BHARTI MOBINET LIMITED

(formerly Skycell Communications Limited)

Cellular Mobile Telephone Services

– Metro Circle Chennai

bharti

BHARTI MOBINET LIMITED

DIRECTORS' REPORT

To our Members,

The Directors present the 11th Annual Report together with audited accounts of the Company for the year ended March 31, 2002.

FINANCIAL RESULTS

The Financial performance of the company has been as under:

Particulars	2001–02 (Rs. In Million)	2000–01 (Rs. In Million)
Income	**1,339.30**	866.35
Profit before Licence fees, Interest,		
Depreciation & Tax	**559.19**	385.63
Licence fees and Spectrum Charges	**174.49**	101.28
Interest and Finance Charges	**183.46**	242.60
Depreciation and amortisation	**220.40**	156.58
Deferred Tax Expense	**7.32**	–
Net Profit/(Loss) for the year	**(26.49)**	(114.83)

FINANCIALS/ OPERATIONS

The various initiatives taken by the Company have had a positive impact on the Company's performance during the year. Profit before non–recurring expenses for the year was Rs.106.01 Million. The customer base went up from 56124 during March 2001 to 140020 in March 2002 registering an increase of 149%. The growth in customer base was highest in the country and the market share of your company in the Chennai metro Cellular circle as of March 31, 2002 was 53.8% as compared to 44.8% as of March 31, 2001.

Consequent to the above, Income increased by 55% during the year to Rs.1339.30 Million from Rs. 866.35 Million in the previous year. Profit before Licence fees, Interest and Depreciation increased by 55% to Rs. 596.79 Million as on March 2002 as compared to Rs. 385.63 Million in the previous year.

Interest and finance charges showed a substantial decline mainly due to swapping of high cost borrowings with low cost borrowings. The Company was able to achieve profit (before non–recurring expenses) of Rs.106.01 Million compared to a loss of Rs. 114.83 Million in the previous year. Non–recurring expenses of Rs 132.50 Million includes loan prepayment charges, loan management fees, brand launch expenses and incremental WPC fees from August 1999 to March 2001.

Your Company capitalised on the Pan India image of its holding Company. During the third quarter of the financial year, your company launched the Airtel and Magic Brand of services for its postpaid and prepaid products. Airtel and Magic brands are all India brands of your company's holding company Bharti Cellular Limited. These also contributed significantly to the growth in customer base.

The company in its pursuit of becoming one of the best cellular mobile service provider in the country, during the year invested significantly in technology by going in for Ericsson Mobile Switching Centre. It also expanded the number of Base Stations from 83 as on March 2001 to 103 as at the end of March 2002.

DIVIDEND

In view of loss for the year, the Directors do not recommend any dividend.

CHANGE IN SHAREHOLDING

During the year Millicom International Cellular, S.A and Bell South International (Asia/Pacific), Inc. disposed off their holding. Bharti Cellular Limited holding 95.33% equity share capital in the paid up capital of your company.

ISSUE OF RIGHTS SHARES

The Authorised Share Capital of the Company was increased from Rs 630 Million to Rs 1400 Million. The company made two rights issue offering 62,780,000 and 15,000,000 equity shares, respectively, for cash at par. Consequent to these rights offer, paid up share capital of the company has increased from Rs. 622.20 Million to Rs 1400 Million.

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, Chartered Accountants, Chennai 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, Chartered Accountants, Chennai 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. K. K. Nohria, Mr. Ranjan Dasgupta, Mr. B. M. Suri, Mr. S. M. Trehan, Ms. Sally Choo, Mr. John Hartman and Mr. David Harris ceased to be the Directors during the year as they had resigned from the Board. The nomination of Mr. K. V. Unni from the directorship was withdrawn by ICICI Limited upon full repayment of the entire loan availed by the company. The Board places on record its deep appreciation for the valuable contribution made by them during their tenure as Directors of the Company.

Mr. Sunil Bharti Mittal, Mr. Rajan Bharti Mittal, Mr. Akhil Gupta and Mr. Anil Nayar were appointed as Directors in the causal vacancy caused by the resignations of Mr. K. K. Nohria, Mr. Ranjan Dasgupta, Mr. S. M. Trehan and Mr. B. M. Suri on the Board of the Company pursuant to Section 262 of the Companies Act, 1956 to hold office upto the date upto which these directors in whose place they are appointed would have held office if they had not vacated the office.

Both Mr. Ranjan Dasgupta and Mr. S M Trehan were due for retirement by rotation in this Annual General meeting. Therefore, both Mr. Rajan Bharti Mittal and Mr. Akhil Gupta cease to hold office in this Annual General meeting. The company has received a notice from a shareholder in terms of section 257 of the Companies Act, 1956 signifying his intention proposing the candidatures of Mr. Rajan Bharti Mittal and Mr. Akhil Gupta for the office of Directorship of the company.

In view of rich and vast experience of Mr. Rajan Bharti Mittal and Mr. Akhil Gupta, it is felt that their presence on the Board would be an asset for the Company's future Growth, hence it is recommended that they may be appointed as Directors of the Company.

Mr. Satwant Singh and Mr. P H Rao are due to retire by rotation at the Eleventh Annual General Meeting. It is proposed to re-appoint Mr. P. H. Rao as director of the company.

STATUTORY STATEMENTS

Particulars regarding conservation of energy and technology absorption pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and particulars as required by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are furnished in the Annexure, forming part of this report.

Directors' Responsibility Statement as required in terms of Section 217(2AA) is also annexed.

ACKNOWLEDGEMENT

The Company wishes to thank its bankers, financial institutions, collaborators, customers, suppliers and employees for their continued support and help.

On behalf of the Board

ANIL NAYAR
Director

P. H. RAO
Managing Director

Place : Chennai
Date : May 24, 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:**

Particulars	Period Ended 31–3–2002	Period Ended 31–3–2001
Foreign Exchange Earnings:	**65,766,783**	32,453,875
Foreign Exchange Outflows:		
– Travel	**54,462**	348,373
– Roaming Commission	**190,870**	298,810
– Technical Service fees/ Professional Fees	**4,621,157**	557,364
– Payments to roaming partners	**3,814,818**	493,103
– Membership and Subscription	**–**	521,749
CIF VALUE OF IMPORTS:	**262,313,976**	252,381,000

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

The Directors confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;

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 the year;

iii) that the Directors have ensured 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 have ensured the annual accounts have been prepared on a going concern basis.

On behalf of the Board

ANIL NAYAR
Director

P. H. RAO
Managing Director

Place : Chennai
Date : May 24, 2002

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2-A) of the Companies Act, 1956 read with Companies (Particular of Employees) Rulers, 1975 and forming part of the Directors Report for the year ended 31st March 2002.

Sl. No.	Name	Designation	Qualification(s)	Age (In years)	Date of commencement of employment	Total Experience (In years)	Gross Remu-neration (In Rs.)	Previous Employment / Designation
EMPLOYED FOR THE FULL FINANCIAL YEAR								
1	Pritam U R Kukillaya	Chief Technical Officer	B.E	42	01.10.96	18	3,959,841	Vice President, Hofintel Limited
2	Venkatraman S	Chief Financial Officer * & Company Secretary	B.Com.,PGDM (IIMA)., ACS.,AICWA	42	27.04.95	21	4,142,781	DGM-Finance & Secretary, Parry Engg & Exports Ltd.

Notes

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 Director of the Company.
3. None of the employees mentioned above hold 2% or more share capital of the company.
4. *Continued as Company Secretary till 20th March 2002.

AUDITORS' REPORT

To The Members of Bharti Mobinet Limited (Formerly Skycell Communications Limited)

1. We have audited the attached Balance Sheet of Bharti Mobinet Limited (formerly SkyCell Communications Limited) (the Company), 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. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, of India (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:

(i) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified by the management according to a phased programme designed to cover all items over a period of two years, which we consider reasonable. Pursuant to the programme, a physical verification was carried out and no material discrepancies between the book records and the physical inventory have been noticed.

(ii) The fixed assets of the Company have not been revalued during the year.

(iii) The stocks of trading goods of the Company have been physically verified by the management at the year-end.

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

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

(vi) In our opinion, the valuation of stocks of trading goods 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.

(vii) In our opinion, the terms and conditions of interest free unsecured loans taken by the Company during the year, from companies listed in the register maintained under Section 301 of the Act are not prima facie prejudicial to the interest of the Company.

(viii) The Company has granted unsecured loans to companies listed in the register maintained under Section 301 of the Act and are not prima facie prejudicial to the interest of the Company.

(ix) The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable. In those cases where principal amounts and/ or interests are not being paid as stipulated, reasonable steps have been or are being taken by the Company for recovery of the principal and/ or interest.

(x) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of plant and machinery, equipment and similar assets and for provision of services.

(xi) In our opinion, purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements with the companies listed in the register maintained under Section 301 of the Act and aggregating 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.

(xii) The Company has not accepted any deposits from the public.

(xiii) The activities of the Company are such that no realisable by-product or scrap is generated.

(xiv) In our opinion the Company's present internal audit system is commensurate with its size and nature of business.

(xv) 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.

(xvi) The Company has regularly deposited during the year Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.

(xvii) At the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax and customs duty which were due for more than six months from the date they became payable.

(xviii) 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, other than those payable under contractual obligations and/or in accordance with generally accepted business practice.

(xix) The Company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, of India.

(xx) In view of the nature of services rendered by the Company, clause (xii) of paragraph 4(A) is not considered applicable.

(xxi) 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.

(xxii) In respect of the trading activities, damaged goods have been determined at the time of physical verification pursuant to the Company's laid down procedures and consequential adjustments, which are not significant, have been made in the accounts.

4. Further to our comments in paragraph 3 above, we report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

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

(d) Read with Note 7 on Schedule 22 regarding related party disclosures being identified and certified by Management, in our opinion, 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.

(e) On the basis of written representations received from all the directors except from Mr. Satwant Singh, as on March 31, 2002, and taken on record by the Board of Directors of the Company, none of the directors except Mr. Satwant Singh about whom we are unable to comment for reasons stated above is 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;

(f) 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 and attached thereto give in the prescribed manner the information required by the Act, and also give a true and fair view in conformity with the accounting principles generally accepted in India:

(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 loss for the year ended on that date.

J. SEKAR
Partner

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place: Chennai
Date: May 24, 2002

BALANCE SHEET AS AT MARCH 31, 2002

	Schedule No.	As at March 31, 2002 Rs.	As at March 31, 2001 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,400,000,000	622,200,000
Loan Funds			
Secured loans	3	1,600,365,526	1,000,408,937
Unsecured Loans	4	–	476,662,132
Subscriber Deposits		184,257,666	115,915,898
		3,184,623,192	2,215,186,967
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	1,737,926,253	1,168,685,699
Less: Depreciation		(733,378,947)	(533,437,210)
Net Block		1,004,547,306	635,248,489
Capital Work in Progress		152,289,337	303,659,000
Total Fixed Assets		1,156,836,643	938,907,489
Unamortised Licence Fees (Entry cost portion)	6	161,111,637	173,827,631
Current Assets, Loans and Advances			
Inventories	7	6,015,204	6,739,249
Sundry Debtors	8	141,059,686	82,508,994
Cash and Bank Balances	9	69,973,977	16,621,600
Loans and Advances	10	689,592,761	170,796,090
Less: Current Liabilities and Provisions	11		
Liabilities		492,389,124	575,280,679
Provisions		718,360	418,577
Net Current Assets		413,534,144	(299,033,323)
Deferred Tax Asset		291,480,486	–
Miscellaneous Expenditure (to the extent not written off or adjusted)	12	32,485,865	–
Profit & Loss Account	2	1,129,174,417	1,401,485,170
Total		3,184,623,192	2,215,186,967
Significant Accounting Policies	21		
Notes to Accounts	22		

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

The Schedules referred to above form an integral part of the Balance Sheet

J. SEKAR
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place: Chennai
Date : May 24, 2002

On behalf of the Board

ANIL NAYAR
Director

P. H. RAO
Managing Director

L. BHASKAR
Chief Financial Officer

PARAG MATHUR
Company Secretary

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

	Schedule No.	For the year ended March 31, 2002 Rs.	For the year ended March 31, 2001 Rs.
INCOME			
Billing Revenue		1,339,908,957	867,102,681
Sale of Goods		–	26,000
Other Income	13	(630,395)	(780,606)
		1,339,278,562	866,348,075
EXPENDITURE			
Access Charges		277,974,067	241,977,575
Network Operating Expenditure	14	62,316,434	41,242,245
Cost of Sale of Goods	15	–	26,000
Personnel Expenditure	16	78,557,581	40,704,435
Sales and Marketing Expenditure	17	239,865,502	84,097,029
Administrative and Other Expenditure	18	121,374,847	72,669,219
		780,088,431	480,716,503
Operating Profit before Finance Expenses (Net), License Fees, Amortisation and Depreciation		559,190,131	385,631,572
Revenue share Licence Fees		123,471,479	93,859,371
Spectrum Charges		51,026,589	7,421,386
Finance Expenses (Net)	19	183,457,637	242,596,063
Profit before Depreciation and Amortisation		201,234,426	41,754,752
Depreciation		201,260,586	131,919,184
Amortisation	20	19,143,573	24,660,738
(Loss) before Tax		(19,169,733)	(114,825,170)
Deferred Tax Expense		7,323,584	–
(Loss) after Tax		(26,493,317)	(114,825,170)
(Loss) Brought Forward		(1,401,485,170)	(1,286,660,000)
(Loss) Carried Forward		(1,427,978,487)	(1,401,485,170)
Basic Earnings Per Share (in Rs.)	22(9)	(0.27)	(1.85)
Significant Accounting Policies	21		
Notes to Accounts	22		

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

The Schedules referred to as above form an integral part of the Profit & Loss Account

J. SEKAR
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place: Chennai
Date : May 24, 2002

On behalf of the Board

ANIL NAYAR
Director

P. H. RAO
Managing Director

L. BHASKAR
Chief Financial Officer

PARAG MATHUR
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at March 31, 2002 Rs.	As at March 31, 2001 Rs.
SCHEDULE : 1		
Share Capital		
(Refer Note 1 on Schedule 22)		
Authorised		
140,000,000 Equity Shares of Rs. 10 each (Previous year 63,000,000 Equity Shares of Rs.10 each)	**1,400,000,000**	630,000,000
Issued, Subscribed and Paid up		
140,000,000 Equity Shares of Rs. 10 each, fully paid up (Previous year 62,220,000 Equity Shares of Rs.10 each, fully paid up)	**1,400,000,000**	622,200,000
SCHEDULE : 2		
Profit & Loss Account		
Balance brought forward	**1,401,485,170)**	(1,286,660,000)
Profit/(loss) after tax	**(26,493,317)**	(114,825,170)
Deferred tax adjustments	**298,804,070**	–
	(1,129,174,417)	(1,401,485,170)
SCHEDULE : 3		
SECURED LOANS		
From Banks		
Cash Credit	–	113,295,824
Short Term Loan	–	300,000,000
From Public Financial Institution		
Term Loans	–	586,361,307
From Others		
Term Loans	**1,600,000,000**	–
Vehicle Loans	**365,526**	751,806
	1,600,365,526	1,000,408,937

Note:
(i) Term Loans from others are secured by first charge on all moveable properties, present and future, including stocks and book debts.
(ii) Vehicle Loans are secured by hypothecation of vehicles

	As at March 31, 2002 Rs.	As at March 31, 2001 Rs.
SCHEDULE : 4		
UNSECURED LOANS		
Short Term Loans from Banks	–	19,575,000
Other Loans	–	457,087,132
	–	476,662,132

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE : 5

FIXED ASSETS
(Refer Note 2 on Schedule 22)

(Amount in Rs)

	Gross Block				Depreciation				Net Block	
Particulars	As at April 1, 2001	Additions during the year	Sale, Disposal & Adjustment	As at Mar 31, 2002	As at April 1, 2001	For the period	Sale, disposal & adjustment	As at Mar 31, 2002	As at Mar 31, 2002	As at Mar 31, 2001
Freehold Land	485,215	–	–	**485,215**	–	–	–	–	**485,215**	485,215
Plant & Machinery	987,043,944	535,688,388	31,655,309	**1,491,077,023**	440,363,182	133,388,122	–	**573,751,304**	**917,325,719**	546,680,762
Cellular Phones	16,842,519	–	–	**16,842,519**	16,842,519	–	–	**16,842,519**	–	–
Building & Leasehold Improvements	37,522,786	1,948,947	–	**39,471,733**	15,875,110	3,369,646	–	**19,244,756**	**20,226,977**	21,647,676
Office / Electrical Equipment	16,571,510	3,939,609	329,995	**20,181,124**	4,170,391	10,532,795	51,104	**14,652,082**	**5,529,042**	12,401,119
Computer	96,442,415	61,350,901	–	**157,793,316**	51,406,841	47,846,196	–	**99,253,037**	**58,540,279**	45,035,574
Vehicle	5,609,211	–	2,727,068	**2,882,143**	2,182,100	1,261,244	1,238,944	**2,204,400**	**677,743**	3,427,111
Furniture & Fixture	8,168,099	1,131,748	106,667	**9,193,180**	2,597,067	4,862,583	28,801	**7,430,849**	**1,762,331**	5,571,032
Total :	**1,168,685,699**	**604,059,593**	**34,819,039**	**1,737,926,253**	**533,437,210**	**201,260,586**	**1,318,849**	**733,378,947**	**1,004,547,306**	**635,248,489**
Capital Work in Progress				**–**					**152,289,337**	**303,659,000**
Total	**1,168,685,699**	**604,059,593**	**34,819,039**	**1,737,926,253**	**533,437,210**	**201,260,586**	**1,318,849**	**733,378,947**	**1,156,836,643**	**938,907,489**
Previous Year	**1,116,019,784**	**56,740,946**	**4,075,031**	**1,168,685,699**	**402,274,009**	**131,919,188**	**755,987**	**533,437,210**		

Note:
Additions to Plant and Machinery during the year include Rs 8,529,125 being loss (2000-01:Rs.20,998,815) on account of fluctuation in Exchange rate for purchase of fixed assets.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

		As at March 31, 2002 Rs.		As at March 31, 2001 Rs.
SCHEDULE : 6				
UNAMORTISED LICENCE FEES (Entry Cost Portion)				
As at the beginning of the year		173,827,631		166,428,425
Add: Payments during the year		–		27,382,342
Less:Amortised during the year		(12,715,994)		(19,983,136)
		161,111,637		173,827,631
SCHEDULE : 7				
INVENTORY				
Sim Cards		6,015,204		5,745,249
Hand sets		–		994,000
		6,015,204		6,739,249
SCHEDULE : 8				
SUNDRY DEBTORS				
(Unsecured - considered good unless otherwise stated)				
Other Debtors :				
Outstanding for more than six months				
Considered Good				
Considered Doubtful	31,747,546		31,747,546	
Less : Provision	(31,747,546)	–	(31,747,546)	–
Others		–		–
Billing Debtors :				
Outstanding for more than six months				
Considered Good		16,213,326		10,600,000
Considered Doubtful	212,951,008		186,847,590	
Less : Provision	(212,951,008)	–	(186,847,590)	–
Others	140,513,490		71,908,994	
Less: Provision	(15,667,130)	124,846,360	–	71,908,994
		141,059,686		82,508,994
SCHEDULE : 9				
CASH & BANK BALANCES				
Cash in Hand		1,324,598		73,722
Cheques in Hand		5,139,505		4,762,054
Balances in Scheduled Banks in Current Accounts		63,509,874		11,785,824
		69,973,977		16,621,600
SCHEDULE : 10				
LOANS AND ADVANCES				
(Unsecured, considered good unless otherwise stated)				
Deposits		38,864,881		23,504,211
Advances recoverable in cash or in kind or for value to be received; considered good		619,321,750		116,819,198
Accrued Billing Revenue		29,169,292		29,251,904
Tax deducted at source		2,236,838		1,220,777
		689,592,761		170,796,090

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

		As at March 31, 2002 Rs.		As at March 31, 2001 Rs.
SCHEDULE : 11				
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
Due to SSI	–		–	
Others	330,052,016	330,052,016	198,234,895	198,234,895
Advance Billing and Prepaid Card Revenue		34,430,169		22,818,939
Other Liabilities		84,894,589		328,695,723
Interest accrued but not due		43,012,350		25,531,122
		492,389,124		575,280,679
Provisions				
Gratuity and Leave Encashment		718,360		418,577
		718,360		418,577
SCHEDULE : 12				
MISCELLANEOUS EXPENDITURE				
(to the extent not written off or adjusted)				
Deferred Employee Compensation Expense		32,485,865		–
		32,485,865		–

	For the Year Ended March 31, 2002 Rs.	For the Year Ended March 31, 2001 Rs.
SCHEDULE : 13		
OTHER INCOME		
Profit/(Loss) on sale of fixed assets - (net)	(630,395)	(780,606)
	(630,395)	(780,606)
SCHEDULE : 14		
NETWORK OPERATING EXPENDITURE		
BSNL Rental Charges	12,580,677	7,576,979
WPC Fees	8,171,750	9,411,217
Site Expenses :		
– Rent	17,888,558	10,815,400
– Electricity and Water	14,166,404	6,323,032
– Security	1,510,175	1,159,829
– Repair and Maintenance	3,448,517	2,918,076
Other Expenses	4,550,353	3,037,712
	62,316,434	41,242,245
SCHEDULE : 15		
COST OF SALE OF GOODS		
Hand Sets & Sim Cards		
Opening Stock	6,739,249	3,876,292
Add : Purchases	36,219,398	20,522,777
Less : Simcard Utilisation	(34,964,443)	(16,208,936)
Less: Internal Issues	(1,979,000)	(1,424,884)
Less : Closing Stock	(6,015,204)	(6,739,249)
	–	26,000
SCHEDULE : 16		
PERSONNEL EXPENDITURE		
Salaries, Wages and Bonus	63,945,668	32,176,510
Contribution to Provident and Other Funds	5,654,354	3,697,310
Staff Welfare Expenses	2,828,583	2,371,269
Recruitment and Training Expenses	6,128,976	2,459,346
	78,557,581	40,704,435

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	For the Year Ended March 31, 2002 Rs.	For the Year Ended March 31, 2001 Rs.
SCHEDULE : 17		
SALES AND MARKETING EXPENDITURE		
Cost of sim cards and prepaid packs	39,015,507	16,208,936
Advertising & Marketing Expenses	116,977,573	42,529,605
Selling and Distribution Expenses	83,872,422	25,358,488
	239,865,502	84,097,029
SCHEDULE : 18		
ADMINISTRATIVE AND OTHER EXPENDITURE		
Billing & Software Expenses	8,833,156	4,134,277
Legal and Professional Charges	16,206,806	6,842,554
Rates, Fees and Taxes	4,262,798	111,673
Electricity and Water	3,340,088	2,744,058
Telephone, Telex and Postage	9,216,036	6,194,471
Printing and Stationery	2,057,369	1,152,821
Travelling and Conveyance	8,264,778	7,558,741
Rent	10,888,741	9,725,080
Repair and Maintenance	9,209,700	8,484,178
Insurance	1,251,477	971,611
Collection & Recovery Charges	7,758,347	3,602,749
Roaming Charge, Commission & Rentals	8,260,486	4,170,372
Provision for Doubtful Debts	23,600,000	12,374,000
Bad Debts written off	–	2,401,000
Miscellaneous Expenses	8,225,065	2,201,634
	121,374,847	72,669,219
SCHEDULE: 19		
FINANCE EXPENSES (Net)		
Expense:		
Interest :		
– On Term Loan	174,065,302	224,340,894
– On Others	7,158,158	10,052,841
Other Finance Charges	2,874,641	8,270,796
	184,098,101	242,664,531
Less : Income		
Interest Income		
– from Fixed deposits	(640,464)	(68,468)
	183,457,637	242,596,063
SCHEDULE: 20		
AMORTISATIONS		
Deferred Employee Compensation Expense written Off	6,427,579	–
License Fee Amortisation	12,715,994	24,660,738
	19,143,573	24,660,738

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE: 21

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared in all material respects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, of India.

Revenue recognition

(a) Sales of handsets are recognised on despatch to the customers.

(b) Income from services is reported net of discounts given on such services.

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

Inventories

(a) Inventories are valued at lower of cost on FIFO basis and estimated net realisable value.

Fixed Assets

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

(b) Depreciation is provided on straight-line method at the rates prescribed by Schedule XIV to the Companies Act, 1956, except for the following on which depreciation is provided on straight line method to write off the cost of the fixed assets over their estimated useful lives. The depreciation rates are as follows:

Assets	Rate of Depreciation
Office Equipment, Furniture and Electrical Equipment	20%
Computer	33.33%
Vehicles	20%
Building	5%
Lease Hold Improvements	Period of Lease

All assets costing Rs. 5,000 or less are fully depreciated in the year of purchase. Software costing upto Rs. 500,000 are written off in the year of purchase.

Foreign Currency Translations

(a) Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction.

(b) Foreign currency liabilities are restated at rates prevalent on the date of the Balance Sheet.

(c) Exchange differences arising on repayment and / or restatement of liabilities relating to fixed assets are adjusted in the cost of respective assets. Other exchange differences are reckoned in the Profit and Loss Account.

Licence Fees

(a) The fixed component of licence 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.

(b) 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.

Retirement Benefits

(a) Contributions to Provident Fund are made to the Regional Provident Fund Commissioner and charged to Profit and Loss account.

(b) Contributions to Superannuation and Gratuity Funds are made to Life Insurance Corporation of India (LIC) through the respective trusts based on amount specified by LIC and charged to Profit and Loss account.

(c) Provision for Leave encashment is accounted on the basis of actuarial valuation.

Miscellaneous Expenditure

(a) Miscellaneous Expenditure represents Deferred Employee Compensation Cost.

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

(c) The licence fee for the period October 5, 1995, to July 31, 1999, is treated as entry cost and amortised equally over a period of 20 years commencing from November 30, 1994, being the date of original licence agreement.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Taxation

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

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

(c) 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.

(d) 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.

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

Leases

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

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.

Earning Per Share

The earnings considered in ascertaining the Company's EPS comprises the net profit/ (loss) after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year (duly adjusted for rights shares issued during the year).

SCHEDULES 22

NOTES ON ACCOUNTS

1. Bharti Tele-Ventures Limited (BTVL), during the year, acquired 49% stake in the Company from Millicom International Cellular, S.A and Bell South International (Asia/Pacific), Inc. With this acquisition, BTVL's holding in the Company increased to 89.5%. Subsequently, BTVL transferred its shareholding in the Company to Bharti Cellular Limited.

   The authorized share capital of the Company was increased from Rs. 630,000,000 to Rs. 1,400,000,000. The Company made two rights issue offering 62,780,000 and 15,000,000 equity shares, respectively, in each of the occasions, for cash at par, in proportion to the number of shares held. Consequent to these rights offer, paid up capital increased from Rs. 622,200,000 to Rs. 1,400,000,000. As on March 31, 2002, Bharti Cellular Limited together with its nominees hold 95.33% of the equity shares in the Company.

   DSS Enterprises currently holding 4.67% equity stake in the Company had earlier in May 2000 (then holding 10.5% of the paid up capital of Rs.622,200,000), agreed to sell its holding to BTVL which they reneged and BTVL filed a specific performance suit for acquiring the said stake which has since been withdrawn. DSS has subsequently filed a case in the Delhi High Court seeking to enforce the sale of its shares to the Company for Rs.620,000,000 which is pending with the Delhi High Court.

2. Based on the debit notes received from BTVL the Company has accounted under Fixed Assets Rs. 311,136,324 being the value of supplies (GSM cellular telephone system) and services received from Nokia Networks Oy, Finland and Services Contract with Nokia India Limited respectively.

3. During the current year, depreciation has been considered based on rates as per the holding company's accounting policy. The revision in depreciation rates has been applied retrospectively and hence, the depreciation charge for the year is higher by Rs. 48,020,881 with consequent impact on the net worth of the company at the year-end.

			As at / Year ended March 31, 2002 Rs.	As at / Year ended March 31, 2001 Rs.
4.	(a)	Contingent Liability Claims against the Company not acknowledged as Debts	**13,299,838**	16,418,000
	(b)	Estimated amount of contracts remaining to be executed (net of advances) and not provided for	**37,571,539**	–
	(c)	Counter-guarantees given to bank for providing to Department of Telecommunication, New Delhi		
		(i) Financial Guarantee	**61,500,000**	–
		(ii) Performance Guarantee	**20,000,000**	–
5.	(a)	Loans and Advances include amounts due from officers of the Company	–	205,000
		Maximum amount due at any time during the year	**205,000**	565,000
	(b)	No salary is payable to the Managing Director.	–	–

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

6. Last year the Company had provided for licence fee on the basis of 15% as provisionally fixed by Department of Telecommunications (DoT) of net service revenues with effect from August 1, 1999 i.e. post migration to the NTP 99 regime.

   During the year, DoT issued amendments to the existing licence agreements for CMTS, which has been accepted by the Company, resulting in the following changes

   (i) Annual licence fee @15% of Adjusted Gross Revenue (AGR) is payable with effect from August 1, 1999, to January 25, 2001, and @12%, 10% or 8% of AGR thereafter based on Metro or A category, B category and C category circle respectively.

   (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 issued for issuing licence for basic services for providing the use of hand held set with wireless access system in the local area (WLL).

   The aforesaid amendments are subject to the ongoing litigation relating to the 1999 migration package and the WLL matter, in the Honorable Supreme Court as the Company has unconditionally accepted and signed the revised licence agreement, the revenue share licence fee and WPC charges have been accounted for in line with the changes as above. Accordingly the licence fee revenue share expense and WPC expense in these accounts is (net of) / includes Rs. (4,037,563) and Rs. 19,149,328 respectively being adjustment on account of the change in revenue share percentage for earlier years.

7. **Related Party Disclosures**

   (a) Key management personnel

   Mr. P. H. Rao

Other related parties

<u>Name of Related Party</u>	<u>Relationship</u>
Bharti Tele-Ventures Limited	Holding Company
Bharti Telenet Limited	Fellow Subsidiary
Bharti Comtel Limited	Fellow Subsidiary
Bharti Cellular Limited	Holding Company
Bharti BT Internet Limited	Fellow Subsidiary
Bharti Mobitel Limited	Fellow Subsidiary
S.C. Cellular Holdings Limited	Fellow Subsidiary
Bharti Mobile Limited	Fellow Subsidiary
Bharti Telesonic Limited	Fellow Subsidiary
Bharti Aquanet Limited	Fellow Subsidiary
J. D. Projects Limited	Fellow Subsidiary
Bharti i2i Limited	Associate Company
Network i2i Limited	Associate Company
Bharti Enterprises Private Limited	Associate Company
Bharti Telecom Limited	Associate Company
Bharti Telecom Finance Limited	Associate Company
Bharti Telesoft Limited	Associate Company
Bharti Teletech Limited	Associate Company
Bharti Infotrac Limited	Associate Company
Bharti Systel Limited	Associate Company
Goa Telecommunication and Systems Limited	Associate Company
Bharti Healthcare Limited	Associate Company
Bharti Global Limited	Associate Company
Telecom (Seychelles) Limited	Associate Company
Indian Ocean Telecom Limited	Associate Company
Bharti Overseas Trading Company	Partnership in which Directors are Interested
Millicom International Cellular, S.A	Shareholder
Bell South International (Asia/Pacific), Inc.	Shareholder

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

(b) The following are the related party transactions for the year ended March 31, 2002

	Rs.
Included in Unsecured Loans	
Inter-Corporate Deposits taken from Bharti Tele-Ventures Limited	
– Opening balance as on 01.04.2001 (Including interest accrued and due)	346,905,933
– Transactions during the year (net of receipts/payments)	346,905,933
– closing balance as on 31.03.2002	–
– Maximum Amount outstanding at any time during the period	642,494,444
Included in Advances recoverable in cash or in kind from Bharti Cellular Limited	
– Maximum amount outstanding during the year	541,565,229
– closing balance as on 31.03.2002	541,565,229
Included in Advances recoverable in cash or in kind from Bharti Broadband Networks Limited	
– Services Obtained from Bharti Broadband Limited	10,500
– Maximum amount outstanding during the year	34,500
– closing balance as on 31.03.2002	34,500
Included in Advances recoverable in cash or in kind from Bharti Telenet Limited(TN)	
– Advance paid towards lease line connection	1,692,839
Included in Other Liabilities-Dues to Bharti Tele-Ventures Limited	
– Opening balance as on 01.04.2001	307,178,300
– Transactions during the year (net of receipts, payments/advances)	307,026,154
– Closing balance as on 31.03.2002	152,146
– Maximum amount of advance outstanding at any time during the year	307,178,300
Included in Sundry Creditors-Dues to Bharti Telesonic Limited	
– Amount paid during the year (net)	1,885,983
– Amount Payable as at 31.03.2002 (net)	4,882,955
Included in Fixed Assets	
Technical Service Fee paid to Millicom International Cellular	39,163,855
Technical Service Fee paid to Bell South International	8,485,650
Included in Profit & Loss Account	
Technical Service Fee paid to Millicom International Cellular	1,085,469
Operation Audit Fee paid to Millicom International Cellular	3,535,688

8. **Deferred Tax**

In view of the Accounting Standard – 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has started accounting for Deferred Taxes with effect from April 1, 2001, as follows:

	Rs.
Deferred tax liability	
(i) Tax impact on difference in licence fee to be amortised in future as per financial statements and the income tax return	5,184,085
(ii) Tax impact of difference in depreciation as per the financial statements and the income tax return	2,139,499
Deferred tax asset	
(i) Tax impact of unabsorbed depreciation as per tax laws	298,804,070
Net deferred tax asset	**291,480,486**

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

The deferred tax asset as at April 1, 2001, amounting to Rs. 298,804,070 has been charged to Reserve and Surplus and the liability for the current year amounting to Rs. 7,323,584 has been charged to Profit and Loss account.

9. **Earnings Per Share**

		2001-02	2000-01
(a)	Calculation of Weighted average number of Equity Shares of Rs.10/– each		
	Number of equity shares at the beginning of the year	62,220,000	62,220,000
	Number of equity shares outstanding at the end of the year	140,000,000	62,220,000
	Weighted average number of equity shares outstanding during the year	99,310,675	62,220,000
(b)	Net profit/(loss) after tax available for equity Shareholders (in Rs.)	(26,493,317)	(114,825,171)
(c)	Basic Earnings/(loss) (in Rs.) Per Share	(0.27)	(1.85)

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

			As at / Year ended March 31, 2002 Qty. Nos.	Value Rs.	As at / Year ended March 31, 2001 Qty. Nos.	Value Rs.
10.	**Quantitative Information**					
	(a) Opening Stock	– Cellular phones	200	994,000	174	845,292
		– Accessories	–	5,745,249	–	3,031,000
		– Total		6,739,249		3,876,292
	(b) Purchases	– Cellular phones	91	1,979,000	249	1,600,000
		– Accessories	–	34,240,398	–	18,922,777
		– Total		36,219,398		20,522,777
	(c) Issues	– Cellular phones	–	–	2	26,000
		– Accessories	–	34,964,443	–	15,508,936
		– Total		34,964,443		15,534,936
	(d) Internal Issues/ Adjustments	– Cellular phones	91	1,979,000	221	1,424,884
		– Cellular phones	–	994,000	–	–
		– Accessories	–	–994,000	–	–
		– Total		1,979,000		1,424,884
	(e) Provision for Obsolescence	– Cellular phones	200	–	–	–
		– Accessories	–	–	–	700,000
		– Total		–		700,000
	(f) Closing Stock	– Cellular phones	–	–	200	994,000
		– Accessories	–	6,015,204	–	5,745,249
		– Total		6,015,204		6,739,249

		For the Year Ended March 31, 2002 Rs.	For the Year Ended March 31, 2001 Rs.
11.	CIF Value of Imports	262,313,976	252,381,000
12.	Expenditure in Foreign Currency		
	– Travel	54,462	348,373
	– Roaming Commission	190,870	298,810
	– Technical Service Fees/Professional Fees	4,621,157	557,364
	– Payments to roaming partners	3,814,818	493,103
	– Membership and Subscription	–	521,749.
13.	Earnings in Foreign Currency		
	– From roaming partners	65,766,783	32,453,875
14.	Remuneration paid/payable to Auditors consists of		
	(a) Audit Fees	350,000	350,000
	(b) Taxation Matters	159,400	50,000
	(c) Fees for consultancy and other services	1,018,500	194,250
	(d) Out of pocket expenses	78,775	11,600
		1,606,675	605,850

15. Dues to Small-Scale Industrial undertakings.

As of March 31, 2002, the Company had no outstanding dues to small-scale industrial undertakings.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at / Year ended March 31, 2002	As at / Year ended March 31, 2001
16 ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI		
I. Registration Details		
(a) Registration No.	18-38679	18-38679
(b) State Code	18	18
(c) Balance Sheet Date	31.3.2002	31.3.2001
II. Capital raised during the year		
(a) Public Issue	–	–
(b) Rights Issue	777,800,000	–
(c) Bonus Issue	–	–
(d) Private Placement	–	–
(e) Allotment to joint venture partners	–	–
III. Position of Mobilisation and Deployment of Funds		
(a) Total Liabilities	3,677,730,676	2,790,886,223
(b) Total Assets	3,677,730,676	2,790,886,223
(c) Sources of Funds :		
(i) Paid-up Capital	1,400,000,000	622,200,000
(ii) Reserves & Surplus	–	–
(iii) Secured Loans	1,600,365,526	1,000,408,937
(iv) Unsecured Loans	–	476,662,132
(v) Subscriber Deposits	184,257,666	115,915,898
(d) Applications of Funds :		
(i) Net Fixed Assets	1,156,836,643	938,907,489
(ii) Investments	–	–
(iii) Net Current Assets	413,534,144	(299,033,323)
(iv) Non-Current Assets	291,480,486	–
(v) Miscellaneous Expenditure	32,485,865	–
(vi) Accumulated Losses	1,129,174,417	1,401,485,170
(vii) Unamortised Licence Fees	161,111,637	173,827,631
IV. Performance of the Company		
(a) Turnover (including income from services and other income)	1,339,278,562	866,348,075
(b) Total Expenditure	1,358,448,295	981,173,245
(c) Profit/(loss) before tax	(19,169,733)	(114,825,170)
(d) Profit/(loss) after tax	(26,493,317)	(114,825,170)
(e) Earnings Per Share	(0.27)	(1.85)
(f) Dividend Rate	–	–
V. Generic Names of principal products & services of the Company (Product Description & ITC Code No)		
(a) Cellular Phones and accessories (Not Applicable)		

17. Figures for previous year have been regrouped wherever necessary.

On behalf of the Board

ANIL NAYAR Director	P. H. RAO Managing Director
L. BHASKAR Chief Financial Officer	PARAG MATHUR Company Secretary

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

Cash Flow Statement		Year ended March, 2002 Rs.	Year ended March, 2001 Rs.
A. Cash flow from Operating Activities:			
Net Loss before tax		(19,169,733)	(114,825,170)
Adjustments for			
– Depreciation		201,260,586	131,919,184
– Loss on sale of fixed assets		630,395	780,606
– Amortisation		19,143,573	24,660,738
– Interest and other borrowing costs		184,098,101	242,664,531
– Interest Income		(640,464)	(68,468)
– Provision for leave encashment		299,783	127,260
– Provision for Doubtful debts/Advances		23,600,000	12,374,000
Operating Profit before working capital changes		409,222,241	297,632,681
Adjustments for			
– Trade and Other Receivables		(82,150,692)	(36,844,000)
– Inventories		724,045	(2,863,249)
– Loans and Advances		(518,796,671)	(77,659,385)
– Trade and Other payables		59,249,751	33,969,090
– Subscriber Deposits		68,341,768	9,923,293
Net cash from operating activities	(A)	(63,409,558)	224,158,430
B. Cash flow from Investing Activities			
– Purchase of fixed assets		(619,570,599)	(30,435,943)
– Sale of fixed assets		1,214,486	2,539,000
– Interest Received		640,464	68,468
– WPC fees paid (entry cost portion)		–	(27,382,000)
Net cash from/(used) in investing activities	(B)	(617,715,649)	(55,210,475)
C. Cash flow from Financing Activities			
Proceeds from issue of shares		777,800,000	–
Proceeds/(Repayment) from/of borrowings(net)		186,903,380	54,493,960
Interest and other borrowing costs		(230,225,796)	(211,731,315)
Net cash used in financing activities	(C)	734,477,584	(157,237,355)
Net Increase/(Decrease) in cash and cash equivalents	(A)+(B)+(C)	53,352,377	11,710,600
Opening Cash and Cash Equivalents		16,621,600	4,911,000
Closing Cash and Cash Equivalents		69,973,977	16,621,600
		53,352,377	11,710,600

On behalf of the Board

ANIL NAYAR Director	P. H. RAO Managing Director
L. BHASKAR Chief Financial Officer	PARAG MATHUR Company Secretary

AUDITORS' CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Bharti Mobinet Limited for the year ended March 31, 2002 reported upon by us on May 24, 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.

J. SEKAR
Partner

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : Chennai
Date : May 24, 2002