BHARTI MOBILE LIMITED

Cellular Mobile Telephone Services

– Karnataka
– Andhra Pradesh
– Punjab

BHARTI MOBILE LIMITED

DIRECTORS' REPORT

To Our Members,

The Directors take pleasure in presenting the Seventh Annual Report and Audited Statement of Accounts for the financial year ending March 31, 2002.

FINANCIAL HIGHLIGHTS

Particulars	Year 2001-02 Rs. in Million	Year 2000-01 Rs. in Million
Gross Revenue	**4445.96**	2610.24
Profit before Licence Fee, Amortisation, Depreciation & Taxes	**1489.26**	555.20
Less : Licence Fees & Spectrum Charges	**626.61**	325.90
: Depreciation	**557.50**	361.73
: Amortisation	**349.46**	330.66
: Deferred Expenses	**67.04**	0.00
Net Loss for the Year	**111.35**	463.09
Loss transferred from Previous Year	**3605.53**	3142.44
Loss transferred to Balance Sheet	**3426.92**	3605.53

REVIEW OF OPERATIONS

During the year under review, your Company continued to grow and create a niche market in its service areas and further continued to consolidate its position. During the year your Company also recommenced its operations in Punjab Circle after getting the License restored from the Department of Telecommunications.

The Consolidated subscriber base has grown to 510,971 as against 199,129 in the previous year, which is 257% growth over the previous year. In Andhra Pradesh circle the subscriber base has grown to 235,743 from 91,077 in the previous year, which means a growth of 259% over the previous year. In Karnataka circle the Subscriber Base has grown to 235,041 from 108,052 in the previous year, which means a growth of 218% over the previous year, and in Punjab Circle where the operation recommenced on February 8, 2002, the subscriber base has been 40187 as at March 31, 2002.

The Company has now signed agreements with 145 International Networks 35 National Networks totalling to 180 Networks for roaming as compared to 87 International Networks and 29 National Networks totalling to 116 Networks during the previous year. The Company also executed agreements for 39 International Networks and 27 National Networks for the Punjab Circle. The Company also introduced Regional Roaming within the Airtel Network involving three Circles namely, Karnataka, Andhra Pradesh and Chennai.

MAJOR EVENTS

During the year under review, the Department of Telecommunications (DoT) restored the terminated cellular circle licence for Punjab Telecom Circle and simultaneous migration to NTP-99 regime in the name of Bharti Mobile Limited. Your Company deposited the entire outstanding dues under the licence including interest calculated up to the actual date of payment, WPC dues and LD charges in full amounting to approximately INR 4910 Million demanded by DoT with the following understandings:

1. That the Punjab Licence has been restored to the Company.
2. That the matter to be referred for a time bound arbitration with the specific understanding between the Company and DoT that the award by the arbitrator shall be final and binding on both the parties.
3. Any amount found refundable in view of the award of the arbitrator would be refunded to the Company with interest thereon.

Subsequently the arbitration proceedings have commenced and it is expected that the final award of the arbitrator would be pronounced by August 2002.

Consequently the Company has launched its Cellular Mobile Telephone Services for Punjab Circle on the February 8, 2002, with "Airtel" Brand for the Contract Subscribers and a Pre Paid Product under the brand name of "Magic." The event was a grand success and on the launch day over 20,000 subscribers were provided with Cellular Phone connections.

The Company has during the year under review in the Karnataka Circle touched the figure of 100,000 Net base Post Paid Subscribers on December 18, 2001 and 100,000 Net base of Pre Paid Subscribers on January 24, 2002, and in the Karnataka Circle touched the 2,00,000 Net Base of Post Paid & Pre Paid subscribers on January 18, 2002.

The Company has continued its focus on providing a number of Value Added Services to its subscribers such as Conference Call, Voice Mail, Web Message, Fax, Fax & Data Mobile Hunting and Short Messaging Services (SMS), Tango, etc. The Subscribers have very well received the Short Messaging Service (SMS).

The Company increased its Network coverage by effectively building 181 BTS in Andhra Pradesh as against 134 BTS in the previous year and 236 BTS in Karnataka as against 165 BTS during the previous year and 26 BTS in Punjab. The Company has increased in coverage across 69 Cities of Andhra Pradesh as against 38 cities during the previous year and 72 Cities in Karnataka as against 44 cities during the previous year.

The Registered Office of the Company was shifted to the National Capital Territory of Delhi and presently the Registered Office of the Company is at Qutab Ambience, H-5/12, Mehrauli Road, New Delhi 110 030.

FUTURE PLANS

For the forthcoming year, we will see a tougher competition from Bharat Sanchar Nigam Limited (BSNL) as a third operator and Hutchison Essar as a fourth operator in both Andhra Pradesh and Karnataka Telecom Circles. However, with four players the market is expected to expand considerably.

FIXED DEPOSITS

The Company has not sought or accepted any deposits from the Public and is therefore not required to furnish information in respect of outstanding deposits under Non Banking Non Financial Companies (Reserve Bank) Directions, 1956, and the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS' REPORT

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

AUDITORS

The Statutory Auditors of the Company M/s Price Waterhouse & 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 Price Waterhouse & Co., confirming therein that their appointment, if made, will be within the limits prescribed u/s 224 (1B) of the Companies Act, 1956.

Your Directors recommend their re-appointment as the Statutory Auditors.

DIRECTORS

Mr. Per O. Pederson and Mr. Anil Nayar are due to retire by rotation at the Seventh Annual General Meeting and being eligible, have offered themselves for re-appointment.

Mr. Rakesh Bharti Mittal, Dr. P. Raja Mohan Rao, Mr. R. K. Kataria, Mr. Gunnar Andersson and Mr. Per Eriksson ceased to be the Directors during the year as they had resigned from the Board. We, on behalf of the Company place on record our deep appreciation for the valuable contribution made by them during their tenure as Directors of the Company.

EMPLOYEES

During the year the HR initiative was the introduction of Competency based career grafting and team building through Out Bound Learning Process. These initiatives provided career growth for several employees within the Group.

During the year the Company has provided Quality Education to all its employees and out of the total 304 employees in Karnataka 297 employees have received ICA (Individual Corrective Action) Certification and out of the total 270 employees in Andhra Pradesh 179 employees have received ICA Certification issued by Institute of Quality Limited (IQL). The Company has already rolled out 27 ISO Processes and is expecting to be ISO certified during the current year.

STATUTORY STATEMENTS

The statement pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board Of Directors) Rules, 1988, and pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is annexed hereto and forms part of the Report.

SUBSIDIARY COMPANY

The information required under Section 212 of the Companies Act, 1956, in respect of subsidiary company, is attached to the Report.

DIRECTORS' RESPONSIBILITY STATEMENT – SECTION 217(2AA)

The Directors confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;

ii) 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;

iii) 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;

iv) that the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation of the valuable contribution, unstinted efforts and the spirit of dedication shown by all the employees and officers of the Company. Your Directors would also like to place on record appreciation for the assistance provided by Bankers, Business Partners and Customers.

On behalf of the Board

RAJAN BHARTI MITTAL
Director

AKHIL GUPTA
Director

Place: New Delhi
Date: May 28, 2002

ANNEXURE TO DIRECTORS' REPORT – SECTION 217(1)(E)

Companies disclosure of particular in the Report of Board Rules, 1988

(A) Conservation of Energy: The clause for the disclosure of conservation of energy is not applicable for the Company.

(B) Technology Absorption:

The Company is providing cellular services of Global Mobile System of Communication (GSM) standard. It doesn't require absorption of the technology.

(C) Foreign Exchange Earnings and Outflow:

(Rs. in million)

Particulars	Period Ended 31-3-2002	Period Ended 31-3-2001
Foreign Exchange Earnings:	120.88	114.41
Foreign Exchange Outflow:		
Travelling	0.16	0.82
Technical Service Fees	Nil	Nil
Others	114.51	11.87
CIF Value of Capital Goods Imports	1316.87	1147.11

REPLIES TO QUALIFICATIONS IN AUDITORS' REPORT

The Auditors' Report to Accounts has been duly considered by the Board and clarification, wherever necessary has been provided as under:

Para 16(i) Approval for appointment of Whole Time Director

Your Directors wish to state that by a Resolution adopted by the Board of Directors at its meeting held on the December 13, 1999, appointed the Whole Time Director for a period from December 13, 1999, up to March 31, 2003, and the same was approved by the Shareholders at the Extra 0rdinary General Meeting held on the May 11, 2000. An application in Form 25 has been filed with the Department of Company Affairs, New Delhi and the approval is awaited from the said department

Para 2.2 Assets and Liabilities of Evergrowth Telecom Ltd.-treatment of

Your Company had signed a tripartite agreement with Essar Investments Limited, and Evergrowth Telecom Limited, in terms of which Essar shall arrange for all the funding that may be required by Evergrowth Telecom Limited for the implementation and operation of Punjab Cellular Mobile Telephone Service. Essar would also indemnify your company against any loss that may be suffered by your Company due to breach of the terms of the agreement by Essar and Evergrowth Telecom Limited. Your Company has thus excluded the assets and liabilities of Evergrowth Telecom Limited, from the books of accounts.

Para 2.3 Value for Investment in Evergrowth Telecom Limited

In terms of tripartite Agreement with Essar Investments Limited, and Evergrowth Telecom Limited, any diminution of the value of investment in Evergrowth Telecom Limited, would be counter balanced by the loan outstanding to Essar, as the repayment of the Loan would be effected through the sale of the investment itself, wherein the consideration agreed would be equal to the outstanding loan to Essar. It is therefore, that there could be no negative financial effect on the Company.

Para 2.4 Pre-operative expenditure/technical service fee

Pending necessary approvals/clearances from the necessary Government authorities your Company has not made any provisions in the accounts towards pre-operative expenditure/technical service fees incurred by the Foreign Promoters on behalf of your Company. Your Company has also terminated these contracts with effect from March 31, 2000.

On behalf of the Board

Place: New Delhi
Date: May 28, 2002

RAJAN BHARTI MITTAL
Director

AKHIL GUPTA
Director

ANNEXURE TO DIRECTORS' REPORT

Particulars of employees as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the Year Ended March 31, 2002 and forming part of the Directors' Report

Sl. No.	Name	Designation	Qualification(s)	Age (In years)	Date of commencement of employment	Total Experience (In years)	Gross Remuneration (In Rs.)	Previous Employment / Designation
(A)	EMPLOYED FOR THE FULL FINANCIAL YEAR							
1	Jagdish Kini	Chief Executive Officer (SCR)	B.Sc.,MBA(Fin & Mkt)	46	15.09.00	22	6,629,194	Wilkinson Sword India Ltd, MD
2	Mehra I B	Chief Executive Officer	B.Com,PGDBM	49	01.01.00	26	3,705,720	Siemens Telecom Limited, Director Operations
(B)	EMPLOYED FOR PART OF THE FINANCIAL YEAR							
1	A.K.Pandey	General Manager Planning & Operations	B.E., Electronics	45	01.01.00	24	603,063	Bharti Cellular Ltd,Head Network Planning & Development
2	Arun Kapoor	Chief Operating Officer	MMS	42	01.10.01	18	1,366,925	Bharti Cellular Ltd., COO
3	K.Vijayraghavan	Chief Technical Officer [SCR]	BE. PGDBA	48	07.10.01	26	1,339,344	Bharti Cellular Ltd,Chief Technical Officer
4	Pawan Kapur	Chief Executive -AP	B Sc. MBA	51	01.09.01	30	1,890,957	Bharti Cellular Ltd, CE

Note :
1. Gross remuneration comprises of Salary received during the year, Taxable Allowances, Company's contribution to Provident Fund and taxable value of perquisites.
2. None of the employees mentioned above is a relative of any of the Directors of the company.
3. None of the employees mentioned above hold 2% or more share capital of the company.

AUDITORS' REPORT

To The Members of Bharti Mobile Limited

1. We have audited the attached Balance Sheet of Bharti Mobile Limited, as at March 31, 2002, and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have 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.

3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss account together with the notes thereon / attached thereto and the statement of Significant Accounting Policies give in the prescribed manner the information required by 'The Companies Act, 1956,' of India (the 'Act'), and subject to the remarks in paragraphs 3.1 to 3.4 below also give respectively 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, 2002; and

   (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

   3.1 As explained in Note 4 (ii) on Schedule 20, relating to Evergrowth Telecom Limited ("ETL") the Company has not accounted for certain assets and liabilities relating to Cellular Mobile Telephone Service of Punjab Circle.

   3.2 As explained in Note 4(ii) on Schedule 20 no provision has been made towards the diminution in the value of investments made in ETL, a wholly owned subsidiary Company of Rs. 300,000 thousand (Previous year Rs. 300,000 thousand) and amount recoverable against encashment of Bank guarantee towards license fee payable for ETL given on behalf of the aforesaid subsidiary of Rs. 280,000 thousand (Previous year Rs. 280,000 thousand) with consequential impact on the loss for the year and net assets of the Company.

   3.3 As explained in Note 4(vi) on Schedule 20 pending finalisation of the arbitration award for Punjab, no provision has been made towards amount of expenditure for WPC dues, interest, liquidated damages for the past periods which may be included in the aggregate of Rs. 4,909,948 thousand paid to Department of Telecommunications (DoT), adjustment that may be required in the amount of License Fee amortisation in these accounts and possible non-recovery of amounts out of Rs. 4,109,948 thousand being amount disclosed as recoverable from DoT the amounts of which are not presently ascertainable.

   3.4 As explained in Note 7(i) on Schedule 20, provision has not been made in the accounts towards preoperative expenditure, technical services fees, interest on bridge loan and other expenses incurred by the promoters on behalf of the Company, pending approval by the necessary Government authorities resulting in understatement of loss for the current year by Rs. 409,043 thousand (including impact on accumulated losses upto the prior year by Rs. 383,822 thousand) with consequential impact on the loss for the year and net assets of the Company.

   We further report that, without considering items mentioned in para 3.1 and 3.3 above the impact of which is not quantifiable, had the observations made by us in para 3.2 and 3.4 above been considered, the loss for the year of Rs. 111,347 thousand and the accumulated debit balance in Profit & Loss Account Rs. 3,426,926 would have been higher Rs. 13,596 thousand pertaining to the current year and Rs.761,798 thousand relating to the earlier years with consequential impact on the net assets of the Company.

4. Subject to our remarks on paragraphs 3.1 and 3.3 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. 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 these books and the aforementioned Balance Sheet and Profit and Loss Account are in agreement therewith.

5. Read with Note 22 on Schedule 20 regarding related party disclosures being as identified and certified by the management, in our opinion, subject to para 3.2 above, the Balance Sheet and Profit and Loss Account have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act.

6. On the basis of written representations received from the Company on behalf of the directors, as on March 31, 2002, and taken on record by the Board of Directors of the Company, 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 Act.

7. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, dated September 7, 1988, issued by the Central Government of India in terms of section 227(4A) of the Act and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

   7.1 (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

   (b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years. Pursuant to the programme, a physical verification was carried out during the year at all its locations other than its Punjab circle and this revealed no material discrepancies.

   7.2 The fixed assets of the Company have not been revalued during the year.

   7.3 The stock in trade of the Company at all its locations have been physically verified by the management during the year.

   7.4 In our opinion, the procedures of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

   7.5 The discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account were not material.

   7.6 In our opinion, the valuation of stock-in-trade has been fair and proper in accordance with the normally accepted accounting principles in India, and is on the same basis as in the preceding year.

   7.7 In our opinion, the terms and conditions of an interest free loan taken from a Company listed in the register maintained under Section 301 of the Act are prima facie not prejudicial to the interests of the Company. The Company has not taken during the year any other loan from companies, firms and other parties listed in the register maintained under Section 301 of the Act.

   7.8 In our opinion the rates of interest and other terms and conditions of a loan granted by the Company to a Company listed in the register maintained under section 301 of the Act are prima facie not prejudicial to the interest of the company. The Company has not given during the year any other loan from Companies, firms and other parties listed in the register maintained under section 301 of the Act.

   7.9 The Company has given loans or advances in the nature of loans only to its employees and they are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.

   7.10 In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for purchase of materials, plant and machinery, equipment and similar assets and for the sale of goods.

   7.11 In our opinion, purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act aggregating during the year Rs. 50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which the transactions for similar goods or services have been made with other parties except to the extent of purchase of old fixed assets aggregating to Rs. 952,249 for which we are informed that comparative prices are not available and accordingly we are unable to comment thereon.

   7.12 The Company has not accepted any deposits from the public.

   7.13 In our opinion, the Company's present internal audit system is generally commensurate with its size and nature of business.

   7.14 The Central Government of India has not prescribed the maintenance of cost records by the Company under Section 209 (1)(d) of the Act for any of its products.

   7.15 The Company has been regular during the year in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.

   7.16 At the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty, as may be applicable which was due for more than six months from the date they became payable.

   7.17 During the course of our examination of the books of account, carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses, which have been charged to Profit and Loss Account, nor have we been informed of any such case by the management other than those payable under contractual obligations and/ or accepted business practices.

   7.18 In respect of services rendered:

   (a) Considering the nature of services rendered and the basis of billing, it is not considered to be necessary to have a system of allocation of consumption of materials and stores to the relative jobs. However, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores.

   (b) Considering the nature of the services rendered and the basis of billing, it is not necessary to have a system of allocation of man-hours utilised to the relative jobs.

   (c) In our opinion, there is a reasonable system of authorisation at proper levels with necessary controls on the issue of stores and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.

   7.19 In respect of trading activities:

   Damaged goods have been determined pursuant to the Company's laid down procedures and consequential adjustments, which have not been significant, have been made in the accounts.

The other clauses of the Order are not applicable to the Company's activities for the year and accordingly we are not commenting on the same.

U. RAJEEV
Partner
For and on behalf of

Place: New Delhi
Date: May 28, 2002

PRICE WATERHOUSE & CO.
Chartered Accountants

BALANCE SHEET AS AT MARCH 31, 2002

	Schedule	As at March 31, 2002 Rs. '000	As at March 31, 2001 Rs. '000
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1A	5,500,000	5,500,000
Advance against Share Capital	1B	781,512	781,512
Loan Funds			
Secured loans	2	5,650,706	3,031,135
Unsecured Loans	3	6,428,214	3,223,222
Security Deposits		467,843	329,942
Total		18,828,275	12,865,811
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	7,453,273	4,486,399
Less: Depreciation		1,710,001	1,153,507
Net Block		5,743,272	3,332,892
Capital Work in Progress		210,603	669,712
		5,953,875	4,002,604
Unamortised License fee		5,354,585	4,893,479
Investments	5	411,353	1,267,255
Current Assets, Loans and Advances			
Inventories	6	22,673	18,557
Sundry Debtors	7	455,856	396,420
Cash and Bank Balances	8	171,143	245,969
Loans and Advances	9	4,807,378	567,595
		5,457,050	1,228,541
Less: Current Liabilities and Provisions	10		
Current Liabilities		2,097,658	2,119,830
Provisions		8,944	11,768
		2,106,602	2,131,598
Net Current Assets		3,350,448	(903,057)
Deferred Tax [schedule 20 note (13)]		289,951	–
Miscellaneous Expenditure (to the extent not written off or adjusted)	11	41,137	–
Profit and Loss Account		3,426,926	3,605,530
Total		18,828,275	12,865,811
Notes on Accounts	20		

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

The Schedules referred to above and the notes thereon form an integral part of the Account

U. RAJEEV
Partner
For and on behalf of
PRICE WATERHOUSE & CO.
Chartered Accountants

Place : New Delhi
Date : May 28, 2002

On behalf of the Board

ANIL NAYAR
Director

AKHIL GUPTA
Director

R. JAGANNATHAN
Company Secretary

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

	Schedule	For the year ended March 31, 2002 Rs. '000	For the year ended March 31, 2001 Rs. '000
INCOME			
Billing Revenue (including for prior years)		4,443,093	2,593,029
Sale of Goods		–	14,792
Other Income	12	2,875	2,421
		4,445,968	2,610,242
EXPENDITURE			
Access charges paid to other Operators		671,456	431,201
Network Operating	13	459,076	273,037
Cost of Goods Sold	14	–	14,805
Personnel	15	244,515	167,934
Sales and Marketing	16	631,705	546,794
Administrative and Others	17	425,526	302,670
		2,432,278	1,736,441
Operating Profit before Finance expenses (net), Revenue share license fees and spectrum charges, Depreciation and Amortisation		2,013,690	873,801
(Less) : Finance Expenses (net)	18	(524,428)	(318,598)
(Less) : Revenue share License fees		(484,849)	(325,902)
(Less) : Spectrum charges		(141,764)	–
Profit before Depreciation and Amortisation		862,649	229,301
(Less): Depreciation [Schedule 4, note (1)]		(557,503)	(361,733)
(Less): Amortisation	19	(349,457)	(330,663)
(Less): Preoperative expenses charged to Profit and Loss [schedule 20 note (23)]		(67,036)	–
(Loss) for the year		(111,347)	(463,095)
(Loss) brought forward		(3,605,530)	(3,142,435)
Adjustment for Deferred Tax [schedule 20 note (13)]		289,951	–
Balance carried over to Balance Sheet		(3,426,926)	(3,605,530)
Earnings Per Share (Basic) (in Rupees)	20 (25)	(0.20)	(0.99)
Earnings Per Share (Diluted) (in Rupees)	20 (25)	(0.20)	(0.99)
Notes to Accounts	20		

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

The Schedules referred to above and the notes thereon form an integral part of the Account

U. RAJEEV
Partner
For and on behalf of
PRICE WATERHOUSE & CO.
Chartered Accountants

Place : New Delhi
Date : May 28, 2002

On behalf of the Board

ANIL NAYAR
Director

AKHIL GUPTA
Director

R. JAGANNATHAN
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 Rs. '000	As at March 31, 2001 Rs. '000
1(a) SHARE CAPITAL		
Authorised 550,000,000 (March 2001 : 550,000,000) Equity Shares of Rs. 10/– each	**5,500,000**	5,500,000
Issued, Subscribed and Paid up 550,000,000 (March 2001 : 550,000,000) Equity Shares of Rs. 10/– each fully paid up	**5,500,000**	5,500,000
	5,500,000	5,500,000
Note: Of the above shares 407,000,000 (March 2001:407,000,000) shares are held by SC Cellular Holdings Limited, the Holding company.		
	781,512	781,512
1(b) ADVANCE AGAINST SHARE CAPITAL [Schedule 20 note 21]	**781,512**	781,512
	781,512	781,512
2. SECURED LOANS		
From Bank Rupee Loan from Citibank N.A. [Repayable within one year Rs. Nil (March 2001 : Rs. 162,447)] Secured by first charge ranking pari passu on all assets of the Company (excluding book debts) both present and future	**–**	731,011
13.5%, 200 (March 2001: 200) Non–Convertible Redeemable Debentures of Rs. 1 Crore each [note 1(i) and 2 (i) below]	**2,000,000**	2,000,000
10.55% , 60 (March 2001:Nil) Non–Convertible Redeemable Debentures of Rs. 1 Crore each [note 1(ii) and 2 (ii) below]	**600,000**	–
10.9%, 90 (March 2001: Nil) Non–Convertible Redeemable Debentures of Rs. 1 Crore each [note 1(iii) and 2 (ii) below]	**900,000**	–
11.45%, 60 (March 2001: Nil) Non–Convertible Redeemable Debentures of Rs. 1 Crore each [note 1(iv) and 2 (ii) below]	**600,000**	–
Floating interest rate, 125 (March 2001: Nil) Non–Convertible Redeemable Debentures of Rs. 1 Crore each [note 1(v) and 2 (iii) and note 3 below]	**1,250,000**	
Others Essar Investments Limited (Secured by pledge of shares of Evergrowth Telecom Limited)	**300,000**	300,000
From Hire Purchase Companies [Repayable within one year Rs. 115 (March 2001 : Rs.124)] Secured by hypothecation on specific fixed assets purchased out of such loans	**706**	124
	5,650,706	3,031,135

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note 1 : Details of Redemption of Debentures

	Particulars of Debentures	Number of instalments and mode of repayments	First instalment due on
(i)	13.5% Non–Convertible Redeemable Debenture	26, quarterly	October 1, 2003
(ii)	10.55 % Non–Convertible Redeemable Debenture	4, half yearly	December 1, 2004
(iii)	10.9 % Non–Convertible Redeemable Debenture	6, half yearly	December 1, 2006
(iv)	11.45 % Non–Convertible Redeemable Debenture	4, half yearly	December 1, 2009
(v)	Floating rate Non–Convertible Redeemable Debenture	13, half yearly	December 31, 2003

Note 2 : Nature of Security

(i) 13.5% Non–Convertible Redeemable Debentures are secured by way of a charge, ranking pari passu on the Company's movable and immovable properties (excluding certain specific assets for which charges have been created in favour of a financial company) both present and future.

(ii) 10.55%, 10.90% and 11.45% Non–Convertible Redeemable Debentures are secured by way of a charge, in favour of Infrastructure Development Finance Company Limited (the debenture trustee) and International Finance Corporation, Washington, (partial guarantor of the debentures) ranking pari passu with other debenture holders on immovable properties of the Company including construction thereon situated at Village Kelawade, Pune, (both present and future) and all movable assets (both present and future) including benefits, rights and interest accrued thereon, excluding certain specific assets for which charges have been created for specific loan and the Company's Optic Fibre Backbone.

(iii) Floating interest rate Non–Convertible Redeemable Debentures are secured by way of a charge, in favour of Citibank NA (debenture holder) and Infrastructure Development Finance Company Limited (debenture trustee) ranking pari passu with other debenture holders on immovable properties of the Company situated at Village Kelawade, Pune, (both present and future) and all movable assets (both present and future) including benefits, rights and interest accrued thereon, excluding certain specific assets for which charges have been created for specific loan and the Company's Optic Fibre Backbone.

Note 3: The applicable floating rate of interest payable on Non–Convertible redeemable debentures as on March 31, 2002, is 11.26%

3. UNSECURED LOANS		
Short Term Loan from GE Capital Services [Repayable within one year Rs. 766,995 (March 2001 : Rs. 766,995)]	**766,995**	766,995
Interest free Loan from a Company under the Same Management (Note below)	**5,661,219**	2,456,227
	6,428,214	3,223,222

Note : Maximum amount outstanding during the year Rs. 11,649,863 (March 2001 : Rs. 2,456,082)

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

4. FIXED ASSETS
(Schedule 20 Note 1 (ii))

(Rs. '000)

	Gross Block (at cost)				Depreciation				Net Block	
ASSET CATEGORY	2001	Additions	Deletions/ Adjustments	2002	2001	For the year (note 1)	Deletions/ Adjustments	2002	2002	2001
Freehold Land	5,967	17,089	–	**23,056**	–	–	–	–	**23,056**	5,967
Buildings	1,578	13,837	–	**15,415**	39	416	–	**455**	**14,960**	1,539
Improvements to Leased premises	48,488	10,944	–	**59,432**	13,984	7,634	–	**21,618**	**37,814**	34,504
Plant & Machinery (note 2)	4,016,842	2,840,246	(2,433)	**6,859,521**	820,160	496,316	(1,249)	**1,317,725**	**5,541,796**	3,196,682
Computers	342,294	79,380	17,418	**404,256**	277,055	42,288	4,479	**314,864**	**89,392**	65,239
Furniture & Fittings	10,573	3,653	157	**14,069**	5,396	1,930	119	**7,207**	**6,862**	5,177
Office Equipment	51,456	16,398	270	**67,584**	32,638	11,532	63	**44,107**	**23,477**	18,818
Vehicle (note 3)	9,201	3,020	2,281	**9,940**	4,235	1,608	1,818	**4,025**	**5,915**	4,966
Total :	**4,486,399**	**2,984,567**	**17,693**	**7,453,273**	**1,153,507**	**561,724**	**5,230**	**1,710,001**	**5,743,272**	**3,332,892**
2001	2,232,546	2,266,606	12,753	4,486,399	796,400	361,733	4,626	1,153,507		
Capital Work–in–Progress [including Capital Advances Rs. 30,930 (March 2001 : Rs. 178,983)]									210,603	669,712
									5,953,875	4,002,604

Note 1: Reconciliation of Depreciation charge as per Schedule 4 and as per the Profit and Loss account

Depreciation for the year as above	561,724
(Less) : Write back for the prior years on account of reclassification of the Prepaid billing system from Computers to Plant and Machinery, (included in the column of depreciation / deletions / adjustments) the original cost and the accumulated depreciation being Rs. 17,292 and Rs. 4,467 respectively.	(3,127)
(Less) : Depreciation included under preoperative expenditure capitalised [Schedule 20 note (23)]	(1,094)
Charge to Profit and Loss account	557,503

Note 2 : The Company has an agreement with Bharti Telesonic Limited (BTSOL) to share the backbone network facilities for their respective services, jointly constructed and established. The Company is the co-owner with BTSOL in the ratio of 44:56. The capital expenditure incurred on this project pertaining to the Company's share in the ownership which has now been capitalized and depreciated under Plant and Machinery as follows:

Additions to Plant and Machinery during the year	431,409
Depreciation for the year and Accumulated Depreciation	5,045
Written down value as on March 31, 2002	426,364

Note 3 : Includes vehicles on hire purchase Rs. 861 (March 2001 : 550)

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 Rs. '000	As at March 31, 2001 Rs. '000
5. INVESTMENTS		
[Schedule 20 Note 1 (iii)]		
Other than Trade		
Quoted		
Long Term		
Bonds and Debentures [Schedule 20 Note 22 (ii)]	–	417,079
Government Securities [Schedule 20 Note 22(ii))]	111,170	
Short Term		
Mutual Funds [Schedule 20 Note 22 (ii)]	183	550,176
Unquoted		
Long Term		
Evergrowth Telecom Limited (subsidiary company) 30,000,000 (March 2001: 30,000,000) Equity shares of Rs. 10/– each fully paid for cash (lodged as security against loan)	300,000	300,000
	411,353	1,267,255
Notes :		
(i) Aggregate book value of Quoted Investments :	111,353	967,255
Market value of Quoted Investments :	120,388	994,515
6. INVENTORIES		
[Schedule 20 Note 1 (iv)]		
Traded Goods including Sim Cards [net of provision Rs. 363 (March 2001 : Rs.363)]	22,673	18,557
	22,673	18,557
7. SUNDRY DEBTORS		
[Schedule 20 Note 1 (v)]		
Unsecured except otherwise stated		
Subscribers to Cellular Mobile Telephone Services (CMTS)		
Exceeding six months		
Considered Good	48,632	7,177
Considered Doubtful	293,596	173,559
Others		
Considered Good	380,552	316,157
Considered Doubtful	73,830	63,467
	796,610	560,360
Less : Provision for doubtful debts	367,426	237,026
Others		
Exceeding six months		
Considered Good	117	16,255
Considered Doubtful	17,031	–
Others		
Considered Good	26,555	56,831
Considered Doubtful	2,523	–
	46,226	73,086
Less : Provision for doubtful debts	19,554	–
	455,856	396,420

Note : Sundry debtors (subscribers to CMTS) include :
(1) Rs. 467,843 (March 2001: Rs. 329,942) against which there are subscriber deposits
(2) Unbilled revenue Rs. 160,132 (March 2001: Rs. 132,825) against which there is a provision for doubtful debts of Rs. 3,000 (March 2001: Rs. Nil)

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Paritculars	As at March 31, 2002 Rs. '000	As at March 31, 2001 Rs. '000
8. CASH AND BANK BALANCES		
Cash on Hand	4,170	399
Cheques in Hand	28,761	87,654
Balances with Scheduled Banks:		
In Current Account	66,733	67,145
In Deposit Account	71,479	90,771
(Note below)		
	171,143	245,969
Note : Includes Rs. 4,825 (March 2001 :Rs. 4,825) under lien to Banks for Guarantees given in favour of the Company		
9. LOANS AND ADVANCES		
[Unsecured, Considered good]		
Advance Income Tax (net of provision Rs. 4,318 (March 2001 : Rs. 4,318)	15,186	7,424
Advances recoverable in cash or in kind or for value to be received [Schedule 20 note 4(iv))		
– Considered Good	4,792,192	560,171
– Considered Doubtful	1,870	518
	4,794,062	560,689
Less : Provision for Doubtful Advances	1,870	518
	4,807,378	567,595
10. CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry Creditors [Note (1)]	1,209,367	912,839
Advance Billing and Prepaid Card Revenue	106,389	45,791
Interest payable	157,985	67,999
Current liabilites [Note (2) and Note (3)]	538,979	1,057,273
Statutory Liabilities	84,938	35,928
	2,097,658	2,119,830
Notes :		
(1) Dues to Small Scale Industrial Undertaking – Rs.724 (March 2001 : Rs. Nil)		
(2) Due to Companies under the same management Rs. 122,599 (March 2001 : Rs. 12,865) Maximum amount outstanding during the period Rs. 707,099 (March 2001 : Rs.23,329)		
(3) Includes book overdraft in bank accounts amounting to Rs. 612 (March 2001: Rs. 152,577)		
B. Provisions [Schedule 20 Note 1(ix)]		
Gratuity	599	5,112
Leave Encashment	8,345	6,656
	8,944	11,768
11. MISCELLANEOUS EXPENDITURE **(to the extent not written off or adjusted)** [Schedule 20 Note 1 (vi)]		
Employee Stock Option Plan	41,137	–
	41,137	–

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Paritculars	For the year ended March 31, 2002 Rs. '000	For the year ended March 31, 2001 Rs. '000
12. OTHER INCOME		
Profit on sale of Fixed Assets (net)	315	–
Excess Provision on account of Gratuity written back	1,078	–
Miscellaneous income	726	1,045
Exchange Fluctuation (net)	756	1,376
	2,875	2,421
13. NETWORK OPERATING EXPENDITURE		
Interconnect charges	193,773	109,110
[includes Rs. Nil (March 2001 : Rs. 753) for earlier years]	–	
Wireless Planning Commission Fees [Includes Rs. 54,197 (March 2001 – Rs. Nil) for earlier years]	36,807	10,189
Signalling charges	8,718	15,115
Site Expenses :		
– Operating Lease Rent	43,046	29,773
– Insurance	5,829	3,434
– Repair and Maintenance	82,256	65,729
– Power and Fuel	84,875	39,687
– Others	3,772	–
	459,076	273,037
14. COST OF GOODS SOLD – HANDSETS		
Opening Stock	18,557	4,310
Add : Purchases	110,580	84,834
	129,137	89,144
Less : Simcard Utilisation	105,169	50,053
Less : Capitalised	1,069	5,729
Less : Complimentary issues	226	
Less : Closing Stock**	22,673	18,557
	–	14,805
**Includes provision for obsolescence Rs. 363 (Mar 2001 – Rs. 363)		
15. PERSONNEL EXPENDITURE		
Salaries, Wages and Bonus [including provision for Leave encashment Rs. 4,766 (March 2001 : Rs. 4,903)]	201,347	139,739
Contribution to Provident and Other Funds	10,315	8,024
Staff Welfare Expenses	13,342	8,125
Recruitment and Training Expenses	19,511	12,046
	244,515	167,934
16. SALES AND MARKETING EXPENDITURE		
Simcard Utilisation	105,169	50,053
Advertising Expenses	190,601	253,776
Commission and other discounts	265,178	234,857
Business Promotion	70,757	8,108
	631,705	546,794

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Paritculars	For the year ended March 31, 2002 Rs. '000	For the year ended March 31, 2001 Rs. '000
17. ADMINISTRATIVE AND OTHER EXPENDITURE		
Billing and Collection Expenses	99,264	53,944
Software Expenses	20,799	10,343
Rent	25,632	23,261
Power and Fuel	6,689	7,301
Rates and Taxes	1,634	24,316
Insurance	2,182	1,185
Repair and Maintenance		
– Others	26,236	14,335
Travelling and Conveyance	29,612	27,703
Legal and Professional Charges (Schedule 20 note 6)	16,312	6,900
Printing and Stationery	12,499	12,720
Provision for Doubtful Debts	149,954	78,424
Provision for Doubtful Advances	1,352	518
Bad Debts and Doubtful Written Off	–	21,314
Communication expenses	28,034	8,241
Membership and Subscription	1,543	1,508
Loss on Sale of Fixed Assets (net)	–	5,385
Miscellaneous Expenses	3,784	5,272
	425,526	302,670
18. FINANCE EXPENSES (net)		
Interest on :		
– Term Loan	104,471	181,336
– Debentures	511,599	157,693
– Others	33,629	7,629
Other Finance Charges	77,843	30,171
(Less): Finance income		
Interest Income		
– from Investments [Gross of Tax deducted at source Rs. 7,013 (March 2001: Rs. Nil)]	(78,749)	(14,157)
– from Others [Gross of Tax deducted at source Rs. 706 (March 2001: Rs. 57)]	(5,020)	(1,255)
Profit on sale of Investments (net)	(32,570)	(42,819)
Gains from swap arrangements (including compensation for unwinding)	(82,871)	–
(Schedule 20 note 8)		
Other Finance income	(3,904)	
	524,428	318,598
19. AMORTISATION OF ENTRY FEE AND EMPLOYEE STOCK OPTION PLAN EXPENSES		
Entry fee Amortisation	338,894	330,663
Employee Stock Option Plan expenses	10,563	–
	349,457	330,663

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Rupees in '000

20. NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Method of Accounting

The Company adopts the historical cost concept and accrual basis in the preparation of its accounts.

(ii) Fixed Assets and Depreciation

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned. Incidental expenditure directly attributable to fixed assets incurred prior to commencement of commercial operation is also capitalised where appropriate.

Operating software is capitalised along with fixed asset. Application software are expensed off on acquisition except in case of major application software, where the estimated useful life is over one year, are capitalised.

Assets acquired under hire purchase scheme are capitalised at cost and interest thereon is charged to revenue over the contracted period of such scheme.

Depreciation is provided from the day of capitalisation on a Straight Line Method (SLM) at the rates prescribed in the Schedule XIV to the Companies Act, 1956, except for the following:

(i)	Computer equipment	33.33%	(iv)	Office equipment	33.33 %
(ii)	Cellular Mobile Telephone handsets	33.33 %	(v)	Vehicles	20.00 %
(iii)	Furniture and Fittings	20.00 %			

Leasehold improvements are amortised over the period of lease.

(iii) Investments

Long term investments are valued at cost. Provision is made for diminution in value to recognise a decline, if any, other than of temporary nature.

Current investments are valued at lower of cost and fair market value.

(iv) Inventories

Inventories are valued at lower of cost on a first in first out basis or net realisable value.

(v) Sundry Debtors

Sundry debtors' balances, to the extent they are covered by deposit from customers, are considered as secured.

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

(vi) Deferred Revenue Expenditure

Licence Fee

The fixed component of license fee payable by the Company, upon migration to the National Telecom Policy (NTP 1999), i.e., Entry Fee, has been capitalised as an asset. The Entry fee so capitalised is being amortised equally over the period of the licence.

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 licence agreement of the license area to which the related licence agreement pertains.

Employee Stock Option

The aggregate amount of liability on account of Employee Stock Option Plan as ascertained at year end is being carried forward as Deferred Employee Compensation Benefit under Miscellaneous Expenditure to be written off on straight line basis over the related vesting period of individual option.

(vii) Foreign Currency Transactions

Liabilities / Assets in foreign currency are reckoned in the accounts as per the following governing principles:

Foreign currency liabilities contracted for acquiring fixed assets are restated at the forward contracted rates/rate ruling at the period end and all exchange differences arising as a result of such restatements are adjusted to the cost of fixed assets.

All other foreign currency liabilities / assets are restated at the rates ruling at the year end and all exchange losses / gains arising there from are adjusted to the Profit and Loss Account, except those covered by forward contract rates where the gains / losses arising from such restatement are recognised over the period of such contract.

(viii) Revenue recognition and product support

Revenue for the product sales is recognised on despatch and is net of sales tax. Revenue against use of Cellular Mobile Telephone Services (CMTS) are recognised when services are rendered after considering discounts availed and are net of service tax.

No provision is necessary for product support as the Company has back to back arrangements with the vendors.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Rupees in '000

(ix) Retirement benefits

Retirement benefits are paid to recognised funds as per statutes except for leave encashment liability and Gratuity liability relating to Punjab circle which are accrued in the books based on actuarial valuation basis.

(x) Borrowing cost

Borrowing costs 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.

(xi) Segmental Reporting

(a) Primary Segment:

The Company operates only in one business segment viz. 'Cellular Mobile Telephony Services.'

(b) Secondary Segment:

The Company caters only to the needs of Indian market hence there are no reportable geographical segments.

(xii) Leases

Lease Rentals in respect of assets taken on 'Operating Lease' are charged to the Profit and Loss Account on an actual basis.

(xiii) Taxation

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

However, in the year of transition, the accumulated deferred tax liability at the beginning of the year is recognised with a corresponding charge to the Reserves in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax asset to the extent it pertains to unabsorbed loss/ depreciation, is 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.

(xiv) Earning Per Share

The earnings considered in ascertaining the Company's EPS comprises 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.

2. (i) **Contingent Liability**

(A) Bank guarantees given by the Company's bankers Rs. 836,118 (March 2001: Rs. 563,272) including Rs. 810,183 (March 2001: Rs. 477,500) against counter guarantees received from Promoters companies' bankers.

(B) Others – Claims against the Company not acknowledged as debts represent:

(a) Disputed Royalty and Fees demanded by Wireless Planning Commission (WPC) Rs. Nil (March 2001: Rs. 58,074).

(b) Sales Tax demands disputed by the Company Rs. 19,793 (March 2001 : Rs. 19,793).

(ii) Estimated amount of contracts remaining to be executed on capital account, net of advance Rs. 38,845 (March 2001 : Rs. 10,296) and not provided for is Rs. 581,301 (March 2001: Rs. 46,598).

3. The Company, in the previous year, had provided for license fee on the basis of 15% of net service revenues as provisionally fixed by Department of Telecommunications(DoT) with effect from August 1, 1999, i.e, post migration to the NTP 99 regime. During the year, DoT issued amendments to the existing license agreements for CMTS, which has been accepted by the Company, resulting in the following changes

(i) Annual license fee @15% of Adjusted Gross Revenue (AGR) is payable with effect from August 1, 1999, to January 25, 2001, and @12% of AGR thereafter.

(ii) WPC spectrum charges are payable for use of cellular spectrum upto 4.4 Mhz / 6.2 Mhz at the rate of 2%/ 3% respectively of AGR with effect from August 1, 1999. WPC microwave royalty continue to be charged as per the earlier rules laid down by the WPC wing of DoT.

(iii) The CMTS operator is permitted to provide fixed phones based on existing Global System for Mobile Communication (GSM) cellular network infrastructure in the licensed area.

(iv) Guidelines have been set for issuing license for basic services for providing the use of hand held set with wireless access system in the local area (WLL). While the aforesaid amendments are subject to the ongoing litigation relating to the 1999 migration package and the WLL matter, in the Honorable Supreme Court, the Company has unconditionally accepted and signed the revised license agreement, the revenue share license fee and WPC charges have been accounted for in line with the changes as above. Accordingly, the license, fee revenue share expense and WPC expense in these accounts includes Rs. 59,803 being adjustment on account of amendment to the existing agreement for earlier years.

4. (i) The Company 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 licence through its wholly owned subsidiary, Evergrowth Telecom Limited ('ETL').

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Rupees in '000

(ii) The Company entered into an agreement on September 6, 1996, with ETL and Essar Investments ('Essar') wherein Essar was to facilitate implementation of the Punjab licence by ETL and provide the necessary funding. Pursuant to these financial arrangements, till such time loan or accrued interest thereon or any other sums due or payable under the financing agreement are outstanding, Essar was given the powers to govern the operating and financial policies of ETL and thereby derive benefits from its operations. Accordingly, even though the Company holds 100% share capital of ETL, its assets and liabilities are not included in these financial statements. The Company had also decided in earlier year to exclude from its books, assets and liabilities pertaining to the Punjab operations, as earlier accounted for.

However, the accounts for the year include Rs. 280,000 and Rs. 300,000 representing recoverable on account of encashment of bank guarantee towards licence fee payable for ETL given on behalf of the subsidiary company which has been included under Loans and Advances and investments made in ETL respectively.

(iii) On December 11, 1996, the DoT withdrew its permission of April 18, 1996, granted to the Company and reinstated the permission again on March 10, 1998, without any change in facts and circumstances between these dates (the period from April 18, 1996, to March 10, 1998, has been hereinafter referred to as 'the black-out period'). Finally, the Punjab licence was terminated by DoT on July 15, 1999, due to alleged non-payment of licence fees, liquidated damages and related penal interest.

(iv) In September 2001, the Company received the Punjab licence restoration offer ('the Offer') from the DoT. As per the Offer, DoT demanded the Company pay Rs. 4,909,948 with respect to all dues (licence fees, WPC charges, liquidated damages and related penal interest) pending the resolution of the dispute relating to the licence fee for the blackout period which would be referred to an independent arbitrator, whose award would be binding on both the Company and the DoT.

(v) The Company has given its unconditional consent to the Offer made by DoT and paid Rs. 4,909,948 to the DoT by September 20, 2001. Consequently, the DoT approved the restoration of the Punjab licence on September 25, 2001 ('restoration offer') and on September 27, 2001, DoT approved the appointment of an arbitrator for adjudication and determination of the dispute. The arbitrator has commenced the proceedings on October 9, 2001. The Punjab licence is valid till December 2014.

(vi) Based on legal opinion the Company has estimated that it is unlikely that the liability on account of licence fee shall exceed Rs. 800,000. Hence, an equivalent amount out of the Rs. 4,909,948 paid to DoT has been treated as fees for the acquisition of the licence. The said amount of Rs. 800,000 is being amortised since February 8, 2002 i.e. date of commencement of commercial operations, till December 2014. The Balance amount of Rs. 4,109,948 is disclosed as amount recoverable under loans and advances. Consequent to settlement of Arbitration any incremental liability/refund shall be adjusted to the license fee of Rs. 800,000 already being amortised. Further any liquidated charges/WPC dues/interest shall also be charged consequent to settlement of the Arbitration proceedings.

(vii) The Company has informed Essar on September 21, 2001, that the financial arrangement stands terminated, as it believes that there have been various defaults committed by Essar under the financial arrangement. In addition, the Group, based on a legal opinion, believes that Essar has no rights to make claims against the Company under the financial arrangement. Also, the restoration order permitted the operation of the licence by the Company with a stipulation that no request would be raised for implementation of the licence through any subsidiary, including ETL.

5. Interest for the year ended March 31, 2002, on the loan of Rs. 300,000 (March 2001: Rs. 300,000) from Essar Investments Limited has been waived by the Lender.

6. The Company has an arrangement with Bharti Tele–Ventures Limited (BTVL) for sharing professional services and facilities, of BTVL and the amount payable on these accounts, aggregating to Rs. 5,380 (March 2001:Rs. Nil) have been expensed under Legal and Professional account.

7. (i) Invoices and Debit notes received from the promoters towards preoperative expenses, technical service fees, interest on bridge loan and other expenses amounting to Rs. 497,454 (March 2001 : Rs. 489,668) [including Rs. Nil (March 2001: Rs. Nil) for the current year and for earlier years Rs. 264,376 (March 2001 : Rs. 259,828) towards revenue expenses and Rs. 233,078 (March 2001 : Rs. 229,840) towards Fixed Assets) have not been provided for in the accounts resulting in understatement of accumulated losses by Rs. 409,043 (March 2001 : Rs. 383,822) (after considering impact of depreciation of Rs. 144,667 (March 2001 : Rs. 123,993) and withholding taxes Rs. 21,416 (March 2001 : Rs 20,697) to be borne by the Company).

(ii) Pursuant to an agreement between Jasmine International (the erstwhile foreign promoter) and SC Cellular Holdings Limited all the claims of Jasmine International had been assigned to SC Cellular on November 29, 1999 (being the date of the agreement). Accordingly, amounts due on account of invoices and debit notes to Jasmine has been recognised as due to SC Cellular.

8. During the current year, the Company entered into interest swap arrangements with a Bank on account of interest liability of Secured Redeemable Non-convertible Debentures amounting to Rs. 4,100,000. (March 2001: Rs. Nil). Swap gain of Rs. 82,871 (March 2001: Rs. Nil) arising out of the aforesaid arrangements including compensation for unwinding amounting to Rs. 50,000 (March 2001: Rs. Nil) received from the Bank has been adjusted against Finance expense.

9. The Company has entered into a "Guarantee-cum- take- out-facility" with Infrastructure Development Finance Corporation (IDFC), whereby IDFC undertakes to guarantee an amount not exceeding Rs. 1,000,000 comprising of the principal amount of the debentures that the Company proposes to issue and the related interest thereon, for a period not exceeding 12 months from the date of the issue of the debentures.

These facilities are secured by way of a charge in favour of IDFC (acting as a debenture trustee) on immovable properties of the Company situated at village Kelawade, Pune (both present and future) and all movable assets (both present and future) including benefits, rights and interest accrued thereon (but excluding Optical fibre backbone). These charges are ranking pari passu with other banks and financial institutions for debentures.

10. Security Deposit Rs. 467,843 (March 2001 : Rs. 329,942) included under Sources of Funds, represents refundable security deposit received from subscribers on activation of connections granted thereto.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Rs. in '000

11. The aggregate of currency translation difference arising from restatement / settlement of foreign currency liabilities represents:
    (a) credit to Profit and Loss Account : Rs. 756 [(March 2001: Rs. 1,376] (net) and
    (b) debit to Fixed assets : Rs. 22,434 [(March 2001 : Rs.44,398) debit] (net)

12. Debenture Redemption Reserve will be created when surplus is available.

13. In view of Accounting Standard - 22 on 'Accounting for Taxes on Income' (AS 22) issued by the Institute of Chartered Accountants of India, the Company has started accounting for Deferred Taxes with effect from April 1, 2001.

    The net Deferred Tax Asset as on March 31, 2002, amounting to Rs. 289,951 (March 2001: Rs. Nil) has been arrived at as follows:

(A) Deferred Tax Assets arising from:	
(i) Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax, Act.	54,754
(ii) Unabsorbed depreciation allowance carried forward	657,812
	712,566
Less: Deferred Tax Liabilities arising from:	
(i) Difference between carrying amount of fixed assets and license fee in the financial statements and the Income Tax Return.	422,615
	289,951

The tax impact for the above purpose has been arrived by applying a tax rate of 36.75% being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.

The above amount of Rs. 289,951 pertaining to the earlier years, has been adjusted to brought forward loss in accordance with AS 22.

14. Particulars in respect of stock-in-trade

Class of Goods	Opening Stock		Purchases		Sales		Closing Stock (Note 1 and 2)	
	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.
2002 Cellular Mobile (Telephone handsets)	255	1,033	127	923	–	–	175	661
2001	132	833	2,972	21,508	1,946	14,792	255	1,033

Note:
1. Excludes 159 nos. handsets (March 2001 : 835 nos.) capitalised.
2. After adjustment of 48 nos. (March 2001 : 68 nos.) towards samples, defective handsets and net shortage on physical verification.

15. Particulars in respect of SIM cards consumed:

	%	2002 (note 1)	%	2001 (note 1)
SIM Cards				
Imported	–	–	11	5,368
Indigenous	100	105,169	89	44,685
	100	105,169	100	50,053

Note 1: After adjustment of shortage/excess, etc.

16. CIF value of imports

	2002	2001
Capital Goods	1,636,321	1,147,113
Others	–	10,387

17. Expenditure in Foreign Currency

	2002	2001
Travelling	161	818
Others	114,506	11,867

18. Earnings in Foreign Currency

	2002	2001
Roaming revenue against international calls made by non subscribers in India	120,881	114,413

19. Auditors' Remuneration debited to the Profit and Loss Account or other heads of account * :

	2002	2001
Audit Fee	700	700
Tax Audit Fees	125	125
Other Services	–	35
Reimbursement of expense	43	15

*excludes Service Tax

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	2002	Rs. in '000 2001
20. (i) Remuneration to former Wholetime Director (excluding Provision for Gratuity)		
Salary, Bonus, etc.	–	1,118
Contribution to Provident and other Funds	–	40
Perquisites (including Rs. Nil (2001 : 116) calculated as per the Income Tax Rules	–	116

(ii) The Company had incurred expenditure of Rs. 507 during the year ended March 31, 1997, for facilities provided to an Additional Director. The Company is of the view that no approval is required from the Central Government in respect thereof as the expenses incurred were not in the nature of remuneration.

(iii) The Central Government's approval is pending against the application made by the Company in respect of remuneration of Rs. 1,943 [Rs. 1,274 for the five month period ended August 31, 2000, and Rs. 669 for the year ended March 31, 2000, respectively](March 2001: Rs. 1,943) payable to the former Wholetime Director which exceeds the limits prescribed by Schedule XIII of the Companies Act, 1956.

(iv) The Company is in the process of appointing a whole time director as required under the Companies Act.

21. The particulars of Advance against share capital are as follows :

	March 2002 Rs.	March 2001 Rs.
SC Cellular Holdings Limited	189,000	189,000
Foreign Promoters :		
Telia	592,512	592,512
	781,512	781,512

22. Related party Disclosure

(i) Names of related parties and description of relationship (as identified and certified by the Management)

a) **List of Related Parties**

Key Management Personnel:

Anil Nayar

b) **Other related parties**

Name of the Related Party	Relationship
Bharti Tele-Ventures Limited	Holding Company
Bharti Cellular Ltd.	Holding Company
S.C.Cellular Holdings Ltd.	Holding Company
Bharti Mobinet Ltd.	Fellow Subsidiary
Bharti Mobitel Ltd.	Fellow Subsidiary
Bharti Telenet Ltd.	Fellow Subsidiary
Bharti Comtel Ltd.	Fellow Subsidiary
Bharti Telesonic Ltd.	Fellow Subsidiary
Bharti Aquanet Ltd.	Fellow Subsidiary
JD Projects Pvt. Ltd.	Fellow Subsidiary
Bharti BT Internet Ltd.	Fellow Subsidiary
Bharti Enterprises Pvt. Ltd.	Associate Company
Bharti Telecom Ltd.	Associate Company
Bharti Global Ltd.	Associate Company
Bharti Overseas Trading corporation (BOTC).	Associate Partnership Firm
Bharti Telecom Finance Ltd.	Associate Company
Bharti Teletech Ltd.	Associate Company
Bharti Systel Ltd.	Associate Company
Bharti Telesoft Ltd.	Associate Company
Bharti Healthcare Ltd.	Associate Company
Bharti Infotrac Ltd.	Associate Company
Goa Telecommunications and systems Ltd.	Associate Company
Telecom (Seychelles) Ltd.	Associate Company
Indian Ocean Telecom Ltd.	Associate Company
Singapore Telecommunications Ltd.	Associate Company
Warbug Pincus	Associate Company
Pastel Ltd.	Associate Company
Brentwood Investments Holdings Ltd.	Associate Company
Bharti i2i Limited	Associate Company
Network i2i Limited	Associate Company

22. (ii) Schedule of related Party Transactions

(Amount in '000 Rupees)

Particulars	SC Cellular Holdings Limited	Bharti Tele-Ventures Limited	Bharti Cellular Limited	Bharti Telenet Limited	Bharti Telesonic Limited	Bharti BT Internet Limited	Bharti Comtel Limited	Bharti Mobinet Limited	Bharti Telecom Limited	Bharti Mobitel Limited	Bharti Systel Limited	Bharti Teletech Limited	Bharti Telesoft Limited
Nature of relationship	Holding Company	Holding Company	Holding Company	Fellow Subsidiary	Fellow Subsidiary	Fellow Subsidiary	Fellow Subsidiary	Fellow Subsidiary	Associate Company	Fellow Subsidiary	Associate Company	Associate Company	Associate Company
Opening Balance at the beginning of the year	(116,480)	(2,469,092)	(13,227)	–	(578,265)	–	(121)	–	(1,579)	–	–	–	–
Transactions:	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–
Advances given	–	(5,677)	(2,278)	4,066	–	–	–	–	–	–	–	–	–
Reimbursement of expenses	–	(8,979)	(17,438)	859	3,710	(419)	–	37	–	276	(12)	–	(29)
Repayment of Security Deposit	–	–	–	–	570,000	–	–	–	–	–	–	–	–
Payments made	116,480	8,878,802	7,152	–	7,652	4,011	121	–	1,579	–	–	95	3,376
Payments received	–	(7,118,970)	–	(4,928)	2,580	–	–	(37)	–	(34)	–	–	–
Management fees	–	(5,106)	–	–	–	–	–	–	–	–	–	–	–
Lease Line / port charges	–	–	–	–	–	(3,840)	–	–	–	–	–	–	–
Space on web server	–	–	–	–	–	(169)	–	–	–	–	–	–	–
Rent, electricity and earthing charges	–	–	–	–	–	(290)	–	–	–	–	–	–	–
Sale of vehicles	–	–	447	–	–	–	–	–	–	–	–	–	–
License for domino application server	–	–	–	–	–	–	–	–	–	–	–	–	(2,250)
Software implementation	–	–	–	–	–	–	–	–	–	–	–	–	(447)
Website change requests	–	–	–	–	–	–	–	–	–	–	–	–	(533)
Leaseline expenses	–	–	–	–	(451)	–	–	–	–	–	–	–	–
Access Fees paid	–	–	–	–	(25,220)	–	–	–	–	–	–	–	–
WPC charges paid	–	(4,584)	(53,020)	–	–	–	–	–	–	–	–	–	–
License fee paid	–	(4,909,948)	–	–	–	–	–	–	–	–	–	–	–
Customs duty paid	–	(1,241)	–	–	–	–	–	–	–	–	–	–	–
Advertisement expenses reimbursed	–	(23,000)	–	–	–	–	–	–	–	–	–	–	–
WPC and Demat Charges paid	–	(34,617)	–	–	–	–	–	–	–	–	–	–	–
Transfer of assets	–	–	–	–	–	–	–	–	–	113	–	(95)	(857)
Transfer of capital advances	–	–	–	–	15,333	–	–	–	–	–	–	–	–
Advance agst share capital recd. From Telia AB &	–	300,000	–	–	–	–	–	–	–	–	–	–	–
Investment in shares of EGTL	–	(300,000)	–	–	–	–	–	–	–	–	–	–	–
Closing Balance at the end of the year	**–**	**(5,702,414)**	**(78,365)**	**(3)**	**(4,660)**	**(707)**	**–**	**–**	**–**	**355**	**(12)**	**–**	**(740)**

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

23. Expenditure not directly attributable to fixed assets incurred by the Company from the date of acquiring license fee upto the date of commencement of commercial operation charged to profit and loss account are as follows:

		2002	Rs. in '000 2001
Network Operating Expenses			
DoT Access Charges	5,019		
DoT Rental Charges	19		
Insurance Premium - Exchange/Sites	115		
Repairs and Maintenance - Exchange/Sites	5,462		
Power & Fuel	313		
Consumable Stores	87	**11,015**	–
Personnel Expenses			
Salaries	18,493		
Contribution to Provident & Other Funds	697		
Staff Welfare Expenses	644		
Recruitment & Training Expenses	2,742		
ESOP Expense	847	**23,423**	–
Selling Expenses			
Advertising & Publicity Expenses	33,288		
Gifts & Presentations	–		
Business Promotion and Entertainment	1,042		
Other Expenses	742	**35,072**	–
Administrative Expenses			
Legal & Professional Charges	2,409		
Electricity and Water Charges - Others	379		
Communication Expenses	1,580		
Printing and Stationery	544		
Travelling & Conveyance	2,809		
Rent	599		
Rates and Taxes	22		
Vehicle Running & Maintenance	89		
Repairs & Maintenance Others	356		
Insurance Others	46		
Software Exp.	89		
Miscellaneous expenses	1,090	**10,012**	–
Finance Expense			
Other Bank/Finance Charges		**1,422**	–
Depreciation		**1,094**	–
		82,038	–
Less: Allocated to Fixed Assets		**15,002**	–
Less: Expenditure charged to Profit and Loss account		**67,036**	–
		Nil	–

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

24 (a). The details of short term investments purchased and redeemed / sold during the year are as follows: Rs. in '000

Particulars	No. of units	Purchase cost	Sale / Redemption Proceeds
Bonds			
13% IDBI 2004	–		101,662
14% IDBI 2005	–		51,641
13% IDBI 2004	–		51,351
14% IDBI Bonds	–		106,807
11.55% SBI Bonds	–	50,716	53,141
11.55% SBI Bonds	–	50,716	53,049
10.25% IDBI 2002	–	150,000	149,354
10.25% IDBI 2002	–	100,000	99,570
10.25% ICICI Bonds	–	100,000	99,894
		451,432	766,469
Debentures			
11.4% Lafarge	–	52,065	46,597
11.2% Lafarge	–	51,454	47,649
11.15% M&M	–	50,983	50,000
11.15% M&M	–	40,787	40,275
11.15% M&M	–	10,197	10,201
		205,486	194,722
Government Securities			
10.45% GOI	500,000	50,180	50,190
11.5% GOI	500,000	54,575	55,380
11.5% GOI	500,000	54,660	55,080
11.5% GOI	500,000	55,575	56,405
11.43% GOI	500,000	55,090	55,890
9.81% GOI	1,000,000	100,390	100,400
11.43% GOI	500,000	55,000	55,098
11.43% GOI	500,000	55,000	55,045
11.5% GOI	500,000	55,510	55,535
11.75% GOI	1,000,000	100,690	100,450
11.75% GOI	500,000	50,345	50,230
11.3% GOI	500,000	55,025	55,975
9.81% GOI	500,000	50,100	50,175
9.81% GOI	500,000	50,100	50,115
11.3% GOI	500,000	54,950	55,850
11.4% GOI	500,000	55,310	55,378
11.5% GOI	500,000	56,070	56,795
11.5% GOI	500,000	57,250	57,360
9.39% GOI	500,000	50,875	50,900
9.39% GOI	1,000,000	101,145	101,150
11.3% GOI	500,000	56,650	55,705
9.39% GOI	500,000	50,725	49,375
11.5% GOI	1,000,000	111,080	112,550
11.03% GOI	500,000	54,850	54,975
11.4% GOI	500,000	55,080	56,300
11.4% GOI	500,000	55,160	56,575
11.3% GOI	500,000	56,625	55,375
11.3% GOI	500,000	56,650	55,375
	16,000,000	1,714,660	1,719,631

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

24 (a). The details of short term investments purchased and redeemed / sold during the year are as follows: Rs. in '000

Particulars	No. of units	Purchase cost	Sale / Redemption Proceeds
Quoted – Short term			
Mutual Funds – Delhi			
Zurich India Mutual Fund	19,174,520	215,481	216,168
Zurich India Mutual Fund	1,749,858	20,000	20,077
Kothari Pioneer Mutual Fund	58,925	79,616	79,682
Kothari Pioneer Mutual Fund	73,016	99,817	100,000
Kotak Mahindra Mutual Fund	12,130,824	130,582	131,012
Alliance Mutual Fund	125,351	161,297	162,759
Dundee Mutual Fund	7,161,071	91,000	92,451
Grindlays Super Saver Income Fund	10,237,965	103,609	103,909
JM Mutual Fund	9,445,309	138,798	139,076
HDFC Mutual Fund	49,487,621	525,394	529,743
HDFC Mutual Fund	2,022,059	22,000	22,144
Prudential ICICI	15,774,231	207,919	209,213
Prudential ICICI	7,627,356	101,957	102,345
DSP Mutual Fund	3,845,030	50,000	51,090
Birla Mutual Fund	5,894,813	84,968	85,294
	144,807,949	2,032,438	2,044,963
Mutual Funds – Bangalore			
Birla Cash Plus	2,427,345	35,000	35,426
DSP Mutual Fund	378,527	5,000	5,030
Dundee Mutual Fund	2,895,282	37,530	37,669
HDFC Mutual Fund	6,289,797	67,133	68,053
IL & FS Mutual Fund	1,987,739	20,000	20,119
Kotak Mahindra Mutual Fund	3,268,316	35,000	35,380
Kothari Pioneer Mutual Fund	37,954	49,989	50,643
Prudential ICICI	3,786,729	50,000	50,820
Templeton Mutual Fund	4,355,143	57,500	58,713
Zurich Mutual Fund	2,302,970	25,000	26,044
BIRLA CASH PLUS	678,150	10,000	10,072
BIRLA CASH PLUS	503,356	7,500	7,546
DSP MERILL LYNCH	761,377	10,000	10,141
DUNDEE	379,795	5,000	5,029
SC GRINDLAYS CF	994,540	10,000	10,205
HDFC	35,702	367	393
HDFC	944,537	10,000	10,403
HDFC	912,667	10,000	10,052
HDFC	910,034	10,000	10,023
K-LIQUID	971,345	10,000	10,609
K-LIQUID	955,557	10,000	10,437
K-LIQUID	913,843	10,000	10,070
K-LIQUID	904,666	10,000	10,060
KOTHARI PIONEER	3,796	5,011	5,146
KOTHARI PIONEER	5,477	7,500	7,564
KOTHARI PIONEER	7,282	9,996	10,000
KOTHARI PIONEER	3	4	4
JM MUTUAL FUND	328,818	5,000	5,008
JM MUTUAL FUND	655,342	10,000	10,078
SBI MUTUAL FUND	404,508	5,000	5,008
TEMPLETON	759,717	10,000	10,382
TEMPLETON	735,943	10,000	10,057
ZURICH	882,317	10,000	10,062
ZURICH	438,804	5,000	5,004
ZURICH	875,450	10,000	10,081
ZURICH	655,291	7,500	7,545
	43,348,116	590,030	598,876

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

24 (b). The details of quoted investment per Schedule 5 is as follows : Rs in '000

Particulars	Interest %	Number as as 31.03.02	Number as at 31.03.01	Face value 31.03.02	Face value 31.03.01	As at 31.03.02	As at 31.03.01
Quoted – Long term							
Bonds							
IDBI 2003	14%	Nil	15	Nil	150,000	Nil	158,850
IDBI 2004	13%	Nil	1,000	Nil	100,000	Nil	104,102
IDBI 2004	13%	Nil	500	Nil	50,000	Nil	52,696
SBI BONDS	11.55%	Nil	100	Nil	100,000	Nil	101,431
				Nil	400,000	Nil	417,079
Government securities							
11.5% GOI – 2011	11.50%	500,000	Nil	50,000	Nil	55,510	Nil
12.5% GOI 2004	12.50%	500,000	Nil	50,000	Nil	55,660	Nil
				100,000	Nil	111,170	Nil
Quoted – Short term							
Mutual Funds							
Alliance – Cash Manager Growth		Nil	125,351	Nil	125,351	Nil	161,297
HDFC – Liquid Fund		Nil	15,245,449	Nil	152,454	Nil	158,739
JM Liquidity Fund		Nil	5,973,502	Nil	59,735	Nil	86,586
Prudential ICICI – Income Plan		Nil	4,272,141	Nil	42,721	Nil	55,161
Birla – Cash Plus		Nil	2,365,442	Nil	23,654	Nil	33,393
Zurich India Liquid Fund		Nil	1,411,991	Nil	14,120	Nil	15,000
Kotak Mahindra K Liquid		Nil	955,557	Nil	9,556	Nil	10,000
HDFC Liquid Fund		Nil	971,751	Nil	9,718	Nil	10,000
Kotak Mahindra K Liquid		Nil	971,345	Nil	9,713	Nil	10,000
Templeton		Nil	769,930	Nil	7,699	Nil	10,000
Kothari Pioneer		134	–	134	Nil	183	Nil
				134	454,721	183	550,176

25. Earnings per Share:

	2001-02	Rs. in '000 2000-01
Number of equity shares at the beginning of the year	550,000,000	300,000,000
Number of equity shares outstanding at the end of the year	550,000,000	550,000,000
Weighted average number of equity shares outstanding during the year	550,000,000	469,178,082
Net loss available for equity Shareholders (in '000 Rs.)	(111,347)	(463,095)
Basic and Diluted Earnings (in Rs.) Per Share	(0.20)	(0.99)

Share application Money is refundable to the promoers and hence not considered for computation & Diluted EPS.

26. Amounts mentioned in the notes on accounts and other Schedules are in Rupees Thousands.

27. Previous year's figures have been reclassified/rearranged wherever necessary.

Cash Flow Statement for the year ended March 31, 2002 prepared pursuant to Accounting Standard (AS) - 3 issued by the Institute of Chartered Accountants of India

	2002 Rs.	2001 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES	**Total**	**Total**
Net (Loss) / Profit before Taxation	**(111,347)**	(463,095)
Adjustments for:		
Depreciation	**557,503**	361,733
Interest Expense	**650,463**	346,658
Interest Income	**(83,769)**	(15,412)
(Profit)/Loss on Fixed Assets sold	**(315)**	5,385
(Profit)/Loss on sale of Investments	**(32,570)**	(42,819)
Miscellaneous Expenditure written off (ESOP Expenses)	**10,563**	–
Deferred revenue expenditure written off (Entry fee amortisation)	**338,895**	330,663
Pre-operative expenses written off	**67,036**	–
Provision for doubtful advances	**1,352**	518
Provision for Bad & Doubtful Debts	**149,954**	78,424
Gratuity liability no longer required written back	**(1,078)**	–
Provision for Gratuity / Leave Encashment	**1,687**	4,614
Provision for Inventory for obsolete/ damaged stock	**–**	364
Interest swap gain	**(82,871)**	–
Unrealised foreign exchange (gain) /loss	**262**	–
Operating profit before Working Capital Changes	**1,465,765**	607,033
Adjustments for :		
– Sundry Debtors	**(209,391)**	(308,941)
– Other Receivables	**(4,243,554)**	(48,580)
– Inventories	**(4,116)**	(14,612)
– Trade and Other Payables	**(198,714)**	898,150
Licence Fee payment	**(800,000)**	–
ESOP Payment	**(52,547)**	–
Pre-operative expenses paid	**(65,095)**	–
Cash generated from operations	**(4,107,652)**	1,133,050
– Taxes (Paid) / Received	**(7,763)**	(774)
Net cash from Operating activities	**(4,115,415)**	1,132,276
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(2,398,715)**	(1,974,812)
Adjustment for Unrealised Foreign Exchange Loss	**(29,310)**	19,270
	(2,428,025)	(1,955,542)
Sale of fixed assets	**1,340**	2,742
Sale of Investments	**5,342,263**	1,300,184
Purchase of investments	**(4,453,792)**	(2,224,690)
Interest Received (Revenue)	**93,948**	2,750
Net Cash Used in Investing Activities	**(1,444,266)**	(2,874,556)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds form Advance against share capital	**–**	(245,913)
Proceeds from Short Term Borrowings	**3,205,573**	587,853
Repayment of Short Term Borrowings	**–**	(218,514)
Proceeds from Long Term borrowings	**3,350,000**	2,000,000

Repayment of Long Term Borrowings	**(731,011)**	(81,224)
Proceeds from security deposits (NET)	**137,900**	140,807
Interest Paid	**(560,478)**	(289,536)
Swap gain realised	**82,871**	–
Net Cash from Financing Activities	**5,484,855**	1,893,471
Net Increase/(Decrease) in Cash & Cash Equivalents	**(74,826)**	151,191
Cash and cash equivalents as at 31.03.2001	**245,969**	94,778
Cash and cash equivalents as at 31.03.2002		
Cash, Cheques & Drafts (in hand) and Remittances in transit	**32,931**	88,053
Balance with Scheduled Banks	**138,212**	157,916
	171,143	245,969

Notes:

1. The above Cash flow statement has been prepared under the indirect method setout in AS-3 issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate cash outgo.
3. Previous period figures have been regrouped and recast wherever necessary to conform to the current period classification.
4. Cash and cash equivalents includes Rs. 4,825 which are not available for use by the Company.(Refer note on Schedule 8 of Balance Sheet)

On behalf of the Board

ANIL NAYAR
Director

AKHIL GUPTA
Director

R. JAGANNATHAN
Company Secretary

AUDITORS' CERTIFICATE

The above Cash Flow Statement has been compiled from, and is based on the audited accounts of Bharti Mobile Limited for the year ended March 31, 2002 reported by us on May 28, 2002. According to the information and explanations given, the aforesaid Cash Flow Statement has been prepared in consonance with the requirements of the Accounting Standard (AS) 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India and the reallocations required for the purpose are as made by the Company.

U. RAJEEV
Partner

For and on behalf of
PRICE WATERHOUSE & CO.
Chartered Accountants

Place : New Delhi
Date : May 28, 2002

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 113148 **State Code** 55

Balance Sheet Date 31-03-02 (Date Month Year)

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

Public Issue NIL	**Rights Issue** NIL
Bonus Issue NIL	**Private Placement** NIL

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

	Total Liabilities 18828275	**Total Assets** 18828275
Sources of funds	**Paid-Up Capital** 5500000	**Reserves & Surplus** NIL
	Secured Loans 5650706	**Unsecured Loans** 7677569
Application of funds	**Net Fixed Assets** 5953875	**Investments** 411353
	Net Current Assets 3640399	**Misc. Expenditure** 5395722
	Accumulated Losses 3426926	

IV. Performance of the Company (Amount in thousands)
(Not Applicable as commercial operations has'nt started)

Turnover 444968	**Total Expenditure** 4557315
Profit / (Loss) Before Tax (-)111347	**Profit / (Loss) After Tax** (-)111347
Earnings Per Share in Rs. (-)0.20	**Dividend Rate %** NIL

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

Item Code No. (ITC Code) NOT APPLICABLE

Product Description CELLULAR PHONE SERVICE

On behalf of the Board

ANIL NAYAR
Director

AKHIL GUPTA
Director

R. JAGANNATHAN
Company Secretary

STATEMENTS PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

1.	Name of the Subsidiary	Evergrowth Telecom Limited
2.	Financial year of Subsidiary ended on	31.03.2002
3.	Shares of the Subsidiary held by the Company on the above date	
	(a) Nos.	3,00,00,000
	(b) Face Value	Rs. 10/–
	(c) Extent of Holding	100%
4.	Net aggregate amount of profit/(losses) of the Subsidiary for the above financial year so far as they concern members of the Company	
	(a) Dealt with in the Accounts of the Company for the year ended 31.03.2002	Nil
	(b) Not dealt with the Accounts of the Company for the year ended 31.03.2002	Nil
5.	Net aggregate amount of profit/(losses) for previous financial years of the Subsidiary, since it became a Subsidiary so far as they concern members of the Company	
	(a) Dealt with in the Accounts of the Company for the year ended 31.03.2001	Nil
	(b) Not dealt with the Accounts of the Company for the year ended 31.03.2001	Nil

On behalf of the Board

RAJAN BHARTI MITTAL
Director

AKHIL GUPTA
Director

R. JAGANNATHAN
Company Secretary

Place: New Delhi
Date: May 28, 2002