>
<td>–</td>
</tr>
<tr>
<td>Freehold Land</td>
<td>463,708</td>
<td>63,424</td>
<td>8,400</td>
</tr>
<tr>
<td>Building</td>
<td>1,517,618</td>
<td>172,453</td>
<td>71,379</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>712,877</td>
<td>415,313</td>
<td>–</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>101,289,884</td>
<td>47,886,250</td>
<td>1,620,721</td>
</tr>
<tr>
<td>Computers</td>
<td>7,840,382</td>
<td>2,365,818</td>
<td>70,737</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>727,923</td>
<td>249,868</td>
<td>11,919</td>
</tr>
<tr>
<td>Furniture &amp; Fixture</td>
<td>431,343</td>
<td>156,286</td>
<td>22,876</td>
</tr>
<tr>
<td>Vehicle</td>
<td>79,965</td>
<td>40,887</td>
<td>11,612</td>
</tr>
<tr>
<td>Vehicle on Finance Lease</td>
<td>6,248</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>140,627,322</td>
<td>51,693,514</td>
<td>1,832,671</td>
</tr>
<tr>
<td>Capital Work-in-Progress</td>
<td>24,364,837</td>
<td>10,166,556</td>
<td></td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>140,627,322</td>
<td>51,693,514</td>
<td>1,832,671</td>
</tr>
<tr>
<td>Previous Year</td>
<td>112,191,647</td>
<td>37,501,641</td>
<td>12,322,861</td>
</tr>
</tbody>
</table>

Notes:
1. Capital Work In Progress includes:
   a) Capital advances of Rs. 1,102,966 thousand (Previous year Rs. 560,700 thousand)
   b) Borrowing cost of Rs. Nil (Previous year Rs. 11,912 thousand)
2. Additions to fixed assets during the year include:
   a) Rs. 193,117 thousand of loss (Previous year Rs. 13,297 thousand) on account of fluctuations in foreign exchange rates.
   b) Borrowing costs capitalised Rs. 31,132 thousand (Previous year Rs. 13,207 thousand).
3. Leasehold land of Rs. 955 thousand (Previous year Rs. 955 thousand) represents land acquired on lease cum sale basis from Karnataka Industrial Areas Development Board.
4. Capital Work-in-Progress as on March 31, 2006 is net of Rs. 93,312 thousand being loss (Previous year includes Rs. 146,465 thousand gain) on account of fluctuation in Exchange rate.
5. Additions during the year includes Rs. 12,567 thousand (Previous year Rs. 140,418 thousand) allocated from pre–operative expenditure. (Refer Schedule 6).
6. Freehold Land and Building includes Rs. 26,468 thousand (Previous year Rs. 26,468 thousand) and Rs. 71,477 thousand (Previous year Rs. 71,477 thousand) respectively, in respect of which registration of title in favour of group is pending.
7. Building includes building on leasehold land Rs. 17,288 thousand (Previous year Rs. 17,288 thousand).
8. The remaining amortisation period of Licence fees as at March 31, 2006 ranges between 8 to 19 years for Unified Access Service Licence and 14 to 16 years for Long Distance.
9. Capital Work-in-Progress includes goods in transit Rs. 4,378,002 thousand (Previous year Rs. 980,618 thousand)
10. Computers include Gross Block of assets capitalised during the year under finance lease Rs. 3,466,160 thousand (Previous year Rs. 1,908,724 thousand) and depreciation charged for the year Rs. 1,593,770 thousand (Previous year Rs. 534,880 thousand) and net book value Rs. 1,849,568 thousand.
11. The remaining amortisation period of Goodwill as at March 31, 2006 ranges between 9 to 11 years.
### SCHEDULE : 6

**PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION**

(Refer note 12 on Schedule 22 and Note 2 on Schedule 23)

Opening Balance as on April 1, 2005 – 5,891

**Additions during the period**

**Network Operating Expenses**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ’000)</th>
<th>As at March 31, 2005 (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Premium</td>
<td>–</td>
<td>1,007</td>
</tr>
<tr>
<td>Repairs and Maintenance – Plant and Machinery</td>
<td>174</td>
<td>26,388</td>
</tr>
<tr>
<td>Power and Fuel</td>
<td>275</td>
<td>19,454</td>
</tr>
<tr>
<td>Rent</td>
<td>4,263</td>
<td>25,999</td>
</tr>
<tr>
<td>Leased Line</td>
<td>1,853</td>
<td>12,914</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>29,343</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>6,565</td>
<td>115,105</td>
</tr>
</tbody>
</table>

**Personnel Expenses**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ’000)</th>
<th>As at March 31, 2005 (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>18,889</td>
<td>163,882</td>
</tr>
<tr>
<td>Contribution to Provident and Other Funds</td>
<td>970</td>
<td>5,172</td>
</tr>
<tr>
<td>Staff Welfare</td>
<td>1,994</td>
<td>11,131</td>
</tr>
<tr>
<td>Recruitment and Training</td>
<td>951</td>
<td>30,668</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>22,804</td>
<td>210,853</td>
</tr>
</tbody>
</table>

**Selling Expenses**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ’000)</th>
<th>As at March 31, 2005 (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement and Marketing</td>
<td>86</td>
<td>97,590</td>
</tr>
<tr>
<td>Other Selling and Distribution</td>
<td>4,395</td>
<td>15,663</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>4,481</td>
<td>113,253</td>
</tr>
</tbody>
</table>

**Administrative and Other Expenses**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ’000)</th>
<th>As at March 31, 2005 (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal and Professional</td>
<td>936</td>
<td>19,916</td>
</tr>
<tr>
<td>Rates and Taxes</td>
<td>–</td>
<td>12,232</td>
</tr>
<tr>
<td>Power and Fuel</td>
<td>293</td>
<td>5,083</td>
</tr>
<tr>
<td>Travelling and Conveyance</td>
<td>2,041</td>
<td>57,618</td>
</tr>
<tr>
<td>Rent</td>
<td>2,911</td>
<td>14,136</td>
</tr>
<tr>
<td>Repairs and Maintenance charges – Building</td>
<td>9</td>
<td>175</td>
</tr>
<tr>
<td>– Plant and Machinery</td>
<td>7</td>
<td>2,100</td>
</tr>
<tr>
<td>– Others</td>
<td>32</td>
<td>13,730</td>
</tr>
<tr>
<td>Insurance</td>
<td>10</td>
<td>590</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,462</td>
<td>35,012</td>
</tr>
<tr>
<td>Collection and Recovery</td>
<td>–</td>
<td>1,245</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>7,701</td>
<td>161,837</td>
</tr>
</tbody>
</table>

**Finance Expenses**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ’000)</th>
<th>As at March 31, 2005 (Rs. ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Bank/Finance Charges</td>
<td>274</td>
<td>4,784</td>
</tr>
<tr>
<td>Depreciation</td>
<td>410</td>
<td>2,541</td>
</tr>
<tr>
<td>Other Income</td>
<td>–</td>
<td>(66)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42,235</td>
<td>614,330</td>
</tr>
</tbody>
</table>

Less : Allocated to Fixed Assets – 12,567

Less : Transferred to Profit and Loss Account – 29,668

**Total amount carried to Balance Sheet**
### SCHEDULE : 7

**INVESTMENTS**
(Refer Note 8 on Schedule 22)

**Current**

**Other than Trade (Quoted)**
- Government securities: 475,421, 1,035,840
- Mutual Funds and Bonds: 2,002,324, 3,699,346

**Short term Unquoted**
- Government securities: 1,800, 1,800

**Long Term Investment Trade (Unquoted)**

**Investment in Joint Ventures**
- Bridge Mobile PTE Limited: 1,000,000 (Previous year 1,000,000) – 43,763
- Equity shares of USD 1 each fully paid up.

**Total Investments**

<table>
<thead>
<tr>
<th></th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aggregate Market Value of Quoted Investments</strong></td>
<td>2,483,474</td>
<td>4,751,649</td>
</tr>
<tr>
<td><strong>Aggregate Value of Quoted Investments</strong></td>
<td>2,477,745</td>
<td>4,735,186</td>
</tr>
<tr>
<td><strong>Aggregate Value of Unquoted Investments</strong></td>
<td>1,800</td>
<td>45,563</td>
</tr>
</tbody>
</table>

### SCHEDULE : 8

**INVENTORY**
(Refer Note 7 on Schedule 22)

**Stock-In-Trade**
- 381,320, 544,835

* Includes Goods in Transit Rs. 11,377 thousand.
(Previous year Rs. 5,250 thousand)

* Net of Provision for diminution in value Rs. 88,216 thousand
(Previous year Rs. 9,420 thousand)

### SCHEDULE : 9

**SUNDARY DEBTORS**
(Refer Note 6 on Schedule 22 and Note 15 on Schedule 23)
(Unsecured, considered good unless otherwise stated)

**Debtors :**

Debts outstanding for a period exceeding six months
- Considered good: 1,402,327, 875,356
- Considered doubtful: 3,605,826, 3,401,209

Less: Provision: 3,605,826, 1,402,327, 3,401,209, 875,356

Other debts
- Considered good: 9,737,762, 6,539,354
- Considered doubtful: 1,372,351, 929,681

Less: Provision: 1,372,351, 9,737,762, 929,681, 6,539,354

11,140,089, 7,414,710
<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCHEDULE : 10</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH AND BANK BALANCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in Hand</td>
<td>93,353</td>
<td>42,905</td>
</tr>
<tr>
<td>Cheques in Hand</td>
<td>768,228</td>
<td>699,595</td>
</tr>
<tr>
<td>Balances with Scheduled Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– in Current Account</td>
<td>1,288,859</td>
<td>1,052,501</td>
</tr>
<tr>
<td>– in Fixed Deposits *</td>
<td>1,355,360</td>
<td>2,301,597</td>
</tr>
<tr>
<td>– in Deposit Account as Margin Money</td>
<td>4,827</td>
<td>1,444</td>
</tr>
<tr>
<td></td>
<td><strong>3,510,627</strong></td>
<td><strong>4,098,042</strong></td>
</tr>
<tr>
<td></td>
<td>* [Includes Rs. 230,294 thousand pledged with various authorities (Previous year Rs. 227,730 thousand)]</td>
<td></td>
</tr>
<tr>
<td><strong>SCHEDULE : 11</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER CURRENT ASSETS, LOANS AND ADVANCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Unsecured, considered good unless otherwise stated)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Accrued on Investment</td>
<td>53,645</td>
<td>39,075</td>
</tr>
<tr>
<td>Advances recoverable in cash or in kind or for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>value to be received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Considered good</td>
<td>9,913,091</td>
<td>7,034,068</td>
</tr>
<tr>
<td>Considered doubtful</td>
<td>2,385,834</td>
<td>412,841</td>
</tr>
<tr>
<td>Less : Provision</td>
<td>(2,385,834)</td>
<td>9,913,091</td>
</tr>
<tr>
<td></td>
<td>(412,841)</td>
<td>(7,034,068)</td>
</tr>
<tr>
<td>Accrued Billing Revenue</td>
<td>3,632,421</td>
<td>2,793,372</td>
</tr>
<tr>
<td>Advance to ESOP Trust</td>
<td>195,604</td>
<td>251,217</td>
</tr>
<tr>
<td>Advance Tax ([Net of provision for tax Rs.3,243,619 thousand (Previous year Rs.1,469,767 thousand)]</td>
<td>1,031,629</td>
<td>696,463</td>
</tr>
<tr>
<td>Balances with Custom Authorities</td>
<td>263,042</td>
<td>5,617</td>
</tr>
<tr>
<td></td>
<td><strong>15,089,432</strong></td>
<td><strong>10,819,812</strong></td>
</tr>
</tbody>
</table>
## SCHEDULE : 12
### CURRENT LIABILITIES AND PROVISIONS

#### Current Liabilities
(Refer Note 15 on Schedule 23)

Sundry Creditors :
- Total outstanding dues of Small Scale Industrial Undertaking (s)*: 6,613
- Total outstanding dues of creditors other than Small Scale Industrial Undertakings (s): 47,934,313

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundry Creditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total outstanding dues of Small Scale Industrial Undertaking (s)*</td>
<td>6,613</td>
<td>4,345</td>
</tr>
<tr>
<td>Total outstanding dues of creditors other than Small Scale Industrial Undertakings (s)</td>
<td>47,934,313</td>
<td>47,940,926</td>
</tr>
<tr>
<td>Advance Billing and Prepaid Card Revenue</td>
<td>14,743,243</td>
<td>7,923,904</td>
</tr>
<tr>
<td>Premium on Redemption of Bonds</td>
<td>106,996</td>
<td>595,564</td>
</tr>
<tr>
<td>Interest accrued but not due on loans</td>
<td>519,709</td>
<td>403,957</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>1,580,064</td>
<td>804,828</td>
</tr>
<tr>
<td>Advance Received from customers</td>
<td>638,521</td>
<td>722,622</td>
</tr>
<tr>
<td>Security Deposits (Refer Note 15 on Schedule 23)</td>
<td>2,870,490</td>
<td>2,662,188</td>
</tr>
<tr>
<td></td>
<td>68,399,949</td>
<td>43,760,812</td>
</tr>
</tbody>
</table>

* This information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancillary undertakings on the basis of information available with the Company.

#### Provisions
(Refer Note 11, 20 and 21 on Schedule 22 and Note 20 on Schedule 23)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gratuity</td>
<td>249,283</td>
<td>82,166</td>
</tr>
<tr>
<td>Leave Encashment</td>
<td>237,925</td>
<td>134,512</td>
</tr>
<tr>
<td>Provision for Warranty</td>
<td>2,633</td>
<td>7,200</td>
</tr>
<tr>
<td>Provision for Wealth Tax</td>
<td>164</td>
<td>149</td>
</tr>
<tr>
<td>Provision for Fringe Benefit Tax [Net of amounts paid Rs.10,246 thousand (Previous year Nil)]</td>
<td>9,519</td>
<td>–</td>
</tr>
<tr>
<td>Other Provisions</td>
<td>1,940,041</td>
<td>961,242</td>
</tr>
<tr>
<td></td>
<td>2,439,565</td>
<td>1,185,269</td>
</tr>
<tr>
<td></td>
<td>70,839,514</td>
<td>44,946,081</td>
</tr>
</tbody>
</table>

#### SCHEDULE : 13
### MISCELLANEOUS EXPENDITURE
(To the extent not written off or adjusted)
(Refer Note 15 on Schedule 22)

#### Deferred Employee Compensation Expense

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>13,372</td>
<td>75,175</td>
</tr>
<tr>
<td>Add : Adjustments during the year</td>
<td>(4,119)</td>
<td>(14,675)</td>
</tr>
<tr>
<td>Less: Amortisation for the year #</td>
<td>5,806</td>
<td>47,128</td>
</tr>
<tr>
<td></td>
<td>3,447</td>
<td>13,372</td>
</tr>
</tbody>
</table>

# Net of write back

#### Premium on Redemption of Debentures

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs. ‘000)</th>
<th>As at March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>570,111</td>
<td>–</td>
</tr>
<tr>
<td>Add : Addition/(Write back) during the year</td>
<td>(404,059)</td>
<td>693,027</td>
</tr>
<tr>
<td>Less : Amortisation for the year</td>
<td>90,100</td>
<td>122,916</td>
</tr>
<tr>
<td></td>
<td>75,952</td>
<td>570,111</td>
</tr>
<tr>
<td></td>
<td>79,399</td>
<td>583,483</td>
</tr>
<tr>
<td>Particulars</td>
<td>For the year ended March 31, 2006 (Rs. ‘000)</td>
<td>For the year ended March 31, 2005 (Rs. ‘000)</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>SCHEDULE : 14</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities/Provisions no longer required written back</td>
<td>147,681</td>
<td>226,356</td>
</tr>
<tr>
<td>Profit on Sale of Assets (Net)</td>
<td>24,607</td>
<td>–</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>441,952</td>
<td>208,454</td>
</tr>
<tr>
<td></td>
<td><strong>614,240</strong></td>
<td><strong>434,810</strong></td>
</tr>
<tr>
<td><strong>SCHEDULE : 15</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NETWORK OPERATING EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interconnect charges and PSTN Rentals</td>
<td>685,577</td>
<td>648,324</td>
</tr>
<tr>
<td>Installation</td>
<td>55,909</td>
<td>32,104</td>
</tr>
<tr>
<td>Power and Fuel</td>
<td>3,155,832</td>
<td>1,501,552</td>
</tr>
<tr>
<td>Rent</td>
<td>1,730,610</td>
<td>970,362</td>
</tr>
<tr>
<td>Insurance</td>
<td>33,881</td>
<td>36,661</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Building</td>
<td>410,318</td>
<td>141,690</td>
</tr>
<tr>
<td>– Plant and Machinery</td>
<td>2,801,756</td>
<td>1,785,873</td>
</tr>
<tr>
<td>– Others</td>
<td>773,797</td>
<td>343,004</td>
</tr>
<tr>
<td>Leased Line and Gateway charges</td>
<td>805,776</td>
<td>827,876</td>
</tr>
<tr>
<td>Other Network Operating Expenses</td>
<td>1,672,532</td>
<td>815,179</td>
</tr>
<tr>
<td></td>
<td><strong>12,125,988</strong></td>
<td><strong>7,102,625</strong></td>
</tr>
<tr>
<td><strong>SCHEDULE : 16</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>COST OF SALES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Stock</td>
<td>544,835</td>
<td>316,827</td>
</tr>
<tr>
<td>Add: Stock acquired under acquisition</td>
<td>–</td>
<td>12,003</td>
</tr>
<tr>
<td>Add: Purchases</td>
<td>1,243,519</td>
<td>1,523,148</td>
</tr>
<tr>
<td>Less: Simcard Utilisation</td>
<td>194,348</td>
<td>252,144</td>
</tr>
<tr>
<td>Less: Internal issues/capitalised</td>
<td>66,126</td>
<td>28,010</td>
</tr>
<tr>
<td>Less: Closing Stock *</td>
<td>381,320</td>
<td>544,835</td>
</tr>
<tr>
<td></td>
<td><strong>1,146,560</strong></td>
<td><strong>1,026,989</strong></td>
</tr>
<tr>
<td>* Net of obsolete inventory written off Rs. 9,014 thousand (Previous year Rs. 11,267 thousand)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Net of provision for diminution in value Rs.78,796 thousand (Previous year Rs.9,420 thousand)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCHEDULE : 17</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PERSONNEL EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, Wages and Bonus*</td>
<td>6,791,852</td>
<td>4,407,602</td>
</tr>
<tr>
<td>Contribution to Provident and Other Funds</td>
<td>369,714</td>
<td>194,587</td>
</tr>
<tr>
<td>Staff Welfare</td>
<td>419,729</td>
<td>283,267</td>
</tr>
<tr>
<td>Recruitment and Training</td>
<td>424,100</td>
<td>285,426</td>
</tr>
<tr>
<td></td>
<td><strong>8,005,395</strong></td>
<td><strong>5,170,882</strong></td>
</tr>
<tr>
<td>* Excluding amortisation of Deferred ESOP Cost</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### SCHEDULE : 18
#### SALES AND MARKETING EXPENDITURE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>For the year ended March 31, 2006 (Rs. ‘000)</th>
<th>For the year ended March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement and Marketing</td>
<td>4,113,547</td>
<td>3,357,372</td>
</tr>
<tr>
<td>Sales Commission and Incentive</td>
<td>2,820,676</td>
<td>1,937,470</td>
</tr>
<tr>
<td>Simcard Utilisation</td>
<td>194,348</td>
<td>252,144</td>
</tr>
<tr>
<td>Other Selling and Distribution</td>
<td>1,207,353</td>
<td>895,176</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,335,924</strong></td>
<td><strong>6,442,162</strong></td>
</tr>
</tbody>
</table>

### SCHEDULE : 19
#### ADMINISTRATIVE AND OTHER EXPENDITURE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>For the year ended March 31, 2006 (Rs. ‘000)</th>
<th>For the year ended March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal and Professional</td>
<td>4,015,033</td>
<td>1,583,943</td>
</tr>
<tr>
<td>Rates and Taxes</td>
<td>48,497</td>
<td>32,077</td>
</tr>
<tr>
<td>Power and Fuel</td>
<td>274,492</td>
<td>174,344</td>
</tr>
<tr>
<td>Travelling and Conveyance</td>
<td>767,224</td>
<td>476,490</td>
</tr>
<tr>
<td>Rent</td>
<td>425,087</td>
<td>237,761</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Building</td>
<td>89,730</td>
<td>69,547</td>
</tr>
<tr>
<td>– Plant and Machinery</td>
<td>21,345</td>
<td>12,072</td>
</tr>
<tr>
<td>– Others</td>
<td>223,916</td>
<td>58,555</td>
</tr>
<tr>
<td>Insurance</td>
<td>15,395</td>
<td>13,007</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>1,317,725</td>
<td>208,233</td>
</tr>
<tr>
<td>Provision for doubtful debts/advances</td>
<td>2,727,945</td>
<td>1,709,271</td>
</tr>
<tr>
<td>Less : Provision for doubtful debts written back</td>
<td>107,665</td>
<td>111,135</td>
</tr>
<tr>
<td>Provision for diminution in value of inventory</td>
<td>78,796</td>
<td>9,420</td>
</tr>
<tr>
<td>Collection and Recovery</td>
<td>1,355,166</td>
<td>921,456</td>
</tr>
<tr>
<td>Loss on sale of assets (net)</td>
<td>–</td>
<td>9,583</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,206,937</td>
<td>1,070,003</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,459,623</strong></td>
<td><strong>6,474,627</strong></td>
</tr>
</tbody>
</table>
## SCHEDULE : 20
### FINANCE EXPENSES

**Interest :**
- On Term Loan  
  - For the year ended March 31, 2006: 1,540,231  
  - For the year ended March 31, 2005: 1,850,763
- On Debentures  
  - For the year ended March 31, 2006: 261,299  
  - For the year ended March 31, 2005: 664,911
- On Others  
  - For the year ended March 31, 2006: 61,281  
  - For the year ended March 31, 2005: 144,385
- Amortisation of Premium on Redemption of Foreign Currency Convertible Bonds  
  - For the year ended March 31, 2006: 90,100  
  - For the year ended March 31, 2005: 122,916
- Other Finance Charges  
  - For the year ended March 31, 2006: 432,728  
  - For the year ended March 31, 2005: 395,027

**Less : Income**
- Profit on sale of Current Investments  
  - For the year ended March 31, 2006: 108,940  
  - For the year ended March 31, 2005: 400,180

**Interest Income :**
- from Current Investments (Other than Trade) (Gross of TDS Rs.20,956 thousand; Previous year Rs. 4,763 thousand)  
  - For the year ended March 31, 2006: 178,043  
  - For the year ended March 31, 2005: 89,412
- from loans and advances etc.  
  - For the year ended March 31, 2006: 23,584  
  - For the year ended March 31, 2005: 10,453
- Exchange fluctuation Gain /(Loss) (Net)  
  - For the year ended March 31, 2006: 45,307  
  - For the year ended March 31, 2005: 211,415
- Gains from swap arrangements  
  - For the year ended March 31, 2006: 2,711  
  - For the year ended March 31, 2005: 738,823
- Other Finance Income  
  - For the year ended March 31, 2006: 141,532  
  - For the year ended March 31, 2005: 2,244,107

<table>
<thead>
<tr>
<th>Particulars</th>
<th>For the year ended March 31, 2006 (Rs. ‘000)</th>
<th>For the year ended March 31, 2005 (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCHEDULE : 21</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AMORTISATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Refer Note 3, 5 and 15 on Schedule 22 and Note 10 on Schedule 23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licence Fee</td>
<td>1,204,183</td>
<td>1,162,023</td>
</tr>
<tr>
<td>Personnel - Deferred ESOP Cost</td>
<td>127,067</td>
<td>47,128</td>
</tr>
<tr>
<td>Goodwill</td>
<td>268,325</td>
<td>231,145</td>
</tr>
<tr>
<td>Total Amortisation</td>
<td>1,599,575</td>
<td>1,440,296</td>
</tr>
</tbody>
</table>
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by Bharti Airtel Limited (formerly Bharti Tele-Ventures Limited) (‘BAL’ or ‘the Company’) and its subsidiaries (hereinafter referred to as the “Group”) in respect of these Consolidated Financial Statements, are set out below.

1. BASIS OF PREPARATION

These consolidated financial statements are prepared under the historical cost convention on the accrual basis of accounting and reporting requirements of Accounting Standard 21 ‘Consolidated Financial Statements’ issued by the Institute of Chartered Accountants of India, consolidated as per Para 2 below for the year ended March 31, 2006.

2. PRINCIPLES OF CONSOLIDATION

These accounts represent consolidated accounts of the Company and its majority owned subsidiaries and joint ventures, all incorporated in India except Bridge Mobile Pte Limited which is incorporated in Singapore, as follows:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Principal Service</th>
<th>Relationship</th>
<th>Shareholding as at March 31, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bharti Aquanet Limited (‘BAQL’)</td>
<td>Submarine Cable landing station</td>
<td>Subsidiary</td>
<td>51%</td>
</tr>
<tr>
<td>Bharti Comtel Limited (‘BCTL’)</td>
<td>Administrative support to BAL and VSAT equipment trading</td>
<td>Subsidiary</td>
<td>100%</td>
</tr>
<tr>
<td>Bharti Hexacom Limited (‘BHL’)</td>
<td>Cellular Mobile Telephony Services (CMTS)</td>
<td>Subsidiary</td>
<td>68.5%</td>
</tr>
<tr>
<td>Bharti Broadband Limited (BBL)</td>
<td>Enterprise Services</td>
<td>Subsidiary</td>
<td>100%</td>
</tr>
<tr>
<td>Satcom Broadband Equipment</td>
<td>Enterprise Services and VSAT Equipment trading</td>
<td>Subsidiary</td>
<td>100%</td>
</tr>
<tr>
<td>Limited (SBEL)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bridge Mobile Pte Limited</td>
<td>Mobile Services</td>
<td>Joint Venture</td>
<td>12.5%</td>
</tr>
<tr>
<td>Forum I Aviation Limited</td>
<td>Buy, sell, lease, hire, maintain, operate and run Aircrafts / Helicopters etc.</td>
<td>Joint Venture</td>
<td>16.64%</td>
</tr>
</tbody>
</table>

On April 16, 2005, 49% of the share capital of Satcom Broadband Equipment Limited (SBEL) was transferred to BAL making SBEL a 100% subsidiary of the Company.

For the purpose of this consolidation, jointly owned entities, where BAL or its subsidiaries own directly or indirectly more than 50 percent of voting rights of a Company’s share capital have been accounted for as subsidiaries.

The Group’s interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint ventures’ individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group’s financial statements.

The equity and net income attributable to minority shareholders’ interest are shown separately in the Balance Sheets and Profit and Loss Account, respectively.

All inter-Company balances have been eliminated in the consolidation. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

3. GOODWILL

Goodwill is stated as an excess of the purchase consideration over BAL’s interest in the net identifiable assets acquired. Goodwill is carried at cost less accumulated amortisation and is amortised on a straight-line basis over the remaining period of the service licence of the acquired Company from the date of acquisition.
4. FIXED ASSETS

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, including taxes, duties, freight and other incidental expenses related to acquisition and installation. Capital work-in-progress is stated at cost.

Site restoration cost obligations are capitalised when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The fixed component of license fee payable by the Group for cellular and basic circles, upon migration to the National Telecom Policy (NTP 1999), i.e. Entry Fee, has been capitalised as an asset and the one time license fee paid by the Group for acquiring new licences (post NTP-99) (basic, cellular, national long distance and international long distance services) has been capitalised as an asset.

5. DEPRECIATION / AMORTISATION

Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on all assets, except for the following on which depreciation is provided on straight line method to write off the cost of the fixed assets over their estimated useful lives:

<table>
<thead>
<tr>
<th>Rate of Depreciation per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
</tr>
<tr>
<td>Office Equipment</td>
</tr>
<tr>
<td>Computer / Software</td>
</tr>
<tr>
<td>Vehicles</td>
</tr>
<tr>
<td>Furniture and Fixtures</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
</tr>
<tr>
<td>Leasehold Land</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
</tr>
</tbody>
</table>

Assets individually costing Rs. 5 thousand or less are fully depreciated in the month of purchase. Software up to Rs. 500 thousand is written off in the year of purchase.

Bandwidth capacity is depreciated over the period of the agreement subject to a maximum of 15 years.

Additional depreciation is provided as appropriate, towards diminution in value of assets

The Entry Fee capitalised is being amortised equally over the period of the license and the one time licence fee is being amortised equally over the balance period of licence from the date of commencement of commercial operations.

The site restoration cost obligation capitalised is being depreciated over the period of the useful life of the related asset.

6. REVENUE RECOGNITION AND RECEIVABLES

Mobile Services: Service revenue is recognised on completion of provision of services. Service revenue includes income on roaming commission and access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.

On introduction of new prepaid products, processing fees on recharge coupon is being recognised over the estimated customer relationship period or coupon validity period, as applicable.

Telephone and Broadband and Long Distance Services: Service revenue is recognised on completion of provision of services. Revenue on account of bandwidth service is recognised on time proportion basis in accordance with the related contracts. Billing Revenue includes access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.
Enterprise Services: Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

Service Revenues includes revenues from registration, installation and provision of Internet and Satellite services. Registration fees is recognised at the time of dispatch and invoicing of Start up Kits. Installation charges are recognised as revenue on satisfactory completion of installation of hardware and service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of Internet and Satellite services.

Revenue from prepaid dialup packs is recognised on the actual usage basis and is net of sales return and discount.

Investing and other Activities: Income on account of interest and other activities are recognised on an accrual basis. Dividends are accounted for when the right to receive the payment is established.

Provision for doubtful debts:
Provision for doubtful debts is made for dues outstanding for more than 90 days in case of active subscriber, and dues from customers who have been deactivated other than those covered by security deposit, or in specific cases where management is of the view that the amounts are recoverable.

Provision for doubtful debts, in case of Other Telecom Operators on account of their ILD traffic and on account of Interconnect Usage Charges (IUC), is made for dues outstanding more than 120 days from the date of billing after considering any amount payable to that operator pertaining to the same period or in specific case when management is of the view that the amount is recoverable.

Accrued Billing revenue:
Accrued billing revenue represent revenues recognised in respect of Mobile, Broadband and Telephone, and Long Distance services provided from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

7. INVENTORIES
Inventories for mobile operations are valued at the lower of cost and net realisable value. Cost is determined on First in First out basis.

Inventories for telephone and broadband and long distance services and enterprise Services are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

8. INVESTMENT
Current Investments are valued at lower of cost and fair market value.

Long-term Investments are valued at cost. Provision is made for diminution in value to recognise a decline, if any, other than that of temporary nature.

9. LICENSE FEES – REVENUE SHARE
With effect from August 1, 1999 the variable Licence fee computed at prescribed rates of revenue share is being charged to the Profit and Loss Account in the year in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the license agreement of the license area to which the licence pertains

10. TRANSLATION OF ITEMS IN FOREIGN CURRENCY
Transactions in Foreign Currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary items are restated at year-end foreign exchange rates. Resultant exchange differences arising on payment or conversion of liabilities are recognised as income or expense in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract (or forward rate last used to measure gain or loss) and the contracted forward rate which is recognised as income or expense for the year.
The premium or discount arising at the inception of other forward exchange contracts is amortised as income or expense over the life of the contract and exchange difference on such contracts is recognised as income or expense in the reporting period in which the exchange rate change, except, in respect of liabilities incurred for acquiring fixed assets, in which case, such difference is adjusted in carrying amount of the respective fixed assets.

11. RETIREMENT BENEFITS

Contribution to provident fund is made at predetermined rates and is charged to Profit and Loss Account. The Group has provided for the liability at year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

The Group either contributes to a Group Gratuity Scheme with Life Insurance Corporation of India to cover the gratuity liability for its employees, such contribution being charged to the Profit and Loss Account for the year or provides the gratuity liability in its books. Liability at the year-end in both cases is determined on the basis of actuarial valuation, based on the Projected Unit Credit Method.

12. PRE-OPERATIVE EXPENDITURE

Expenditure incurred by the Group from the date of acquisition of license for a new circle, up to the date of commencement of commercial operations of the circle, not directly attributable to fixed assets are charged to the Profit and Loss account in the year in which such expenditure is incurred.

13. LEASES

a) As Lessee – Operating Lease

Lease Rentals in respect of assets taken on ‘Operating Lease’ are charged to the Profit and Loss Account on a straight-line basis over the lease term.

b) As Lessee – Finance Lease

Assets acquired on ‘Finance Lease’ which transfer risk and rewards of ownership to the Company are capitalised as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets.

Amortization of capitalised leased assets is computed on the Straight Line method over the useful life of the assets. Lease rental payable is apportioned between principal and finance charge using the internal rate of return method. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

c) As Lessor – Operating Lease

Lease income in respect of ‘Operating Lease’ is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

d) As Lessor – Finance Lease

Finance leases as a dealer lessor are recognised as a sale transaction in the Profit and loss account and are treated as other outright sales.

Finance Income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment of the lessor outstanding in respect of the lease.

e) Initial direct costs are expensed in the Profit and Loss Account at the inception of the lease.

14. TAXATION

Tax expense for the year, comprising current tax, deferred tax and Fringe Benefit Tax is included in determining the net profit/ (loss) for the year.

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable profit will be available against which such deferred tax assets can be realised. Deferred tax is recognised only for such timing differences which reverse after tax holiday period. Deferred tax assets to
the extent they pertain to brought forward losses and unabsorbed depreciation, are recognised only to the extent that there is virtual certainty of realisation, based on expected profitability in the future as estimated by the Company.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

15. MISCELLANEOUS EXPENDITURE
   a) Premium on redemption of debentures is recognised as an expense to the Profit and Loss Account over the period of the related contract.
   b) Employee Stock Option Plan ('ESOP') - The aggregate amount of liability on account of ESOP as ascertained at year-end is being carried forward as Deferred Employee Compensation Benefit under Miscellaneous Expenditure to be written off on a straight-line basis over the related vesting period of individual options.

16. BORROWING COST

Borrowing cost attributable to the acquisition or construction of a qualifying asset is capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

17. IMPAIRMENT OF ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets’ carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets’ fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

18. SEGMENTAL REPORTING

   a) Primary Segment:
      The Group operates in four primary business segments viz. Broadband & Telephone Services, Mobile Services, Long Distance Services and Enterprise Service.
   b) Secondary Segment:
      The Group has operations within India as well as with entities located in other countries. The operations in India constitute the major part, which is the only reportable segment, the remaining portion being attributable to others.

19. EARNING PER SHARE

The earnings considered in ascertaining the Group’s Earnings per Share ('EPS') comprise the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares.

20. WARRANTY

Provision for warranty is based on past experience and technical estimates.

21. PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

22. EMPLOYEE STOCK OPTIONS OUTSTANDING

Employee Stock options outstanding are valued using Black Scholes option – pricing model and the fair value is recognised as an expense over the period in which the options vest.
NOTES TO ACCOUNTS

1. Bharti Airtel Limited (formerly Bharti Tele-Ventures Limited) (‘BAL’ or ‘the Company’) incorporated in India on July 7, 1995, is a company promoted by Bharti Telecom Limited (‘BTL’), a company incorporated under the laws of India. BAL together with its subsidiaries is referred to as ‘the Group’.

2. New Operations

On April 16, 2005, the Group acquired 49% shareholding in Satcom Broadband Equipment Limited (‘SBEL’) at a consideration of Rs. 121,997 thousand making SBEL a 100% subsidiary of the Group.

Bharti Airtel Limited (formerly Bharti Tele-Ventures Limited) (BAL) and Bharti Hexacom Limited (BHL) have entered into a Scheme of Arrangement for transfer pursuant to de-merger of North East Circle Undertaking from Bharti Hexacom Limited to the Group effective April 1, 2005, which has been approved by the Board of Directors of BAL in their meeting held on July 26, 2005 and July 27, 2005 and the Board of Directors of BHL in their meeting held on July 20, 2005. The Group is in the process of filing the approved scheme in the High Court.

BAL has entered into a Scheme of Amalgamation of Satcom Broadband Equipment Limited (SBEL) and Bharti Broadband Limited (BBL) with the Group effective October 1, 2005, which has been approved by the Board of Directors of the BAL in their meeting held on July 26, 2005 and the Board of Directors of SBEL and BBL in their meetings held on July 16, 2005 and July 15, 2005 respectively. The Group is in the process of filing the approved scheme in the High Court.

Bharti Hexacom Limited has migrated its Cellular Mobile Telephone Licence to Unified Access Service Licence with effect from April 10, 2006 in the telecom circle of Rajasthan.

3. Guarantees

Total Guarantees outstanding as at March 31, 2006 amounting to Rs. 9,362,505 thousand (March 31, 2005 Rs. 5,466,562 thousand) have been taken from the banks.

4. Contingent Liability

a) Claims against the Group not acknowledged as debt

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Taxes, Duties and Other demands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(under adjudication / appeal / dispute)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Sales Tax (see 4 b below)</td>
<td>104,709</td>
<td>5,373,072</td>
</tr>
<tr>
<td>– Service Tax (see 4 b below)</td>
<td>648,369</td>
<td>471,772</td>
</tr>
<tr>
<td>– Income Tax</td>
<td>288,115</td>
<td>309,842</td>
</tr>
<tr>
<td>– Excise Duty</td>
<td>–</td>
<td>255,609</td>
</tr>
<tr>
<td>– Customs Duty (see 4 d below)</td>
<td>1,230,678</td>
<td>486,378</td>
</tr>
<tr>
<td>– Stamp Duty</td>
<td>529,343</td>
<td>539,267</td>
</tr>
<tr>
<td>– Entry Tax (see 4 e below)</td>
<td>801,120</td>
<td>231,516</td>
</tr>
<tr>
<td>– Municipal Taxes</td>
<td>529,171</td>
<td>13,782</td>
</tr>
<tr>
<td>– Access Charges / Port Charges</td>
<td>806,025</td>
<td>263,500</td>
</tr>
<tr>
<td>– DoT demands (see 4 c (vii) and 4 g below)</td>
<td>218,518</td>
<td>2,662,990</td>
</tr>
<tr>
<td>– Other miscellaneous demands</td>
<td>307,751</td>
<td>54,735</td>
</tr>
<tr>
<td>(ii) Claims under legal cases including arbitration matters</td>
<td>361,698</td>
<td>404,632</td>
</tr>
<tr>
<td></td>
<td>5,825,497</td>
<td>11,067,095</td>
</tr>
</tbody>
</table>

b) In a case involving the Uttar Pradesh Trade Tax Department and the DoT, the Supreme Court of India had ruled that a telephone connection along with a telephone set provided by a company rendering basic services tantamount to a “transfer of right to use the telephone system” and the rentals collected by DoT towards this right to use should suffer sales tax. Subsequent to the passing of this order, the Cellular Operators as well as the basic operators agitated the same issue before the Supreme Court by way of a Petition under Article 32 of the Constitution. The Hon’ble Supreme Court, in spite of its own earlier judgement, admitted the Petitions and vide orders dated September 25, 2003 referred the
matter to a larger bench for determination of dispute on merits and further directed that in future there shall be no coercion for recovery of any dues. Vide an order dated March 2, 2006, the larger bench of the Hon'ble Supreme Court, while overruling its abovementioned judgement has held, inter alia, that provision of telecom services does not involve any transfer of right to use the telephone system/network and that imposition of sales tax on any facilities of telecom services is untenable in law. On Sim cards, the Court has held that depending upon the facts of the case, (i) if sim card is not being sold, then the state cannot levy sales tax on sim card value as the same is exigible to service tax; (ii) alternatively, if sim card is being sold, then centre cannot levy service tax on the sim card value as the same is exigible to sales tax. Accordingly, the respective authorities are in the process of complying with the Supreme Court order as above in respect of total amount disputed estimated as at March 31, 2006 in respect of sales tax of Rs. 6,052,432 thousand (March 31, 2005 Rs. 4,297,037 thousand) and service tax of Rs. 257,574 thousand (March 31, 2005 Rs. 98,365 thousand).

c) Erstwhile Bharti Mobile Limited ('BML') was awarded license by the DoT to operate cellular services in the state of Punjab in December 1995. On April 18, 1996, subject to certain conditions, the Group obtained the permission from the DoT to operate the Punjab license through its wholly owned subsidiary, Evergrowth Telecom Limited ('ETL').

(i) In December 1996, DoT withdrew the permission dated April 18, 1996. DoT, however, again reinstated the permission on March 10, 1998 (the period from April 18, 1996 to March 10, 1998 has been hereinafter referred to as ‘the black-out period’). On July 15, 1999 license was terminated due to alleged non-payment of license fees, liquidated damages and related penal interest.

(ii) Subsequently in September 2001, BML received from the DoT, an offer for the restoration of the license subject to the condition that BML pays all the dues (license fee, WPC charges, liquidated damages and related penal interest) pending the resolution of dispute relating to the license fee for the blackout period. BML accordingly paid Rs. 4,909,948 thousand as demanded by DoT subject to resolution of the dispute through arbitration. Consequently the license was restored and an arbitrator appointed for the settlement of the dispute.

(iii) In the arbitration proceedings the order was not favourable to BML. BML subsequently filed objections to the arbitrator’s award before the Delhi High Court. The Delhi High Court vide orders dated February 19, 2003 issued notices to the DoT. It is pertinent to note that the issuance of notice means stay of the implementation of the award. While the ultimate outcome of the matter cannot be predicted with certainty, BML had, in the accounts for the year ended March 31, 2003, as a matter of conservative accounting, recognised Rs. 1,541,667 thousand (including Rs. 280,000 thousand recoverable from ETL on account of encashment of bank guarantee) as license fees in addition to Rs. 800,000 thousand recognised in the year ended March 31, 2002.

(iv) The management has also provided for Rs. 69,340 thousand pertaining to liquidated charges and WPC charges paid in 2003-04 in accordance with the order of DoT in respect of restoration of Punjab license in the year 2002-03.

(v) In a case against DoT, TDSAT had earlier passed an order, directing DoT to refund the interest accrued on delayed deposit of license fees, pre NTP 99, due to extension of the effective date of license period by six months. DoT had filed an appeal against the said order before the Supreme Court, which in its judgement dated March 4, 2003 upheld the contention of GSM operators.

(vi) In view of the non refund of the complete amount due pursuant to the Order dated March 4, 2003 of the Hon’ble Supreme Court the COAI moved a clarification application of the Order dated March 4, 2003, before the Hon’ble Supreme Court which was dismissed as withdrawn. COAI thereafter moved execution applications in TDSAT which also stands disposed off. The COAI moved to the Supreme Court against the interpretation advanced by the TDSAT in the execution proceedings. The Supreme Court has admitted the matter. The matter will now come up for hearing in due course of time.

(vii) The Group received refund order of interest from the DoT in the circles of Andhra Pradesh and Karnataka amounting to Rs. 770,334 thousand and had taken such amounts as an income to Profit and Loss Account during the year 2002-03. The Group also received the interest refund order in the case of mobile operations in Punjab on the same grounds amounting to Rs. 856,644 thousand, which was set off against the interest claim of DoT amounting to Rs. 2,778,941 thousand in 2002-03. During the year ended March 31, 2005, the Group received a further refund of Rs. 57,338 thousand. The balance amount of Rs. 1,864,959 thousand has been
provided in the books during the year ended March 31, 2006. Pending decision of the Delhi High Court, any amount determined as due from the Group on account of interest etc. cannot be quantified till the matter is sub-judice. Though the Group is of the view that it has a good arguable case, still, as a matter of conservative accounting practice, it has now provided for the above-mentioned amount of Rs. 1,864,959 thousand.

d) The Customs Authorities, in some states, demanded Rs. 1,230,678 thousand (included in 4 (a) (i) above) (March 31, 2005 Rs. 486,378 thousand) on import of special software on the ground that this value forms part of the hardware alongwith which the same has been imported. The view of the Group is that such imports should not suffer any customs duty as such software is an operating software and exempt from any customs duty.

e) In certain states Entry Tax is levied on receipt of material from outside the state. This position has been challenged by the Group in the respective states, on the grounds that the specific Entry Tax is ultravires the constitution, classification issues have been raised whereby, in view of the Group, the material proposed to be taxed is not covered under the specific category. The amount under dispute as at March 31, 2006 is Rs. 801,120 thousand (included in 4 (a) (i) above) (March 31, 2005 Rs. 231,516)

f) BAL is currently in litigation with DSS Enterprises Private Limited (‘DSS’) (0.34 per cent equity interest in erstwhile BCL) on various counts. This inter alia includes alleged claim for specific performance in respect of alleged agreements to sell the equity interest of DSS in erstwhile Bharti Mobinet Limited. (BMNL) to BAL. The case filed by DSS to enforce the sale of equity shares before the Delhi High Court was transferred to District Court. The suit filed by DSS was dismissed in default by the Lt. Additional District judge on the ground of non-prosecution. Subsequently, DSS filed an application for restoration of the suit on which notices were issued to BAL and other defendants returnable on August 22, 2006.

In respect of the same transaction, Crystal Technologies Private Limited, an intermediary, initiated arbitration proceedings against the Group demanding Rs. 194,843 thousand (March 31, 2005 Rs. 194,843 thousand) regarding termination of its appointment as a consultant to negotiate with DSS for the sale of DSS stake in erstwhile Bharti Mobinet Limited to BAL. The next date of hearing is yet to be intimated by the Ld. Arbitrator.

g) During the current year the Group has received demands from DoT pertaining to Bharti Broadband Limited amounting to Rs. 50,563 thousand against which an appeal has been filed before Hon’ble TDSAT (included in note 4(a) (i) above). The erstwhile promoter of the Bharti Broadband Limited has undertaken to reimburse the Company in the event of the claim being payable.

5. Export Obligation

BAQL, erstwhile BIL and erstwhile BCL have obtained licenses under the Export Promotion Credit Guarantee (‘EPCG’) Scheme for importing capital goods at a concessional rate of customs duty against submission of bank guarantee and bonds.

Under the terms of the respective schemes, these companies are required to export goods of FOB value equivalent to, or more than, five times the CIF value of imports in respect of certain licenses and eight times the duty saved in respect of licenses where export obligation has been refixed by the order of Director General Foreign Trade, Ministry of Finance, as applicable.

Accordingly these Companies are now required to export goods of FOB value of at least Rs. 27,158,252 thousand (March 31, 2005 Rs. 24,312,530 thousand)

6. a) Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 42,954,081 thousand (March 31, 2005 Rs. 19,740,686 thousand).

b) Under the IT Outsourcing Agreement, the Group has commitments to pay Rs. 3,731,265 thousand (March 31, 2005 Rs. 5,988,619 thousand) during the non-cancellable period of the contract for three years ending on March 31, 2007, comprising finance lease and servicing charges.

7. During the current quarter, the Group has revised its estimations for recognition of site restoration cost and its depreciation from fifteen years to ten years and has provided depreciation as per the revised estimate of useful life, resulting in a decline in value of plant and machinery by Rs. 366,159 thousand and a higher charge of depreciation by Rs. 44,829 thousand with a consequential impact on profit for the year and net assets of the Group as at that date.
8. a) The Group has entered into a Joint Venture agreement dated November 3, 2004 with 7 other overseas mobile operators to form a regional alliance called the Bridge Mobile Alliance incorporated in Singapore as Bridge Mobile Pte Ltd. with initial equity to be equally held amongst the eight operators / shareholders. On March 31, 2005 the Group invested USD-1,000 thousand in ordinary shares of USD 1 each in Bridge Mobile Pte Ltd. amounting to Rs. 43,763 thousand.

b) The Group has entered into a Memorandum of Understanding dated July 8, 2005 with 5 other parties to form an aircraft chartering company called the Forum I Aviation Limited incorporated in India with initial equity to be equally held amongst the six members. During the period ended March 31, 2006 the Group has invested Rs. 34,950 thousand in ordinary shares of Forum I Aviation Limited.

c) Investment in Joint Ventures

<table>
<thead>
<tr>
<th>Joint Venture</th>
<th>Country of Business</th>
<th>Ownership Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridge Mobile Pte Ltd.</td>
<td>Singapore</td>
<td>12.50%</td>
</tr>
<tr>
<td>Forum I Aviation Ltd.</td>
<td>India</td>
<td>16.64%</td>
</tr>
</tbody>
</table>

The following represent the group’s share of Assets and Liabilities, and income and results of the Joint Venture. They are included in the balance sheet and profit and loss account statement.

<table>
<thead>
<tr>
<th></th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve and Surplus</td>
<td>(15,631)</td>
<td>–</td>
</tr>
<tr>
<td>Fixed Assets, Net</td>
<td>9,190</td>
<td>–</td>
</tr>
<tr>
<td>Investments</td>
<td>2,526</td>
<td>–</td>
</tr>
<tr>
<td>Current Asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sundry Debtors</td>
<td>1,757</td>
<td>–</td>
</tr>
<tr>
<td>Cash and Bank</td>
<td>29,419</td>
<td>–</td>
</tr>
<tr>
<td>Loans and Advances</td>
<td>35,475</td>
<td>–</td>
</tr>
<tr>
<td>Current Liabilities and Provisions</td>
<td>14,439</td>
<td>–</td>
</tr>
</tbody>
</table>

9. Vide a Supply contract and Construction and Maintenance Agreement executed on March 27, 2004, Alcatel Submarine Networks of France and Fujitsu Ltd. of Japan provided the SEA-ME-WE-4 Cable Systems (broadly described as a submarine cable system linking South East Asia and Europe, via the Indian Sub-Continent & Middle East) and will also provide long-term technical support to a consortium of sixteen Telecom operators in various countries including the Group whose share (8.051%) of the contract price is estimated to be USD 37,840 thousand (March 31, 2005 USD 39,055 thousand).
10. Goodwill

The following is the detail of Goodwill in the consolidated financial statements of BAL as at March 31, 2006:

<table>
<thead>
<tr>
<th>Nature of Transaction</th>
<th>As at March 31, 2006 (Rs.’000)</th>
<th>As at March 31, 2005 (Rs.’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Acquisition of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>68.5 per cent equity interest in BHL by BAL</td>
<td>3,056,346</td>
<td>3,056,346</td>
</tr>
<tr>
<td>100 per cent equity interest in SBEL by BAL</td>
<td>31,070</td>
<td>9,139</td>
</tr>
<tr>
<td>100 per cent equity interest in BBL by SBEL</td>
<td>92,860</td>
<td>92,860</td>
</tr>
<tr>
<td>Proportionate consolidation of Bridge Mobile Pte Ltd.</td>
<td>4,650</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>3,184,926</td>
<td>3,158,345</td>
</tr>
</tbody>
</table>

11. Minority interest represents that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiary (ies) by BAL

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bharti Aquanet Limited</td>
<td>49.00%</td>
<td>49.00%</td>
</tr>
<tr>
<td>Bharti Hexacom Limited</td>
<td>31.50%</td>
<td>31.50%</td>
</tr>
<tr>
<td>Satcom Broadband Equipment Limited</td>
<td>–</td>
<td>49.00%</td>
</tr>
</tbody>
</table>

The amount attributable to the minority shareholders as the year-end is on account of:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006 (Rs.’000)</th>
<th>As at March 31, 2005 (Rs.’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>576,730</td>
<td>698,540</td>
</tr>
<tr>
<td>Share Premium</td>
<td>85,750</td>
<td>85,750</td>
</tr>
<tr>
<td>Share of Opening Reserve</td>
<td>162,023</td>
<td>19,422</td>
</tr>
<tr>
<td>Share of current year Profit/(Loss)</td>
<td>266,545</td>
<td>120,857</td>
</tr>
<tr>
<td>Total</td>
<td>1,091,048</td>
<td>924,569</td>
</tr>
</tbody>
</table>

12. The Group had allotted 37,500 Optionally Convertible Redeemable Debentures (‘OCRDs’) of Rs. 100,000 each aggregating to Rs. 3,750,000 thousand that were optionally convertible into equity shares at an Agreed Price on a preferential basis to the erstwhile shareholders of BHL (the sellers) as part of the consideration for 67.5% equity in Bharti Hexacom Limited acquired during 2004-05. The tenor of the OCRDs was 364 days from and including the date of allotment. The OCRDs were convertible solely and entirely at the option of the Seller and BAL was not entitled to convert the same into equity shares unless the Sellers exercised their option to convert. If the Sellers chose not to convert all or part of the OCRDs, then the outstanding OCRDs were to be redeemed at face value at the end of the tenor. BAL and the Sellers were to share any upside in the BAL stock price, at the time of Conversion. The difference between the Relevant Price and the Agreed Price was to be shared in the 60:40 ratio (BAL:Sellers) respectively at the time of conversion of the OCRDs. The upside was to be adjusted by way of reducing the number of shares to be allotted on conversion. The Relevant Price would be the average of the closing prices (as given in the Exchange Bhav Copy) of BAL shares quoted on NSE and BSE (both) during the three trading days preceding the Notice Date or the end of the Tenor as applicable.

During the year ended March 31, 2006 the Group has issued 20,088,445 equity shares of Rs. 10/- each fully paid up to M/s. Shyam Cellular Infrastructures Projects Limited upon conversion of Optionally Convertible Redeemable Debentures (OCRDs) which is as follows:

<table>
<thead>
<tr>
<th>Date of Allotment</th>
<th>No. of Shares Allotted</th>
<th>Conversion Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 24, 2005</td>
<td>5,424,479</td>
<td>1,012,609</td>
</tr>
<tr>
<td>May 10, 2005</td>
<td>14,538,078</td>
<td>2,713,881</td>
</tr>
<tr>
<td>June 9, 2005</td>
<td>125,888</td>
<td>23,500</td>
</tr>
</tbody>
</table>
13. As mentioned in Note 2 above the Group has acquired 49% shareholding in Satcom Broadband Equipment Limited on April 16, 2005. SBEL has 100% shareholding in Bharti Broadband Limited. The details of net assets of consolidated SBEL acquired and goodwill on the date of acquisition is set out below:

<table>
<thead>
<tr>
<th></th>
<th>(Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets acquired as at April 16, 2005 (A)</td>
<td>100,067</td>
</tr>
<tr>
<td>Consideration (including consideration for Bharti Broadband Limited paid by SBEL)</td>
<td></td>
</tr>
<tr>
<td>- Cash (B)</td>
<td>121,997</td>
</tr>
<tr>
<td>Goodwill on acquisition (B) - (A)</td>
<td>21,930</td>
</tr>
</tbody>
</table>

14. During the year ended March 31, 2005 the Group issued USD 115,000,000 Zero Coupon Convertible Bonds due 2009 (the “Bonds”). The Bonds are convertible at any time on or after June 12, 2004 (or such earlier date as is notified to the holders of the Bonds by the Issuer) up to April 12, 2009 by holders into fully paid equity shares with full voting rights with a par value of Rs. 10 each of the Issuer (“Shares”) at an initial Conversion Price (as defined in the “Terms and Conditions of the Bonds”) of Rs. 233.17 per share with a fixed rate of exchange on conversion of Rs. 43.56 = USD 1.00. The Conversion Price is subject to adjustment in certain circumstances.

The Bonds may be redeemed, in whole or in part, at the option of the Issuer at any time on or after May 12, 2007 and prior to April 12, 2009, subject to satisfaction of certain conditions, at their “Early Redemption Amount” (as defined in the “Terms and Conditions of the Bonds”) at the date fixed for such redemption if the “Closing Price” (as defined in the “Terms and Conditions of the Bonds”) of the Shares translated into U.S. dollars at the “prevailing rate” (as defined in the “Terms and Conditions of the Bonds”) for each of 30 consecutive “Trading Days” (as defined in the “Terms and Conditions of the Bonds”), the last of which occurs not more than five days prior to the date upon which notice of such redemption is published, is greater than 120 per cent of the “Conversion Price” (as defined in the “Terms and Conditions of the Bonds”) then in effect translated into U.S. dollars at the rate of Rs. 43.56 = USD 1.00.

The Bonds may also be redeemed in whole, and not in part, at any time at the option of the Issuer at their Early Redemption Amount if less than 5 per cent in aggregate principal amount of the Bonds originally issued is outstanding. The Bonds may also be redeemed in whole at any time at the option of the Issuer at their Early Redemption Amount in the event of certain changes relating to taxation in India.

Unless previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed in U.S. dollars on May 12, 2009 at 111.84 per cent of their principal amount.

The Issuer will, at the option of any holder of any Bonds, repurchase at the Early Redemption Amount such Bonds at such time as the Shares cease to be listed or admitted to trading on the NSE or upon the occurrence of a “Change of Control” (as defined in the “Terms and Conditions of the Bonds”) in respect of the Issuer. These Bonds are listed in the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

The Group has during the period ended March 31, 2006 Converted Bonds equivalent to USD 94,756,000 into 17,701,967 equity shares of the Group at the option exercised by the bond holders which is as follows:

<table>
<thead>
<tr>
<th>Date of Allotment</th>
<th>No. of Shares Allotted</th>
<th>FCCB Value (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 12, 2005</td>
<td>840,673</td>
<td>4,500,000</td>
</tr>
<tr>
<td>August 20, 2005</td>
<td>706,166</td>
<td>3,780,000</td>
</tr>
<tr>
<td>September 15, 2005</td>
<td>3,693,360</td>
<td>19,770,000</td>
</tr>
<tr>
<td>September 23, 2005</td>
<td>2,640,088</td>
<td>14,132,000</td>
</tr>
<tr>
<td>October 19, 2005</td>
<td>3,462,828</td>
<td>18,536,000</td>
</tr>
<tr>
<td>November 7, 2005</td>
<td>2,073,661</td>
<td>11,100,000</td>
</tr>
<tr>
<td>December 12, 2005</td>
<td>467,041</td>
<td>2,500,000</td>
</tr>
<tr>
<td>January 12, 2006</td>
<td>2,860,159</td>
<td>15,310,000</td>
</tr>
<tr>
<td>February 2, 2006</td>
<td>453,588</td>
<td>2,428,000</td>
</tr>
<tr>
<td>March 9, 2006</td>
<td>504,403</td>
<td>2,700,000</td>
</tr>
<tr>
<td>Total</td>
<td>17,701,967</td>
<td>94,756,000</td>
</tr>
</tbody>
</table>
15. Rs. 2,870,490 thousand (March 31, 2005 2,662,188 thousand) included under Current Liabilities, represents refundable security deposits received from subscribers on activation of connections granted thereto and are repayable on disconnection, net of outstanding, if any. Sundry debtors are secured to the extent of the amount outstanding against individual subscribers by way of Security Deposit received from them.

16. As at March 31, 2006 4,195,449 equity shares (March 31, 2005 6,436,266 equity shares) of the Group are held by Bharti Tele-Ventures Employee’s Welfare Trust (“The Trust”), issued at the rate of Rs. 51.36 per equity share fully paid up.

17. Billing Revenue in the Profit and Loss Account is net of Rebates and Discounts Rs. 61,467 thousand (March 31, 2005 Rs. 1,920,154 thousand).

18. The Loans and Advances granted to associates are repayable on demand and repayments made during the year are as mutually agreed.

19. Particulars of securities charged against secured loans taken by the Group are as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount Outstanding (Rs. ‘000)</th>
<th>Security Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debentures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.55%, 5 Non-Convertible Redeemable</td>
<td>12,500</td>
<td></td>
</tr>
<tr>
<td>Debentures of Rs. 10,000 thousand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>each repayment commencing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from December 2004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.90%, 27 Non-Convertible Redeemable</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>Debentures of Rs. 10,000 thousand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>each repayment commencing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from December 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.45%, 5 Non-Convertible Redeemable</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>Debentures of Rs. 10,000 thousand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>each repayment commencing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from December 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.70%, 45 Non-Convertible Redeemable</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td>Debentures of Rs. 10,000 thousand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>each repayment commencing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from December 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.25%, 200 Non-Convertible Redeemable</td>
<td>1,400,000</td>
<td></td>
</tr>
<tr>
<td>Debentures of Rs. 10,000 thousand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>each repayment commencing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from October 2003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.65%, 95 Non-Convertible Redeemable</td>
<td>950,000</td>
<td></td>
</tr>
<tr>
<td>Debentures of Rs. 10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>each repayable in May 2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debentures</strong></td>
<td>2,882,500</td>
<td></td>
</tr>
</tbody>
</table>

- First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by the Company including plant and machinery office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.

- All rights, titles, interests in the accounts, and monies deposited and investments made there from and in project documents, book debts and insurance policies.
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount Outstanding (Rs. '000)</th>
<th>Security Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Advances from Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rupee Loan Rs. 400,000 thousand Repayable in 4 half yearly installments beginning March 2005</td>
<td>100,000</td>
<td>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by the Company including plant and machinery office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</td>
</tr>
<tr>
<td>Rupee Loan Rs. 500,000 thousand Repayable in 4 half yearly installments beginning September 2005</td>
<td>125,000</td>
<td></td>
</tr>
<tr>
<td>Rupee Loan of Rs. 900,000 thousand Repayable in 4 half yearly installments beginning July 2005</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td>Term Loan</td>
<td>675,000</td>
<td></td>
</tr>
<tr>
<td>Cash Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Credit Rs. 50,000 thousand (BCTL)</td>
<td>15,373</td>
<td>• Secured by hypothecation of all current assets both present and future, including book debts, monies, receivables, claim bills and contracts of the Company.</td>
</tr>
<tr>
<td>Cash Credit</td>
<td>15,373</td>
<td></td>
</tr>
<tr>
<td>Other Loans and Advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loan from Financial Institution for Rs. 3,000,000 thousand repayable in 11 quarterly installments commencing from October 2006</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>Rupee Loan from financial institutions Rs. 2500,000 thousand repayable in 10 half yearly installments beginning March 2007</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 86,110 thousand repayable in 20 half yearly installments beginning December 2002</td>
<td>2,687,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 37,057 thousand repayable in 20 half yearly installments beginning August 2003</td>
<td>1,274,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 37,009 thousand repayable in 20 half yearly installments beginning February 2004</td>
<td>1,216,000</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 30,000 thousand repayable in 10 half yearly installments beginning July 2006</td>
<td>1,438,500</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 10,000 thousand repayable in 13 half yearly installments beginning June 2005</td>
<td>384,774</td>
<td></td>
</tr>
<tr>
<td>Particulars</td>
<td>Amount Outstanding (Rs. '000)</td>
<td>Security Charges</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 12,000 thousand repayable in 13 half yearly installments beginning June 2005</td>
<td>461,729</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 46,000 thousand repayable in 20 half yearly installments beginning June 2004</td>
<td>1,673,408</td>
<td></td>
</tr>
<tr>
<td>Long Term Foreign Currency Loan of USD 27,956 thousand repayable in 19 half yearly installments beginning June 2004</td>
<td>696,632</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 18,996 thousand repayable in 20 half yearly installments beginning May 2005</td>
<td>765,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 43,035 thousand repayable in 20 half yearly installments beginning September 2005</td>
<td>1,522,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 36,822 thousand repayable in 20 half yearly installments beginning January 2006</td>
<td>1,565,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 52,125 thousand repayable in 20 half yearly installments beginning May 2006</td>
<td>2,333,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 48,310 thousand repayable in 20 half yearly installments beginning September 2006</td>
<td>2,155,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 5,000 thousand repayable in 20 half yearly installments beginning September 2005</td>
<td>219,700</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 4,645 thousand repayable in 20 half yearly installments beginning March 2006</td>
<td>204,100</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 27,229 thousand repayable in 20 half yearly installments beginning July 2006</td>
<td>1,196,400</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Term Loan of USD 11,781 thousand repayable in 20 half yearly installments beginning November 2006</td>
<td>517,654</td>
<td></td>
</tr>
<tr>
<td>Term Loan Total</td>
<td>24,809,897</td>
<td></td>
</tr>
<tr>
<td>Vehicle Loans From Banks</td>
<td>16,311</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>28,399,081</td>
<td></td>
</tr>
</tbody>
</table>

- First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by the Company including plant and machinery office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.
- All rights, titles, interests in the accounts, and monies deposited and investments made there from and in project documents, book debts and insurance policies.
- Secured by Hypothecation of vehicles of the Company.
Note: Following shall be excluded from Securities as mentioned above:-

a) Intellectual properties of BAL.

b) Investment in subsidiaries of BAL.

c) Licenses issued by DoT to operate various telecom services.

20. a) The Group has introduced bonus plans aimed towards performance and retention of employees who are eligible based on certain eligibility criteria. This provision will be utilised at the end of the period of the bonus plan on payment to the eligible employees.

b) The movement of Provision made for Site Restoration Cost, leave encashment, deferred bonus plan and warranty charges in accordance with AS-29 ‘Provisions, Contingent Liabilities and Contingent Assets’ issued by Institute of Chartered Accountants of India, is given below:

i) **Site Restoration Cost:**

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>961,242</td>
<td>–</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>905,177</td>
<td>961,242</td>
</tr>
<tr>
<td>Less: Utilised during the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>1,866,419</td>
<td>961,242</td>
</tr>
</tbody>
</table>

ii) **Leave encashment:**

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>134,512</td>
<td>82,400</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>154,147</td>
<td>92,945</td>
</tr>
<tr>
<td>Less: Utilised during the year</td>
<td>50,734</td>
<td>40,833</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>237,925</td>
<td>134,512</td>
</tr>
</tbody>
</table>

iii) **Deferred Bonus plan:**

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquired under the scheme of amalgamation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>73,622</td>
<td>–</td>
</tr>
<tr>
<td>Less: Utilised during the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>73,622</td>
<td>–</td>
</tr>
</tbody>
</table>

iv) **Warranty Charges:**

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2006</th>
<th>Year ended March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>7,200</td>
<td>5,370</td>
</tr>
<tr>
<td>Acquired under the scheme of amalgamation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>2,731</td>
<td>2,430</td>
</tr>
<tr>
<td>Less: Utilised/Reversed during the year</td>
<td>7,298</td>
<td>600</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>2,633</td>
<td>7,200</td>
</tr>
</tbody>
</table>
21. Profit on sale of investments is net of loss on sale of investments Rs. 2,103 thousand (March 31, 2005 Rs. 6,732 thousand).

22. Information about Business Segments – Primary

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<th>Broadband &amp; Telephone Services</th>
<th>Enterprises Services Carriers</th>
<th>Enterprise Services Corporate</th>
<th>Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing Revenue/Sale of Goods and Other Income</td>
<td>81,660,647</td>
<td>14,369,149</td>
<td>14,369,560</td>
<td>6,857,577</td>
<td>(1,840)</td>
<td>–</td>
</tr>
<tr>
<td>Inter Segment Revenue</td>
<td>1,434,342</td>
<td>705,927</td>
<td>10,304,307</td>
<td>75,504</td>
<td>–</td>
<td>(12,520,080)</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>83,094,989</td>
<td>15,075,076</td>
<td>24,673,867</td>
<td>6,933,081</td>
<td>(1,840)</td>
<td>(12,520,080)</td>
</tr>
</tbody>
</table>

Results

| Segment Result, Profit/(Loss) | 16,853,850 | 605,793 | 7,794,046 | 1,761,538 | (1,316,231) | – | 25,698,996 |
| Operating Profit/(Loss) before Finance Expenses | 16,853,850 | 605,793 | 7,794,046 | 1,761,538 | (1,316,231) | – | 25,698,996 |
| Net Finance Expense/(Income) | – | – | – | – | 2,244,107 | – | 2,244,107 |
| Net Profit/(Loss) | 16,853,850 | 605,793 | 7,794,046 | 1,761,538 | (3,560,338) | – | 23,454,889 |

Provision for Tax | – | – | – | – | 1,773,852 | – | 1,773,852 |

Fringe Benefit Tax | – | – | – | – | 197,593 | – | 197,593 |

Deferred Tax Expense | – | – | – | – | 937,413 | – | 937,413 |

Minority Share | 261,141 | – | 5,404 | – | – | – | 266,545 |

Net Profit/(Loss) after tax | 16,592,709 | 605,793 | 7,788,642 | 1,761,538 | (6,469,196) | – | 20,279,486 |

Other Information

| Inter Segment Assets | 2,115,780 | 10,705,203 | 19,061,109 | 4,077,043 | 41,044,678 (77,003,813) | – | – |
| Advance Tax (Net of provision for tax) | – | – | – | – | 1,031,629 | – | 1,031,629 |
| Total Assets | 128,789,852 | 41,054,113 | 44,944,940 | 11,882,153 | 45,563,959 (77,003,813) | 195,231,204 |
| Inter Segment Liabilities | 20,108,217 | 35,932,027 | 16,306,979 | 4,592,614 | 63,976 (77,003,813) | – | – |
| Minority Interest | 974,893 | – | 116,155 | – | – | – | 1,091,048 |
| Deferred Tax Liability | – | – | – | – | 1,948,431 | – | 1,948,431 |
| Total Liabilities | 108,240,460 | 43,693,620 | 29,103,162 | 7,843,561 | 9,730,351 (77,003,813) | 121,607,341 |
| Capital Expenditure | 35,477,562 | 10,089,375 | 4,817,384 | 1,243,597 | 39,015 | – | 51,666,933 |
| Depreciation and amortisation | 11,444,626 | 2,647,423 | 1,882,629 | 380,973 | 63,129 | – | 16,418,774 |
For the year ended March 31, 2005  
(Rs. ‘000)

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<th>Mobile Services</th>
<th>Broadband &amp; Telephone Services</th>
<th>Enterprises Services</th>
<th>Enterprise Services Carriers</th>
<th>Corporate</th>
<th>Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing Revenue/Sale of Goods and Other Income</td>
<td>54,621,629</td>
<td>10,646,178</td>
<td>10,931,824</td>
<td>5,345,906</td>
<td>12,308</td>
<td>–</td>
<td></td>
<td>81,557,845</td>
</tr>
<tr>
<td>Inter Segment Revenue</td>
<td>814,274</td>
<td>664,544</td>
<td>7,805,577</td>
<td>59,760</td>
<td>367,329</td>
<td>(9,711,484)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>55,435,903</td>
<td>11,310,722</td>
<td>18,737,401</td>
<td>5,405,666</td>
<td>379,637</td>
<td>(9,711,484)</td>
<td>81,557,845</td>
<td></td>
</tr>
</tbody>
</table>

**Results**

<table>
<thead>
<tr>
<th></th>
<th>Mobile Services</th>
<th>Broadband &amp; Telephone Services</th>
<th>Enterprises Services</th>
<th>Enterprise Services Carriers</th>
<th>Corporate</th>
<th>Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Result, Profit/(Loss)</td>
<td>10,384,665</td>
<td>1,441,987</td>
<td>4,716,022</td>
<td>2,284,148</td>
<td>(544,796)</td>
<td>(10,874)</td>
<td>18,271,152</td>
<td></td>
</tr>
<tr>
<td>Operating Profit/(Loss) before Finance Expenses</td>
<td>10,384,665</td>
<td>1,441,987</td>
<td>4,716,022</td>
<td>2,284,148</td>
<td>(544,796)</td>
<td>(10,874)</td>
<td>18,271,152</td>
<td></td>
</tr>
<tr>
<td>Net Finance Expense/ (Income) net</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,439,179</td>
<td>–</td>
<td>2,439,179</td>
<td></td>
</tr>
<tr>
<td>Net Profit/(Loss)</td>
<td>10,384,665</td>
<td>1,441,987</td>
<td>4,716,022</td>
<td>2,284,148</td>
<td>(2,983,975)</td>
<td>(10,874)</td>
<td>15,831,973</td>
<td></td>
</tr>
<tr>
<td>Provision for Tax</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>130,861</td>
<td>–</td>
<td>130,861</td>
<td></td>
</tr>
<tr>
<td>Deferred Tax Expense</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,464,514</td>
<td>–</td>
<td>3,464,514</td>
<td></td>
</tr>
<tr>
<td>Minority Share</td>
<td>–</td>
<td>–</td>
<td>6,891</td>
<td>(13,150)</td>
<td>127,116</td>
<td>–</td>
<td>120,857</td>
<td></td>
</tr>
<tr>
<td>Net Profit/(Loss) after tax</td>
<td>10,384,665</td>
<td>1,441,987</td>
<td>4,709,131</td>
<td>2,297,298</td>
<td>(6,706,466)</td>
<td>(10,874)</td>
<td>12,115,741</td>
<td></td>
</tr>
</tbody>
</table>

**Other Information**

<table>
<thead>
<tr>
<th></th>
<th>Mobile Services</th>
<th>Broadband &amp; Telephone Services</th>
<th>Enterprises Services</th>
<th>Enterprise Services Carriers</th>
<th>Corporate</th>
<th>Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Assets</td>
<td>89,213,406</td>
<td>18,270,396</td>
<td>20,388,847</td>
<td>3,519,715</td>
<td>10,155,264</td>
<td>(10,874)</td>
<td>141,536,754</td>
<td></td>
</tr>
<tr>
<td>Inter Segment Assets</td>
<td>921,566</td>
<td>7,560,446</td>
<td>13,094,937</td>
<td>1,884,957</td>
<td>37,582,942</td>
<td>(61,044,848)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Advance Tax</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>696,463</td>
<td>–</td>
<td>696,463</td>
<td></td>
</tr>
<tr>
<td>(Net of provision for tax)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>696,463</td>
<td>–</td>
<td>696,463</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>90,134,972</td>
<td>25,830,842</td>
<td>33,483,784</td>
<td>5,404,672</td>
<td>48,434,669</td>
<td>(61,055,722)</td>
<td>142,233,217</td>
<td></td>
</tr>
<tr>
<td>Segmental Liabilities</td>
<td>65,514,119</td>
<td>3,678,045</td>
<td>12,746,477</td>
<td>1,393,745</td>
<td>11,619,697</td>
<td>–</td>
<td>94,952,083</td>
<td></td>
</tr>
<tr>
<td>Inter Segment Liabilities</td>
<td>22,197,861</td>
<td>24,020,307</td>
<td>12,835,844</td>
<td>1,985,157</td>
<td>5,679</td>
<td>(61,044,848)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Minority Interest</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>924,569</td>
<td>–</td>
<td>924,569</td>
<td></td>
</tr>
<tr>
<td>Deferred Tax Liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,011,019</td>
<td>–</td>
<td>1,011,019</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>87,711,980</td>
<td>27,698,352</td>
<td>25,582,321</td>
<td>3,378,902</td>
<td>13,560,964</td>
<td>(61,044,848)</td>
<td>96,887,671</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>25,853,008</td>
<td>4,371,933</td>
<td>3,255,070</td>
<td>835,745</td>
<td>27,540</td>
<td>–</td>
<td>34,343,296</td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>8,126,044</td>
<td>1,917,452</td>
<td>1,397,218</td>
<td>161,512</td>
<td>405,014</td>
<td>–</td>
<td>12,007,240</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. ‘Others’ represents the unallocated revenue, profit/(loss), assets and liabilities of the Group.
2. Segment results represents Profit/(loss) before Finance expenses and tax.
3. Capital expenditure pertains to gross additions made to fixed assets during the year excluding goodwill.
4. Segment Assets include Fixed Assets, Capital Work in progress, Pre-operative expenses pending allocation, Investments, Current Assets and Miscellaneous Expenditure to the extent not written off.
5. Segment Liabilities include Secured and Unsecured loans and Current Liabilities and provisions.
6. Inter segment assets/liabilities represent the inter segment account balances.
7. Inter segment revenue excludes the provision of telephone services free of cost among Group Companies. Other Inter segment revenues are accounted for at market prices. These transactions have been eliminated in consolidation.
8. The accounting policies used to derive reportable segment results are consistent with those described in the “Significant Accounting Policies” note to the financial statements.

9. As explained in point number 8 above, the Group has revised its estimation for Site Restoration Cost, resulting in a higher charge of depreciation by Rs. 44,829 thousand in Mobile services and Rs. Nil in Broadband and Telephone services, Long Distance, Enterprise Services and Others, decrease in Fixed assets and Provisions by Rs. 366,159 thousand in Mobile Services and Rs. Nil in Broadband and Telephone services, Long Distance, Enterprise Services and Others with corresponding impact on profit for the year and net assets of the Group.

10. During the year the Group has changed the name of its long distance and Enterprises Services segment to Enterprise Services Carrier and Enterprise Services Corporate respectively.

Information about Geographical Segment - Secondary

The Group has operations within India as well as with entities located in other countries. The information relating to the Geographical segments in respect of operations within India, which is the only reportable segment, the remaining portion being attributable to others, is presented below for the year ended March 31, 2006

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Revenue from external customers based on geographical location of customers (including Other Income)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within India</td>
<td>106,714,546</td>
<td>73,974,580</td>
</tr>
<tr>
<td>Others</td>
<td>10,540,547</td>
<td>7,583,265</td>
</tr>
<tr>
<td></td>
<td>117,255,093</td>
<td>81,557,845</td>
</tr>
<tr>
<td>Carrying amount of Segment Assets by geographical location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within India</td>
<td>188,965,061</td>
<td>138,260,058</td>
</tr>
<tr>
<td>Others</td>
<td>6,266,143</td>
<td>3,973,159</td>
</tr>
<tr>
<td></td>
<td>195,231,204</td>
<td>142,233,217</td>
</tr>
<tr>
<td>Cost incurred during the year to acquire segment assets by geographical location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within India</td>
<td>48,464,460</td>
<td>33,637,191</td>
</tr>
<tr>
<td>Others</td>
<td>3,202,473</td>
<td>706,105</td>
</tr>
<tr>
<td></td>
<td>51,666,933</td>
<td>34,343,296</td>
</tr>
</tbody>
</table>

Notes:
1. ‘Others’ represents the unallocated revenue, assets and acquisition of segment assets of the Group.
3. Cost incurred to acquire segment assets pertain to gross additions made to Fixed Assets during the year.
23. Related Party Disclosures:

In accordance with the requirements of Accounting Standards (AS) -18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management are:

List of Related Parties:

Key Management Personnel:
Sunil Bharti Mittal
Rajan Bharti Mittal
Akhil Gupta
Manoj Kohli

Other Related Parties

<table>
<thead>
<tr>
<th>Name of the Related Party</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Telecommunications Limited</td>
<td>Entity having Significant Influence</td>
</tr>
<tr>
<td>Bharti Telesoft Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Teletech Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Telesoft International Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Teletech Services (India) Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Mulberry Projects Private Limited</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Foundation</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
<tr>
<td>Bharti Tele-Ventures Employees’ Trust</td>
<td>Entity where Key Management Personnel exercises significant influence</td>
</tr>
</tbody>
</table>
## Related Party transaction for 2005-06

(Rs. ‘000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Fixed assets</td>
<td>–</td>
<td>(1,555)</td>
<td>(303,750)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Rendering of Services</td>
<td>1,426,840</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Receiving of Services</td>
<td>(894,333)</td>
<td>(13,103)</td>
<td>(317,339)</td>
<td>(144,794)</td>
<td>(23,217)</td>
<td>(10,938)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Funds transferred/Includes expenses incurred on behalf of others</td>
<td>–</td>
<td>618</td>
<td>15,451</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Funds received/Includes expenses incurred on behalf of company</td>
<td>–</td>
<td>–</td>
<td>(26)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Employee Related Transaction incurred on behalf of others</td>
<td>–</td>
<td>–</td>
<td>108</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Salary</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>18,181</td>
<td>–</td>
</tr>
<tr>
<td>Donation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>84,855</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amount received on exercise of ESOP options</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>318,372</td>
<td>246,019</td>
<td>(36,537)</td>
<td>–</td>
<td>(4,841)</td>
<td>7,920</td>
<td>–</td>
<td>215,533</td>
<td>–</td>
</tr>
<tr>
<td>Creditors</td>
<td>–</td>
<td>(38,513)</td>
<td>–</td>
<td>(4,841)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loan and Advances</td>
<td>–</td>
<td>–</td>
<td>1,976</td>
<td>–</td>
<td>–</td>
<td>7,920</td>
<td>–</td>
<td>215,533</td>
<td>–</td>
</tr>
<tr>
<td>Debtors</td>
<td>318,372</td>
<td>246,019</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>318,372</td>
<td>246,019</td>
<td>(36,537)</td>
<td>–</td>
<td>(4,841)</td>
<td>7,920</td>
<td>–</td>
<td>215,533</td>
<td>–</td>
</tr>
</tbody>
</table>

**Notes:**
1) The above excludes provision of telephone services free of cost among the Group Companies.
2) Payment made to Key Management Personnel (excluding Manoj Kohli) is Rs. 193,414 thousand (March 31, 2005 Rs. 159,132 thousand).
### Related Party Transactions for 2004-05

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Fixed assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,982)</td>
<td>(7,635)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(674,534)</td>
<td>-</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rendering of Services</td>
<td>1,326,818</td>
<td>-</td>
<td>2,001</td>
<td>7,668</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,475</td>
<td>-</td>
</tr>
<tr>
<td>Receiving of Services</td>
<td>(267,882)</td>
<td>-</td>
<td>(1,425)</td>
<td>(368,216)</td>
<td>(107,722)</td>
<td>(6,835)</td>
<td>(23,360)</td>
<td>(2,929)</td>
<td>(67,591)</td>
<td>(26,782)</td>
</tr>
<tr>
<td>Funds transferred/Includes expenses incurred on behalf of others</td>
<td>-</td>
<td>-</td>
<td>36</td>
<td>103,044</td>
<td>4,160</td>
<td>7,920</td>
<td>-</td>
<td>828</td>
<td>1,802</td>
<td>-</td>
</tr>
<tr>
<td>Funds received/Includes expenses incurred on behalf of company</td>
<td>-</td>
<td>-</td>
<td>(689)</td>
<td>(5,179)</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee Related Transaction incurred on behalf of others</td>
<td>-</td>
<td>247</td>
<td>360</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee Related Transaction incurred on behalf of company</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>54,941</td>
<td>-</td>
<td>-</td>
<td>4,333</td>
<td>(26,129)</td>
<td>(24,466)</td>
<td>7,920</td>
<td>95,625</td>
<td>4,113</td>
<td>8,363</td>
</tr>
<tr>
<td>Creditors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(26,129)</td>
<td>(24,466)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loan and Advances</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,450)</td>
<td>-</td>
<td>7,920</td>
<td>95,625</td>
<td>4,113</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debtors</td>
<td>54,941</td>
<td>-</td>
<td>-</td>
<td>1,883</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,363</td>
<td>-</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>54,941</td>
<td>-</td>
<td>-</td>
<td>4,333</td>
<td>(26,129)</td>
<td>(24,466)</td>
<td>7,920</td>
<td>95,625</td>
<td>4,113</td>
<td>8,363</td>
</tr>
</tbody>
</table>

* Entity where Key Management Personnel exercises significant influence in the year 2004–05.
** Entity having significant influence in the year 2004–05.

Notes:
1. The above excludes provision of telephone services free of cost among the group companies
2. Payment made to Key Managerial Personnel is Rs. 159,132 thousand (March 31, 2004 Rs. 84,942 thousand).
24. Leases

a) Operating Lease – As a Lessee

The lease rentals charged during the year for cancellable/non-cancellable leases relating to rent of building premises and cell sites as per the agreements and maximum obligation on long-term non-cancelable operating leases are as follows:

(Rs. ‘000)

<table>
<thead>
<tr>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Rentals debited to Profit and Loss Account</td>
<td>2,162,871</td>
</tr>
<tr>
<td>Obligations on non-cancellable leases:</td>
<td></td>
</tr>
<tr>
<td>Not later than one year</td>
<td>30,560</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>159,600</td>
</tr>
<tr>
<td>Later than five years</td>
<td>30,095</td>
</tr>
<tr>
<td>Total</td>
<td>220,255</td>
</tr>
</tbody>
</table>

b) Operating Lease - As a Lessor

i) The Group has entered into a non-operating lease arrangement to provide approximately 100,000 Fiber pair kilometers of dark fiber on Indefeasible Right of Use (IRU) basis for a period of 15 years. The lease rental receivable proportionate to actual kilometers accepted by the customer is credited to the Profit and Loss Account on a straight-line basis over the lease term. Due to the nature of the transaction, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as at March 31, 2006 and accordingly, disclosures required by AS 19 is not provided.

ii) The future minimum lease payments receivable are:

(Rs. ‘000)

<table>
<thead>
<tr>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>281,734</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>1,126,936</td>
</tr>
<tr>
<td>Later than five years</td>
<td>2,300,829</td>
</tr>
<tr>
<td>Total</td>
<td>3,709,499</td>
</tr>
</tbody>
</table>

c) Finance Lease - As a Lessor

During the year the Group has given certain VSAT assets under Finance lease. The reconciliation between the total of minimum lease payments as at March 31, 2006 and their present value is as follows:

(Rs. ‘000)

<table>
<thead>
<tr>
<th>Gross Investment</th>
<th>Unearned Finance Income</th>
<th>Present value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>20,353</td>
<td>2,949</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>21,445</td>
<td>1,550</td>
</tr>
<tr>
<td>Total</td>
<td>41,798</td>
<td>4,498</td>
</tr>
</tbody>
</table>

As at March 31, 2005

(Rs. ‘000)

<table>
<thead>
<tr>
<th>Gross Investment</th>
<th>Unearned Finance Income</th>
<th>Present value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>29,730</td>
<td>4,585</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>33,887</td>
<td>3,485</td>
</tr>
<tr>
<td>Total</td>
<td>63,617</td>
<td>8,070</td>
</tr>
</tbody>
</table>

Note: The unguaranteed residual value of finance lease accruing to the group is Nil (Previous year Nil).
d) Finance Lease – As a Lessee

The group has taken certain vehicles on Finance Lease. The reconciliation between the total of minimum lease payments as at March 31, 2006 and their present value is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Minimum Future Finance Charges</th>
<th>Present value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>376</td>
<td>6</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>157</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>533</td>
<td>7</td>
</tr>
</tbody>
</table>

As at March 31, 2005

<table>
<thead>
<tr>
<th></th>
<th>Minimum Future Finance Charges</th>
<th>Present value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>1,681</td>
<td>96</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>1,442</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>3,123</td>
<td>128</td>
</tr>
</tbody>
</table>

e) Exchange of IRU’s

The Group has also entered into a non-cancelable operating lease to take approximately 922.37 kilometers 2 pair of dark fiber against consideration in cash and exchange of approximately 246.75 kilometers 2 pair of dark fiber for a period of 15 years. Due to the nature of the transaction, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as at March 31, 2006 and accordingly, disclosures required by AS 19 is not provided.

f) The Group entered into a composite IT outsourcing agreement, whereby the vendor supplied fixed assets and IT related services to the Group. Based on the risks and rewards incident to the ownership, the fixed assets received are accounted for as a finance lease transaction. Accordingly, the asset and liability are recorded at the fair value of the leased assets at the inception. These assets are depreciated over their useful lives as in the case of the Group’s own assets.

Since the entire amount payable to the vendor towards the supply of fixed assets during the year is accrued, there are no minimum lease payments outstanding as at the year-end in relation to these assets and accordingly, other disclosures as per AS 19 are not applicable.

25. Break-up of net deferred tax asset/(liability) into major components of the respective balances is as follows:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2006</th>
<th>March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Tax Assets/(Liabilities) arising from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Provision for doubtful debts/advances charged in the financial statements but allowed as deduction under the Income Tax Act in future years (to the extent considered realisable)</td>
<td>877,288</td>
<td>556,542</td>
</tr>
<tr>
<td>(ii) Unabosorbed depreciation allowance and business loss carried forward (to the extent considered realizable, on the basis of estimated future profitably)</td>
<td>—</td>
<td>1,145,678</td>
</tr>
<tr>
<td>(iii) Depreciation claimed as deduction under the Income Tax Act but chargeable in the financial statement in future years</td>
<td>(2,785,099)</td>
<td>(2,544,955)</td>
</tr>
<tr>
<td>(iv) Other expenses claimed as deduction under the Income Tax Act but chargeable in the financial statements in future years (Net)</td>
<td>(40,620)</td>
<td>(168,284)</td>
</tr>
<tr>
<td><strong>Net Deferred Tax Asset/(Liability)</strong></td>
<td>(1,948,431)</td>
<td>(1,011,019)</td>
</tr>
</tbody>
</table>

The tax impact for the above purpose has been arrived at by applying atax rate of 33.66% being the prevailing tax rate for Indian Companies under the Income Tax Act, 1961.
26. Employee stock compensation

(i) Pursuant to the shareholders’ resolutions dated February 27, 2001 and September 25, 2001, the Group has introduced the “Bharti Tele-Ventures Employees’ Stock Option Plan” (hereinafter called “the Old Scheme”) under which the Group decided to grant, from time to time, options to the employees of the Group and its subsidiaries. The grant of options to the employees under the ESOP Scheme is on the basis of their performance and other eligibility criteria.

(ii) On August 31, 2001 and September 28, 2001, the Group issued a total of 1,440,000 equity shares at a price of Rs. 565 per equity share to the Trust. The Group issued bonus shares in the ratio of 10 equity shares for every one equity share held as of September 30, 2001, as a result of which the total number of shares allotted to the trust increased to 15,840,000 equity shares.

(iii) Pursuant to the shareholders’ further resolution dated September 6, 2005, the Group announced a new Employee Stock Option Scheme (hereinafter called “the New Scheme”) under which the maximum quantum of options was determined at 9,367,276 options to be granted to employees from time to time on the basis of their performance and other eligibility criteria.

(iv) All above options are planned to be settled in equity at the time of exercise and have maximum period of 7 years from the date of respective grants. The plans existing during the year are as follows:

a) 2001 Plan under the Old Scheme

The options under this plan have an exercise price of Rs. 22.50 per share and vest on a graded basis as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 36 months:</td>
<td>On completion of 12 months 20%  On completion of 24 months 30%  On completion of 36 months 50%</td>
</tr>
<tr>
<td>For options with a vesting period of 42 months:</td>
<td>On completion of 12 months 15%  On completion of 18 months 15%  On completion of 30 months 30%  On completion of 42 months 40%</td>
</tr>
<tr>
<td>For options with a vesting period of 48 months:</td>
<td>On completion of 12 months 10%  On completion of 24 months 20%  On completion of 36 months 30%  On completion of 48 months 40%</td>
</tr>
</tbody>
</table>

b) 2004 Plan under the Old Scheme.

The options under this plan have an exercise price of Rs. 70 per share and vest on a graded basis as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 48 months:</td>
<td>On completion of 12 months 10%  On completion of 24 months 20%  On completion of 36 months 30%  On completion of 48 months 40%</td>
</tr>
</tbody>
</table>
c) Super-pot Plan under the Old Scheme

The options under this plan have an exercise price of Rs. Nil per share and vest on a graded basis as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 36 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 24 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 36 months</td>
<td>40%</td>
</tr>
</tbody>
</table>

d) 2005 Plan under the New Scheme

The options under this plan have an exercise price in the range of Rs. 221 to Rs. 366 per share and vest on a graded basis from the effective date of grant as follows:

<table>
<thead>
<tr>
<th>Vesting period from the grant date</th>
<th>Vesting Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>For options with a vesting period of 48 months:</td>
<td></td>
</tr>
<tr>
<td>On completion of 12 months</td>
<td>10%</td>
</tr>
<tr>
<td>On completion of 24 months</td>
<td>20%</td>
</tr>
<tr>
<td>On completion of 36 months</td>
<td>30%</td>
</tr>
<tr>
<td>On completion of 48 months</td>
<td>40%</td>
</tr>
</tbody>
</table>

(v) The Information concerning stock options granted, exercised, forfeited and outstanding at the year-end is as follows:

<table>
<thead>
<tr>
<th>As of March 31, 2006</th>
<th>Options (Shares in thousands)</th>
<th>Weighted Average exercise price (Rs.)</th>
<th>Weighted Average remaining contractual life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of year</td>
<td>2,321</td>
<td>22.50</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>2,024</td>
<td>22.50</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled or expired</td>
<td>27</td>
<td>22.50</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding at the year end</td>
<td>270</td>
<td>22.50</td>
<td>2.94</td>
</tr>
<tr>
<td>Excercisable at end of year</td>
<td>270</td>
<td>22.50</td>
<td>—</td>
</tr>
<tr>
<td>2004 Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of year</td>
<td>2,134</td>
<td>70.00</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>203</td>
<td>70.00</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled or expired</td>
<td>271</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding at the year end</td>
<td>1,660</td>
<td>70.00</td>
<td>4.83</td>
</tr>
<tr>
<td>Excercisable at end of year</td>
<td>266</td>
<td>70.00</td>
<td>—</td>
</tr>
<tr>
<td>Super-pot Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at beginning of year</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>71</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>14</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled or expired</td>
<td>5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding at the year end</td>
<td>52</td>
<td>—</td>
<td>5.25</td>
</tr>
<tr>
<td>Excercisable at end of year</td>
<td>6</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Weighted average fair value of options granted during the year</td>
<td>71</td>
<td>139.40</td>
<td>—</td>
</tr>
</tbody>
</table>
As of March 31, 2006

<table>
<thead>
<tr>
<th>Options Weighted Average Weighted Average</th>
<th>(Shares in exercise price remaining contractual life (years))</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding at the year end</strong></td>
<td>2,589 238.03 6.46</td>
</tr>
<tr>
<td><strong>Exercisable at end of year</strong></td>
<td>2,589 238.03 —</td>
</tr>
<tr>
<td><strong>Weighted average fair value of options granted during the year</strong></td>
<td>2,589 191.86 —</td>
</tr>
</tbody>
</table>

**(vi)** The fair value of the options granted during the year under the Super-pot Plan and the New Scheme is estimated on the date of grant using the Black-Scholes model with the following assumptions:

<table>
<thead>
<tr>
<th>Super-pot Scheme</th>
<th>Scheme 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Free Interest Rates</td>
<td>4.59% p.a. to 5.30% p.a.</td>
</tr>
<tr>
<td>Expected Life</td>
<td>12 to 36 months</td>
</tr>
<tr>
<td>Expected Volatility</td>
<td>55.15%</td>
</tr>
<tr>
<td>Expected Dividend</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Expected volatility is determined by taking into account the closing prices of stock listed on Bombay Stock Exchange from February 18, 2002 i.e. the date of the Initial Public Offer (IPO).

**(vii)** The balance of deferred stock compensation as on March 31, 2006 is Rs. 388,148 thousand (March 31, 2005 Rs. 13,370 thousand) and total employee compensation cost recognised for the year then ended is Rs. 127,067 thousand (March 31, 2005 Rs. 47,128 thousand).

27. 

**(i)** The Central Government’s approval is pending against the application made by erstwhile BML in respect of remuneration of Rs. 1,943 thousand [Rs. 1,274 thousand for the five month period ended August 31, 2000 and Rs. 669 thousand for the year ended March 31, 2000 respectively] (March 31, 2003 Rs. 1,943 thousand) payable to the former Whole-Time Director which exceeds the limits prescribed by Schedule XIII of the Companies Act, 1956.

**(ii)** The Central Government’s approval is pending against the application made by erstwhile BCL in respect of excess remuneration paid to Whole Time Directors of Rs. 4,063 thousand (March 31, 2005 Rs.4,063 thousand).

**(iii)** The cumulative amount of excess remuneration paid to the Whole Time Director (‘BAL’) pending approval of Central Government is Rs. 565 thousand (March 31, 2005 Rs. 565 thousand) and is refundable by the Director.

**(iv)** The cumulative amount of excess remuneration paid to Managing Director and Whole Time Directors (erstwhile ‘BIL’) pertaining to earlier years, pending approval of the Central Government is Rs. 3,114 thousand (March 31, 2005 Rs. 3,114 thousand) and is refundable by Directors.
28. Earnings per Share

<table>
<thead>
<tr>
<th>Basic and Diluted Earnings per Share:</th>
<th>As at March 31, 2006</th>
<th>As at March 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and Diluted Earnings per Share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal value of equity shares (Rs.)</td>
<td>10/-</td>
<td>10/-</td>
</tr>
<tr>
<td>Profit attributable to equity shareholders (Rs. '000) (A)</td>
<td>20,279,486</td>
<td>12,115,741</td>
</tr>
<tr>
<td>Weighted average number of equity shares outstanding during the year (B)</td>
<td>1,881,838,518</td>
<td>1,856,088,892</td>
</tr>
<tr>
<td>Basic earnings per Share (Rs.) (A / B)</td>
<td>10.776</td>
<td>6.528</td>
</tr>
<tr>
<td>Dilutive effect on profit (Rs. '000) (C)*</td>
<td>4,080</td>
<td>75,652</td>
</tr>
<tr>
<td>Profit attributable to equity shareholders for computing Diluted EPS (Rs'000) (D)=(A+C)</td>
<td>20,283,566</td>
<td>12,191,393</td>
</tr>
<tr>
<td>Dilutive effect on weighted average number of equity shares outstanding during the year (E)*</td>
<td>15,822,704</td>
<td>37,018,694</td>
</tr>
<tr>
<td>Weighted Average number of Equity shares and Equity Equivalent shares for computing Diluted EPS (F)=(B+E)</td>
<td>1,897,661,222</td>
<td>1,893,107,586</td>
</tr>
<tr>
<td>Diluted earnings per share (Rs.) (D/F)</td>
<td>10.689</td>
<td>6.440</td>
</tr>
</tbody>
</table>

Diluted effect on weighted average number of equity shares and profit attributable is on account of Foreign Currency Convertible Bonds and Optionally Convertible Redeemable Debentures. Refer notes 12 and 14 above.

29. As at the year end, the accumulated losses exceed the paid up share capital of Bharti Comtel Limited. However, in view of the support from the holding Company, the accounts are prepared on a going concern basis.

30. Previous year figures have been regrouped / reclassified, wherever necessary, to conform to current year's classification.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bharti Hexacom Limited</td>
<td>INR</td>
<td>1,792,000</td>
<td>1,302,900</td>
<td>6,938,221</td>
<td>3,843,321</td>
<td>—</td>
<td>3,923,107</td>
<td>1,009,583</td>
<td>180,563</td>
<td>829,020</td>
<td>—</td>
<td>India</td>
</tr>
<tr>
<td>2.</td>
<td>Bharti Aquanet Limited</td>
<td>INR</td>
<td>25,000</td>
<td>212,046</td>
<td>248,618</td>
<td>11,572</td>
<td>43,472</td>
<td>47,844</td>
<td>11,120</td>
<td>83</td>
<td>11,027</td>
<td>—</td>
<td>India</td>
</tr>
<tr>
<td>3.</td>
<td>Satcom Broadband Equipment Limited</td>
<td>INR</td>
<td>248,592</td>
<td>(19,796)</td>
<td>318,614</td>
<td>89,818</td>
<td>—</td>
<td>94,302</td>
<td>2,358</td>
<td>(1,962)</td>
<td>4,320</td>
<td>—</td>
<td>India</td>
</tr>
<tr>
<td>4.</td>
<td>Bharti Comtel Limited</td>
<td>INR</td>
<td>1,000</td>
<td>(103,755)</td>
<td>582,751</td>
<td>685,505</td>
<td>—</td>
<td>566,556</td>
<td>(72,688)</td>
<td>7,360</td>
<td>(80,048)</td>
<td>—</td>
<td>India</td>
</tr>
<tr>
<td>5.</td>
<td>Bharti Broadband Limited</td>
<td>INR</td>
<td>292,000</td>
<td>(194,133)</td>
<td>717,209</td>
<td>619,342</td>
<td>280,877</td>
<td>254,539</td>
<td>(41,863)</td>
<td>(4,358)</td>
<td>(37,505)</td>
<td>—</td>
<td>India</td>
</tr>
</tbody>
</table>

Note: As required under para iii of the Approval letter dated April 26, 2006, issued by the Ministry of Company Affairs, Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiaries companies, have been given based on the exchange rates as on 31.03.2006.