

BHARTI COMTEL LIMITED

BHARTI COMTEL LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting the Fourth Annual Report and the Audited Accounts for the financial year ended March 31, 2002.

OPERATIONS REVIEW

During the year, the Company has started trading business and is engaged in selling hardware for Internet and Satellite business. It is providing the related value added services viz. Annual Maintenance Contracts (AMC), Programme Management and Installations.

BUSINESS REVIEW

The Key financial indicators for the year ending March 31, 2002, are as under. Since there was no business activity undertaken in the last financial year previous year figures have not been provided.

Particulars	As on March 31, 2002 (Rs.)
Sales and other income	238,255,279
Profit before Finance Expense and Depreciation and Amortisation	29,887,383
Finance Expenses	12,878,035
Profit before Depreciation and Amortisation	17,009,348
Depreciation and Amortisation	11,665,064
Profit Before Tax	5,344,284
Income Tax	1,500,000
Profit after Tax	4,243,228

DIVIDEND

The Directors of the Company do not wish to declare any dividend for the financial year under review.

DIRECTORS

Mr. Badri Agarwal is due to retire by rotation and being eligible, has offered himself for re-appointment. The Board recommends his re-appointment as Director of the Company.

AUDITORS' REPORT

The Auditors' Report on Accounts has been duly considered by the Board and clarification(s), wherever necessary is contained in the Notes to Accounts.

AUDITORS

The Statutory Auditors of the Company M/s. J.C. Bhalla & Co., Chartered Accountants, shall retire at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. A Certificate has been received from M/s. J.C. Bhalla & Co., confirming therein that their appointment, if made, will be within the limits prescribed Under Section 224(1B) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has not accepted any deposits from the public and is therefore not required to furnish information in respect of outstanding

deposits under the Non Banking Non Financial Companies (Reserve Bank) Directions, 1966, and Companies (Acceptance of Deposits) Rules, 1975.

STATUTORY STATEMENTS

The Company does not carry on any manufacturing activity and accordingly the provision to furnish information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of Energy, Research and Development and Technology Absorption are not applicable.

There has been no foreign exchange earnings and outgo during the year. There are no employees during the year under review whose particulars are to be provided in terms of section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

The secretarial compliance report in terms of section 383A(1) is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT - SECTION 217(2AA)

The Directors Confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- that the Directors 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 at the end of the financial year ended 31st March, 2002 and of the profit and loss account of the Company for that period;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation for the valuable contribution and dedicated efforts put in by the employees and for the assistance provided by the Bankers and other associates during the year.

On behalf of the board

K. L. JAIN **BADRI AGARWAL**
Director Director

Place: New Delhi
Date: July 1, 2002

SECRETARIAL COMPLIANCE CERTIFICATE

To

The Members
Bharti Comtel Limited.
'Qutab Ambience'
H-5/12, Mehrauli Road
New Delhi - 110 030

I have examined the register, records, books and papers of Bharti Comtel Limited as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31st March 2002. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers, agents and audited Balance Sheet, Profit & Loss A/c and Auditors' Report, I certify that in respect of the aforesaid financial year:

- The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- The company has filed the forms and return as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the act and the rules made thereunder
- The company being a public limited company, has the minimum prescribed paid up capital.
- The Board of Directors duly met 5 (five) times on 28-05-2001, 29-08-2001, 18-10-2001, 20-10-2001 and 14-01-2002 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- The company was not required to close its register of members during the financial year.
- The annual general meeting for the financial year ended on 31-03-2001 was held on 24-09-2001 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- No extraordinary meeting was held during the financial year ending 31-03-2002.
- The company has not given any advance and loan to its directors and/or persons or firms or companies referred in the section 295 of the Companies Act. Interest free loans have been given to employees only who are repaying the principal amounts as stipulated.
- The Company has duly complied with the provisions of Section 297 of the Act, in the respect of contracts specified in that Section.
- The Company has made the necessary entries in the register maintained under section 301 of the Act.
- There are no instances falling within the purview of section 314 of the Act. Hence the Company has not obtained any approvals from the Board of Directors, Members or the Central Government as the case may be.
- The Company has not issued any duplicate share certificates during the financial year.
- (i) There were no allotment / transfer/ transmission of securities during the financial year.
(ii) As no dividend was declared (including interim dividend) during the financial year the Company has not deposited any amount in separate bank account.
(iii) The Company has not posted warrants for dividends to any member of the Company as no dividend was declared during the financial year.
(iv) The Company has no unpaid dividend lying unclaimed/unpaid for a period of seven years.
(v) duly complied with the requirements of section 217 of the Act.
- The Board of Directors of the Company is duly constituted. There was no appointment of directors, additional directors, alternate directors and directors to fill casual vacancies during the financial year.
- Since there is no Managing Director hence the provisions of section 269 read with Schedule XIII to the Act are not applicable to that extent.
- No sole-selling agents has been appointed.
- The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
- The Directors have disclosed their interest in other companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
- There were no allotment / transmission of securities during the financial year ending 31-03-2002.
- The company has not bought back any share during the financial year ending 31-03-2002.
- The company has not redeemed any preference shares/debentures during the year.
- The company has not kept in abeyance rights to dividend. There is no rights shares and bonus shares pending registration of transfer.
- The company has not accepted any deposits including unsecured loans falling within the purview of Section 58 A during the financial year.

24. The company has taken necessary approval in terms of section 293(1)(d) for borrowing from group companies; bank, financial institutions and the borrowings are within the limits approved by the shareholders.
25. The company has not made loans and investments, or given guarantees or provided securities to other body corporate except to companies within the group or under the same management.
26. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one State to another during the year.
27. The company has not altered the provisions of the memorandum with respect to the Objects of the company during the year.
28. The company has not altered the provisions of the memorandum with respect to the name of the company during the year.
29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the year.
30. The company has not altered its articles of association.
31. No prosecution is initiated or pending against the company
32. The company has not received any security from its employees during the year.
33. According to the records of the company, the company has not deducted any contribution towards Provident Fund and employees state Insurance during the year.

Place : New Delhi
Date : July 1, 2002

For **KIRAN SHARMA & CO.**
Company Secretaries

(KIRAN SHARMA)
A.C.S.
Proprietor
C.P.No.3116

ANNEXURE – A

Following registers are maintained by the company :

1. Register of Members u/s 150.
2. Register of Share Transfer and transmission u/s 108
3. Minutes Book of Board Meetings u/s 193
4. Minutes of General Meetings u/s 198.
5. Proper books of accounts u/s 209
6. Register u/s 301 for contracts and arrangements in which Directors are interested or concerned
7. Register of Directors u/s 303
8. Register of Directors' Shareholdings u/s 307
9. Register of Loan and Investments
10. Register of charges u/s 143
11. Register of Fixed Assets
12. Register of Directors attendance
13. Register of Share application and allotment book.
14. Register of common seal.
15. Register of renewed and duplicate certificates u/s 7 of the Companies Act (Issue of Share Certificates) Rules, 1960.

ANNEXURE – B

Returns and Forms as filed by the company with the Registrar of Companies during the financial year ending 31st March, 2002 :

- Annual Return u/s 160 for the year ending on 31-03-2001 filed on 23.11.2001.
- Annual report u/s 220 for the year ending on 31-03-2001 filed on 25.10.2001
- Form 32 for regularization of Additional Directors in the AGM held on 24.9.2001 filed on - date 23.11.01.
- Form No. 23 for section 293(1)(d) approval (AGM held on 24.09.01) filed on 06-11-01.
- Form III - doc. Date 26-03-01 - filed on 06-11-01
- Certificate of Compliance - 25-10-01

AUDITORS' REPORT

We have audited the attached Balance Sheet of Bharti Comtel Limited as at 31st March 2002 and the annexed Profit and Loss Account of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Govt. in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in the said order to the extent applicable.

Further to our comments in the Annexure referred to 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 purpose of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
- (c) The Balance Sheet dealt with by this report is in agreement with the books of account.
- (d) The Balance Sheet is in compliance with mandatory Accounting Standards, referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
- (e) On the basis of the written representation received from the company on behalf of the directors, we report that none of the directors are disqualified as on March 31, 2002 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Statement of Significant Accounting Policies and Notes to Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (i) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
 - (ii) In the case of Profit and Loss Account, of the profit for the year ended on that date.

For **J. C. BHALLA & CO.**
Chartered Accountants

Place: New Delhi
Dated: July 1, 2002

(RAJESH SETHI)
Partner

ANNEXURE TO THE AUDITORS' REPORT ON THE ACCOUNTS OF BHARTI COMTEL LIMITED FOR THE YEAR ENDED 31ST MARCH, 2002 AS REFERRED TO IN OUR REPORT OF EVEN DATE.

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of all fixed assets. The fixed assets have been physically verified by the management at the year end. We are informed that no material discrepancies have been noticed by the management, on such verification as compared with the record of fixed assets maintained by the company.
2. None of the fixed assets have been revalued during the year.
3. The stocks of traded goods have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks were not material as compared to book records and the same have been properly dealt with the books of account.
6. On the basis of our examination of stocks records, we are of the opinion that the valuation of the aforesaid stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are prima facie prejudicial to the interest of the company. In terms of Sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a company on or after 31st October, 1998.

8. The company has granted interest free loans to companies listed in the register maintained under section 301 of the Companies Act, 1956. The other terms and conditions of such loans are prima facie not prejudiced to the interest of the company. The company has not granted any loans, secured or unsecured to firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a company on or after 31st October, 1998.
9. The company has not given loans or advances in the nature of loans.
10. In our opinion and according to the information and explanations given to us and having regard to the explanations that most of the items purchased are of a special nature for which no alternate quotations are available, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of traded goods, plant and machinery, equipment and other assets and for the sale of goods.
11. According to the information and explanations given to us and having regard to our comments in item 10 above, the transactions for purchase of goods & material and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market price for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us, the company has a procedure for determination of unserviceable or damaged stores, spare parts, raw materials and finished goods in a systematic manner and in our opinion adequate amounts have been written off on such stocks in the accounts.
13. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public during the year.
14. We are informed that the operations of the company do not generate any realizable scrap or by products.
15. The requirement of internal audit is not applicable.
16. We are given to understand that the Central Govt. has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the company.
17. Since the Company did not have any employee during the year other than those on deputation from certain group companies, the clause relating to PF and ESI dues is not applicable.
18. According to the information and explanations given to us, there are no undisputed liabilities of Income-Tax, Wealth-Tax, Sales-Tax, Custom Duty and Excise Duty as on 31st March, 2002, outstanding for a period of more than six months from the date they became payable.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses, which have been charged to Profit & Loss Account other than those payable under contractual obligations.
20. The Company is not a sick Industrial Company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. As explained to us, in respect of goods traded in, the company has a reasonable system for the determination of damaged goods and in our opinion, adequate provisions have been made in the accounts for the loss arising on the items so determined.
22. In case of service activities:
- the company has a reasonable system of recording receipts, issues and consumption of stores and consumed to the relative jobs, commensurate with the size and nature of its business;
 - the company's service activities are such that allocation of man hours utilized to relative jobs is not required;
 - there is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size and nature of its business on issue of stores and allocation of stores and labour to jobs.

For J. C. BHALLA & CO.
Chartered Accountants

(RAJESH SETHI)
Partner

Place: New Delhi
Dated: July 1, 2002

BALANCE SHEET AS AT MARCH 31, 2002

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
SOURCES OF FUNDS			
Shareholders' Fund	1		
Share Capital		1,000,000	1,000,000
Reserves and Surplus			
Profit & loss account		4,243,228	
Loan Funds	2		
Secured Loans		—	
Unsecured Loans		172,329,649	421,868,379
Total		177,572,877	422,868,379
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		261,397,118	88,406,261
Less: Depreciation		11,212,698	3,096,780
Net Block		250,184,420	85,309,481
Capital work-in-progress		3,123,370	115,609,759
Pre-operative Expenditure pending allocation	4	—	35,916,262
Current Assets, Loans & Advances	5		
Inventories		23,255,422	—
Sundry Debtors		48,542,129	—
Cash and Bank Balances		72,047,942	609,830
Loans and Advances		18,843,993	190,355,110
		162,689,486	190,964,940
Less : Current Liabilities & Provisions	6		
Liabilities		230,253,203	8,153,943
Provisions		8,606,194	282,493
		238,859,397	8,436,436
Net Current Assets		(76,169,911)	182,528,504
Deferred Tax Asset		398,944	—
(Refer Note 5 on Schedule 16)			
Miscellaneous Expenditure	7	36,054	3,504,373
(to the extent not written off or adjusted)			
Total		177,572,877	422,868,379
Significant Accounting Policies & Notes to Accounts	16		

This is the Balance Sheet referred to
in our report of even date

Partner
For and on behalf of
J. C. BHALLA & CO.
Chartered Accountants

Place: New Delhi
Date: July 1, 2002

K. L. JAIN
Director

On behalf of the Board

BADRI AGARWAL
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,2002

Particulars	Schedule	For the year ended March 31, 2002 (Rs.)	For the year ended March 31, 2001 (Rs.)
Income			
Sale of Goods		215,115,499	
Other Income	8	23,139,780	—
		<u>238,255,279</u>	<u>—</u>
Expenditure			
Network Operating	9	8,181,402	—
Cost of Sales of Goods	10	146,773,579	—
Personnel	11	31,034,383	—
Sales & Marketing	12	18,832,639	—
Administrative and others	13	3,545,893	—
		<u>208,367,896</u>	<u>—</u>
Operating Profit before Finance Expenses, Depreciation and Amortisation		29,887,383	—
Less : Finance Expenses	14	12,878,035	—
Profit/ (Loss) before Depreciation		17,009,348	—
Less : Depreciation		8,196,745	—
Less : Amortisations	15	3,468,319	—
Net Profit before Tax		5,344,284	—
Add: Deferred Tax Income		398,944	—
Less: Income Tax		1,500,000	—
Net Profit after Tax		4,243,228	—
Balance carried to Balance Sheet		4,243,228	—
Significant Accounting Policies & Notes to Accounts	16		

This is the Profit and Loss Account referred to
in our report of even date

Partner
For and on behalf of
J. C. BHALLA & CO.
Chartered Accountants

Place: New Delhi
Date: July 1, 2002

K. L. JAIN
Director

On behalf of the Board

BADRI AGARWAL
Director

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
SHAREHOLDERS' FUND			
SHARE CAPITAL	1		
Authorised		10,000,000	10,000,000
Issued		1,000,000	1,000,000
Subscribed and Paid up 1,00,000 Equity Shares of Rs 10/- each, fully paid up.		1,000,000	1,000,000
LOAN FUNDS	2		
Unsecured Loans			
– Bharti Telenet Limited (Holding Company)		172,329,649	421,868,379
		<u>172,329,649</u>	<u>421,868,379</u>

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE – 3

FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	Cost as on 01.04.2001 (Rs.)	Additions during the Period (Rs.)	Sale/ Transfer (Rs.)	Total cost as on 31.3.2002 (Rs.)	As on 01-04.2001 (Rs.)	For the Period (Rs.)	Adjustments during the Period (Rs.)	Total Depreciation as on 31.3.2002 (Rs.)	As on 31.3.2002 (Rs.)	As on 31.3.2001 (Rs.)
Land (Freehold) *	65,488,168	-	-	65,488,168	-	-	-	-	65,488,168	65,488,168
Building	6,000,000	24,896,142	-	30,896,142	236,712	1,298,946	-	1,535,658	29,360,484	5,763,288
Plant & Machinery	4,065,959	142,999,640	-	147,065,599	400,305	3,004,960	-	3,405,265	143,660,334	3,665,654
Furniture & Fixture	2,058,574	1,286,336	-	3,344,910	525,986	779,060	-	1,305,046	2,039,864	1,532,588
Computer	6,866,580	1,487,500	290,228	8,063,852	1,150,620	2,336,062	68,375	3,418,307	4,645,545	5,715,960
Vehicle	665,071	-	-	665,071	117,762	63,182	-	180,944	484,127	547,309
Air Conditioners	2,007,500	2,103,366	-	4,110,866	275,755	270,574	-	546,329	3,564,537	1,731,745
Office Equipment	1,254,409	535,041	26,940	1,762,510	389,640	443,962	12,453	821,149	941,361	864,769
Total	88,406,261	173,308,025	317,168	261,397,118	3,096,780	8,196,746	80,828	11,212,698	250,184,420	85,309,481
Previous Year	8,848,372	80,396,171	838,282	88,406,261	571,036	2,814,528	288,784	3,096,780	85,309,481	8,277,336

The Company is in the process of registering the land amounting to Rs. 43,500,000/- in its own name.

252

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
PREOPERATIVE EXPENDITURE			
PENDING ALLOCATION (Refer note 1 on Schedule 18)	4		
OPENING BALANCE		35,916,262	15,322,837
ADD: CARRIED FORWARD FROM CAPITAL WORK IN PROGRESS			
ADDITIONS DURING THE YEAR			
NETWORK OPERATING EXPENSES			
DoT Access Charges			
DoT Interconnect Charges			
DoT Rental Charges			
Insurance Premium – Exchange/Sites			
Repairs and Maintenance – Exchange/Sites			
Freight & cartage			
Power & Fuel			
Consumable Stores			
PERSONNEL EXPENSES			
Salaries		8,178,472	
Contribution to Provident & Other Funds		712,001	
Staff Welfare Expenses		445,018	
Recruitment & Training Expenses		1,169,664	
			10,505,155
SELLING EXPENSES			
Advertising & Publicity Expenses			
Gifts & Presentations			
Business Promotion and Entertainment			
Other Expenses			
ADMINISTRATIVE AND OTHER EXPENSES			
Entertainment		44,281	
Hire Charges		1,094,573	
Insurance		462,647	
Electricity and Water Charges		608,370	
Membership & Subscription		15,914	
Loss on sale of Assets		276,233	
Meeting & Conference		45,814	
Auditor's Remuneration		31,500	
Repairs & Maintenance		1,029,590	
Communication Expenses		1,101,482	
Professional Charges		71,400	
Travelling & Conveyance		1,330,673	
Printing and Stationery		400,935	
Newspapers Books & periodicals		60,389	
Miscellaneous expenses		633,025	
Rates & Taxes		21,113	
			7,227,939
FINANCE EXPENSES			
Bank Charges		92,149	
DEPRECIATION			2,814,528
OTHER INCOME			(46,346)
Total		35,916,262	35,916,262
LESS Allocated to Fixed Assets			
CLOSING BALANCE		35,916,262	35,916,262

253

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
CURRENT ASSETS, LOANS & ADVANCES	5		
INVENTORY			
Trading Goods		15,774,097	–
Goods in transit		7,481,325	–
		<u>23,255,422</u>	<u>–</u>
SUNDRY DEBTORS (UNSECURED)			
Outstanding for more than six months		–	–
Outstanding for less than six months			
– Considered Good		48,542,129	–
– Considered Doubtful		10,440,123	–
		<u>58,982,252</u>	<u>–</u>
Less : Provision for Doubtful Debts		(10,440,123)	–
		<u>48,542,129</u>	<u>–</u>
		<u>48,542,129</u>	<u>–</u>
CASH AND BANK BALANCES			
Cheques in hand		747,250	138,625
With scheduled banks – in Current Account		11,048,343	471,205
With schedule banks – in Fixed deposits		60,252,349	–
		<u>72,047,942</u>	<u>609,830</u>
LOANS AND ADVANCES (Unsecured considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received		17,890,103	190,355,110
Tax deducted at source		921,916	–
Interest Accrued		31,974	–
		<u>18,843,993</u>	<u>190,355,110</u>
CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities			
Sundry Creditors		127,278,562	7,836,111
Security Deposit		100,150,000	–
Other Liabilities		2,824,641	317,832
		<u>230,253,203</u>	<u>8,153,943</u>
Provisions			
Gratuity and Leave Encashment		–	282,493
Warranty		7,106,194	–
Income Tax		1,500,000	–
		<u>8,606,194</u>	<u>282,493</u>
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	7		
Opening Balance			
– Deferred Revenue Expenditure		3,459,305	3,459,305
– Preliminary Expenses		45,068	45,068
Less: Amortisation for the year			
– Deferred Revenue Expenditure		3,459,305	–
– Preliminary Expenses		9,014	–
Closing Balance			
– Deferred Revenue Expenditure		–	3,459,305
– Preliminary Expenses		36,054	45,068
		<u>36,054</u>	<u>3,504,373</u>

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	For the Year Ended March 31, 2002	For the Year Ended March 31, 2001
OTHER INCOME	8		
Interest (Tax deducted at source Rs. 99,573)		498,798	–
Provision no longer required written back		282,493	–
Installation Charges		19,858,060	–
Rent		2,460,000	–
Miscellaneous Income		40,429	–
		<u>23,139,780</u>	<u>–</u>
OPERATING EXPENDITURE	9		
Installation Charges		3,257,259	–
Exchange Rate Variation		905,304	–
Freight		2,925,412	–
Electricity & Water		1,600	–
Insurance		977,604	–
Repair & Maintenance–Building		114,223	–
		<u>8,181,402</u>	<u>–</u>
COST OF SALES	10		
Opening Stock		–	–
Add : Purchases		162,547,676	–
		<u>162,547,676</u>	<u>–</u>
Less : Closing Stock		15,774,097	–
		<u>146,773,579</u>	<u>–</u>
PERSONNEL EXPENSES	11		
Salaries & Wages		29,853,323	–
Contribution to Provident & Other Funds		773,532	–
Staff Welfare Expenses		390,022	–
Recruitment & Training Expenses		17,506	–
		<u>31,034,383</u>	<u>–</u>
SALES AND MARKETING EXPENDITURE	12		
Advertisement & Marketing Expenses		526,322	–
Sales Commission and Incentive		760,000	–
Provision for Doubtful Debts		10,440,123	–
Warranty Charges		7,106,194	–
		<u>18,832,639</u>	<u>–</u>
ADMINISTRATIVE AND OTHER EXPENDITURE	13		
Legal & Professional Expenses		112,837	–
Rates, Fee & Taxes		181,581	–
Printing & Stationery		1,080	–
Travelling & Conveyance		2,769,852	–
Repair & Maintenance		2,936	–
Miscellaneous Expenses		477,607	–
		<u>3,545,893</u>	<u>–</u>
FINANCE EXPENSES	14		
Interest		12,005,207	–
Bank Charges		872,828	–
		<u>12,878,035</u>	<u>–</u>
AMORTISATIONS	15		
Preliminary expenses w/off		9,014	–
Deferred Revenue expenditure w/off		3,459,305	–
		<u>3,468,319</u>	<u>–</u>

SCHEDULE- 16

(A) SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING

Financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and provisions of the Companies Act, 1956.

2. REVENUE RECOGNITION

Revenue from traded goods is recognised at the point of despatch of goods to customers based on their confirmed orders. Installation charges are recognised as revenue on satisfactory completion of installation. Provision for doubtful debts is made for dues outstanding for more than 90 days.

3. FIXED ASSETS

Fixed assets are stated at their original cost including taxes and other incidental expenses related to acquisition and installation.

4. DEPRECIATION

Depreciation is provided on straight-line method to write off the cost of the fixed assets over their estimated useful lives, which have been taken as follows:

Particulars	Life (years)
Building	20
Plant & Machinery	10
Air Conditioners	10
Vehicles	10
Computers	3
Office Equipments	3
Furniture & Fixture	5
BIT	3

Depreciation on assets acquired/sold/discarded during the year is charged on pro-rata basis. Assets having value of Rs. 5000/- or less are fully depreciated in the year of purchase itself.

5. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are accounted for at the exchange rate prevailing on the date of transaction.

Other foreign currency assets and liabilities are converted at exchange rates prevailing on the last working day of the accounting year and the net gain or loss arising out of such translation is adjusted to the profit and loss account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

6. INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost is determined on weighted average basis.

7. WARRANTY

Provision for warranty is based on technical estimates provided by the management.

8. DEFERRED TAX

Income tax expenses comprises of current tax provision and the net change in Deferred tax account.

Current tax is computed as per the provisions of Income Tax Act, 1961. Net outstanding balance in current tax account is recognised as current liability/current asset.

In accordance with Accounting Standard 22 – Accounting for taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing difference between the book and tax profits for the year is accounting for using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date.

Deferred Tax assets arising from timing differences are recognised to the extent there is virtual certainty that the assets can be realized in future.

Net outstanding balance in Deferred tax account is recognised as deferred tax reserve / Miscellaneous expenditure (not written off). The deferred tax account is used solely for reversing timing difference as and when crystallised.

9. MISCELLANEOUS EXPENDITURE
(To the extent not written off)

(a) Preliminary expenses

Preliminary expenses are to be written off over a period of 5 years beginning from the year of commencement of commercial operations.

(b) Deferred Revenue Expenditure is amortised on the commencement of commercial operations.

(B) NOTES TO ACCOUNTS

1. Contingent Liabilities

– Capital Commitments	Rs. 289,384/-	(Previous year Rs. 68,413,419/-)
– Bank Guarantee	Rs. 4,550,000/-	(Previous year Rs. 2,000,000/-)

2. ADDITIONAL INFORMATION PURSUANT TO PROVISIONS OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

(a) Details of purchases and sales:

Particulars	Purchases # @ 2001–2002		Purchases# @ 2000–2001		Sales 2001–2002		Sales 2000–2001	
	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.
(i) BIT	1820	132,177,900	Nil	Nil	1549	183,816,888	Nil	Nil
(ii) PAMA VSATs Assembly sets @		25,495,304		Nil		31,298,611		Nil
(iii) Others		4,874,472		Nil		Nil	Nil	
Total		162,547,676		Nil		215,115,499		Nil

(b) Details of inventories:

Particulars	As at 31.03.2002		As at 31.03.2001	
	Qty Nos.	Value Rs.	Qty Nos.	Value Rs.
(i) BIT		271		13,827,424
(ii) PAMA VSATs Assembly sets @				Nil
(iii) Others				374,354
Total		15,774,097		Nil

@In view of heterogeneous nature of PAMA VSATs, quantitative particulars have not been disclosed.

#Purchases and inventories disclosed above exclude goods in transit.

	2001–2002 Rs.	2000–2001 Rs.
(c) CIF value of imports		
Traded goods	89,370,760	Nil

3. In the absence of confirmation from parties the debit and credit balances of suppliers in regard to recoverable and payable have been taken as reflected in the books of account. In the opinion of directors, loans and advances and current assets if realised in the ordinary course of business, have the value at which they are stated in the Balance Sheet.

4. The Company had no dealing with Small Scale Industries (SSI) during the year.

5. In accordance with AS-22 issued by Institute of Chartered Accountants of India Deferred Tax assets amounting to Rs. 3,98,944/- have been created. Elements of deferred tax assets created for tax effect of timing differences are as under: –

	(Rs. In lacs)
Depreciation	(60.50)
Provision for doubtful debts	38.37
Provision for warranty charges	26.11
Total	3.98

	31.03.2002	31.03.2001
Audit Fee	75,000	30,000
Certification Charges	15,000	
Service Tax	4,500	1,500
Total	94,500	31,500

7. Schedule of related Party Transactions

Particulars	Bharti Tele-Ventures Ltd.	Bharti Telenet Ltd.	Bharti BT Internet Ltd.	Bharti Mobile Ltd.	Bharti Telecom Ltd.
Nature of relationship	Holding Co.	Holding Co.	Group Company	Group Company	Group Company
Opening Balance at the beginning of the year	–	(421,868,379)	(68,314)	120,666	
Transactions:					
Funds Transfer to us	(3,771,000)	(6,522,957)			
Funds Transfer by us	3,860,600	192,595,666	130,992,473	(120,666)	(29,200,000)
Expenses incurred on our behalf	(8,600)	(13,936,096)	(55,297,915)		29,200,000
Advance paid on our behalf	(81,000)	(19,981,674)	(63,175,360)		
Security Deposit Received		100,000,000			
Expenses debited to them		1,958,160	4607,334		
Amount paid on their behalf		4,977,630			
Interest on Security deposit		(9,552,000)			
Purchase of Goods			(1,331,069)		
Closing Balance at the end of the year	–	(172,329,649)	13,727,150	–	–

8. Segmentwise Disclosure

Particulars	Telecom Division	Trading Division
Income		
Sale of Goods	–	215,115,499
Rent	2,460,000	–
Other Income	322,922	20,356,858
	<u>2,782,922</u>	<u>235,472,357</u>
Expenditure		
Network Operating	278,048	7,908,354
Cost of Sales of Goods	–	146,773,579
Personnel	45,546	30,988,837
Sales & Marketing	–	18,832,639
Administrative and others	146,014	3,399,879
	<u>469,608</u>	<u>207,898,288</u>
Operating Profit before Finance Expenses, Depreciation and Amortisation	2,313,314	27,574,069
Less : Finance Expenses	12,039,669	838,366
Profit / (Loss) before Depreciation	(9,726,355)	26,735,703
Less : Depreciation	7,742,968	453,777
Less : Amortisations	3,468,319	–
Net Profit before Tax	(20,937,642)	26,281,926
Add : Deferred Tax Income	398,944	–
Less : Income Tax	1,500,000	–
Net Profit after Tax	(20,038,698)	26,281,926

9. Figures have been rounded off to the nearest rupee.

10. Previous year figures have been regrouped / rearranged, wherever necessary.

CASH FLOW STATEMENT PREPARED PURSUANT TO ACCOUNTING STANDARD (AS)-3 ON CASH FLOW STATEMENT ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA FOR THE YEAR ENDED MARCH 31, 2002

	For the period ended March 31, 2002 Rs.
A. Cash flow from operating activities:	4,243,228
Net (loss)/profit after tax but after exceptional/extraordinary items	
Adjustments for:	
Depreciation	8,196,745
Interest Expense	12,878,035
Interest Income	(498,798)
Income from Investment – Dividends	–
Lease Rent – Finance Lease	–
(Profit)/Loss on Fixed Assets sold	–
(Profit)/Loss on sale of Investments	–
Miscellaneous Expenditure written off	–
Deferred revenue expenditure written off	3,468,319
Debts / Advances Written off	–
Provision for Bad & Doubtful Debts	10,440,123
Liability no longer required written back	(282,493)
Provision for Gratuity & Leave Encashment	–
Provision for Tax	1,500,000
Deferred Tax Income	(398,944)
Provision for Impairment of Fixed assets	–
Unrealised foreign exchange (gain) /loss	–
Prior Period Expenses/(Income) (Net)	–
Provision for warranty	7,106,194
Other Provisions	–
Exceptional/ Extraordinary items Expenses/(Income)	–
Any other non cash Item (License Fee)	–
Operating profit before working capital changes	46,652,409
Adjustments for changes in working capital :	
– (INCREASE)/DECREASE in Sundry Debtors	(58,982,251)
– (INCREASE)/DECREASE in Other Receivables	172,465,007
– (INCREASE)/DECREASE in Inventories	(23,255,422)
– INCREASE/(DECREASE) in Trade and Other Payables	222,099,260

Cash generated from operations	358,979,002
– Taxes (Paid) / Received (Net of TDS)	(822,343)
– Prior Period (Expenses)/Income (Net)	–
– Extraordinary /exceptional Item (Expense)/ Income	–
Net cash from operating activities	358,156,659
B. Cash flow from Investing activities:	
Adjustments for changes in :	
– (INCREASE)/DECREASE in Sundry Debtors	–
– (INCREASE)/DECREASE in Other Receivables	–
– INCREASE/(DECREASE) in Trade and Other Payables	–
– INCREASE/(DECREASE) in Inventories	–
Purchase of fixed assets	
Additions during the period (excludes Exchange Fluctuation capitalised Rs. Nil; 2000–01 : Rs. Nil)	(173,308,025)
Capital Work in Progress	148,402,651
Additions during the period (excludes Exchange Fluctuation Rs. Nil; 2000–2001 : Rs. Nil)	–
Proceeds from Sale of fixed assets	236,340
Proceeds from Sale of Investments	–
Purchase of investments	–
Finance Lease Rent Payment (Principal Portion)	–
Deposits with bank	–
Interest Received (Revenue)	367,251
Interest Received (Capital)	–
Dividend Received	–
Amount Paid on Acquisition / Investment in subsidiaries	–
Any other item	–
Net cash used in investing activities	(24,301,783)
C. Cash flow from financing activities:	
Proceeds from fresh issue of Share Capital (including Share Premium)	–
Advance against equity shares	–
Proceeds from long term borrowings	–
RECEIPTS (excludes Exchange Fluctuation of Rs. Nil 2000–2001 : Rs. Nil on re–statement of foreign currency loans)	–
PAYMENTS	–
Proceeds from short term borrowings	–
RECEIPTS	–
PAYMENTS (including exchange fluctuation actually paid, which is not capitalised)	(249,538,730)
Proceeds from fixed deposits (NET)	–
Proceeds from Cash Credits (NET)	–
Finance Lease Rent (Interest Part only)	–
Interest Paid	(12,878,035)
Interest Paid – Capitalised	–
Dividend Paid	–
Dividend Tax Paid	–
Amount paid to ESOP Trust	–
Net cash used in financing activities	(262,416,765)
Net Increase/(Decrease) in Cash & Cash Equivalents	71,438,111
Cash and cash equivalents as at 31.03.2001	609,830
Cash and cash equivalents as at 31.03.2002	72,047,941

On behalf of the Board

Place: New Delhi
Date: July 1, 2002K. L. JAIN
DirectorBADRI AGARWAL
Director

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Bharti Comtel Limited for the year ended 31st March, 2002. The statement has been prepared by the company in accordance with the requirements of and is based on and is in agreement with the corresponding Profit & Loss Account and Balance Sheet of the company covered by our report to the members of the company.

Place: New Delhi
Dated: July 1, 2002For J. C. BHALLA & CO.
Chartered Accountants(RAJESH SETHI)
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date - -
Date Month Year

II. Capital raised during the year (Amount in thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of mobilisation and deployment of funds (Amount in thousands)

Sources of funds
Total Liabilities

Total Assets

Paid-Up Capital

Reserves & Surplus

Application of funds
Secured Loans

Unsecured Loans

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV. Performance of the Company (Amount in thousands)

Turnover

Total Expenditure

Profit / (Loss) Before Tax

Profit / (Loss) After Tax

Earnings Per Share in Rs.

Dividend Rate %

V. Generic Names of three principal products / services of the Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

On behalf of the Board

K. L. JAIN
Director

BADRI AGARWAL
Director

Place: New Delhi
Date: July 1, 2002