BHARTI MOBITEL LIMITED

DIRECTORS’ REPORT

The Directors have pleasure in presenting the Tenth Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended March 31, 2002.

FINANCIAL PERFORMANCE

During the year under review, the Company earned a gross income of Rs. 1039.8 Million as compared to Rs. 580.15 Million in the previous year. The operating profit before interest, depreciation, amortisation and tax amounted to Rs. 132.19 Million as compared to Rs. 90.74 Million in the previous year.

Operations Review:

Subscriber Base Growth:

During the Financial Year under review, Bharti Mobitel Limited has achieved a growth in the subscriber base to the extent of 16% in the prepaid segment and 73% in the contract segment. A cubic depicting the subscribers on board at the start of the Financial Year under review, the respective numbers as on August 2001, when the Company was taken over by the Bharti Group, the year-end subscriber numbers and the projected numbers for the current Financial Year is given below:

<table>
<thead>
<tr>
<th>Product</th>
<th>As on April 3, 01</th>
<th>As on August 1, 01</th>
<th>As on March 31, 02</th>
<th>Projected in March 31, 03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid</td>
<td>28097</td>
<td>49595</td>
<td>77</td>
<td>132729</td>
</tr>
<tr>
<td>Total</td>
<td>40203</td>
<td>77692</td>
<td>20087</td>
<td>231459</td>
</tr>
</tbody>
</table>

New Services:

The new services to be launched in the next financial year have been detailed below:

GPRS Based Applications: The Company plans to work towards providing high speed data services using GPRS technology in the near future.

Enhanced SMS Based Applications: The Company would also work towards launching Multi Media Services. The Company would also work towards launching Multi Media services which would entail the sending of video clips over the phone.

Customer Focus:

• “Caretouch,” which is a specialised customer care unit, was launched for the premium corporate customers.
• Designing of processes and systems in accordance with the Bharti benchmark.
• A dedicated broadband team was formed to do the welcome call/bill explanation for all customers coming on board.
• A separate customer care unit was formed to handle the Postpaid customers.

DIRECTORS

Mr. Rajan Bharti Mittal is due to retire by rotation and being eligible, has offered himself for re-appraisal. The Board recommends his re-appraisal as Director of the Company.

FIXED DEPOSITS

The Company has neither invited nor accepted any fixed deposits during the year in terms of Section 39A of the Companies Act, 1956, read with the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS REPORT

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

AUDITORS

The Statutory Auditors, M/s S. R. Batliboi & Co., Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appraisal. The Company has received a certificate from M/s S. R. Batliboi & Co., to the effect that their appointment, if made, would be within the limits as prescribed under section 224(1B) of the Companies Act, 1956.

STATUTORY STATEMENTS

The Company does not carry on any manufacturing activities and accordingly the provision to furnish information as per Section 217(1)(a) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998, relating to conservation of Energy, Research and Development and Technology Absorption are not applicable.

The Foreign Exchange Earnings and Outgo were as under:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year Ended 31.03.2002</th>
<th>Year Ended 31.03.2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange Earnings</td>
<td>12.18</td>
<td>11.31</td>
</tr>
<tr>
<td>Foreign Exchange Outflow</td>
<td>3.25</td>
<td>2.79</td>
</tr>
</tbody>
</table>

The Statement pursuant to the provisions of section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is annexed herewith and forms part of the Report.

DIRECTORS’ RESPONSIBILITY STATEMENT AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

The Directors confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 have selected such accounting policies and applied them consistently and made judgments 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.

ACKNOWLEDGEMENT

The Directors express their gratitude for the co-operation and support from the Department of Telecommunications and Company’s Bankers. The Directors wish to place on record their sincere appreciation of the valuable contribution and efforts and the spirit of dedication shown by the employees of the Company.

On behalf of the Board

Place: New Delhi
Date: July 5, 2002

SUNIL BHARTI MITTAL
Chairman
Auditor’s Report to The Members

We have audited the attached Balance Sheet of BHARTI MOBITEL LIMITED as at March 31, 2002, and also the Profit and Loss Account annexed thereto, for the year ended on that date. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors’ Reports) Order, 1988, issued by the Central Government in terms of sub-section (4) of section 227 of the Companies Act, 1956, we report that, in our opinion and to the best of our information and explanations furnished to us, the financial statements present the financial position, the results of operations and the cash flows of the Company in conformity with the accounting principles generally accepted in India.

(v) Loans or advances in the nature of loans given to the employees are generally being recovered as part stipulations, whenever applicable, together with interest where chargeable.

(vi) On the basis of our evaluation of the internal control procedures and according to the information and explanations given to us, and having regard to the explanations that some of the items purchased are of special nature and alternative sources do not exist for obtaining quotations thereof, it appears that there are adequate internal control procedures in place to ensure that the prices at which transactions for similar goods, materials or services have been made with other parties.

(vii) According to the information and explanations given to us, the transactions of purchase and sale of goods, materials or services made during the year in pursuance of contracts or arrangements entered into in the register maintained under Section 3(1) of the Companies Act, 1956, and aggregating to Rs. 50,000 or more in respect of each party, have been made at prices which appear to be reasonable having regard to the prevailing applicable market price for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

(viii) As informed, there is no stock of damaged/unserviceable trading goods as on the Balance Sheet date and hence there is no need to make any provision for loss thereof.

(ix) As informed, the Company has not accepted any deposit from the public within the purview of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975.

(x) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.

(xi) The company has been regular in depositing President Fund dues with appropriate authorities and there were no arrears of such dues as at March 31, 2002.

(xii) According to the information and explanations given to us and the books and records examined by us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at March 31, 2002, for a period exceeding six months from the date they became payable.

(xiii) The Company has a policy of authorising expenditure based on reasonable checks and balances. The policy is intended to ensure that expenses are authorised on the basis of contractual obligations or accepted business practices having regard to the
Company’s business needs and exigencies. In terms of these observations, we have not come across any expenses charged to the Profit & Loss Account, which in our opinion and judgment to the best of our knowledge and belief could be regarded as personal expenses.

(vii) As per the information and explanations given to us, the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985, are not applicable to the Company.

(viii) In respect of services rendered:

(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 & Loss Account, of the loss of the Company for the year ended on that date.

We report that none of the Directors 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 Companies Act, 1956.

In our opinion, proper books of account as required by law, have been kept by the Company so far as it appears from our examination of the books;

In our opinion, the balance sheet and the profit and loss account dealt with have been prepared so far as they relate to the period under review in accordance with the Accounting Standards referred to in Sub-section (3) of Section 211 of the Companies Act, 1956.

In our opinion, the profit and loss account, the statements of account referred to above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

In the opinion and to the best of our knowledge and belief, could be regarded as personal expenses.

In the opinion and to the best of our knowledge and belief were necessary for the purpose of our audit;

The nature of services rendered by the Company is such that nature of services rendered by the Company is such that these do not necessitate separate allocation of stores and man-hours involved to the respective jobs.

Section 3(c) of Section 211 of the Companies Act, 1956.

There is a reasonable system of authorisation at proper levels having an adequate system of internal control commensurate with the size of the Company and the nature of its business for the purpose of our audit;

Our examination of the books:

The Profit & Loss Account, which in our opinion and judgment observations, we have not come across any expenses charged to

In our opinion, the statements of account referred to above and read together with other notes appearing on Schedule 21, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

Subject to and read with the above, we further report that:

To the best of our knowledge and belief,

To the best of our knowledge and belief could be regarded

To the best of our knowledge and belief, could be regarded

Attention is drawn to Note no. 4 on schedule 21 regarding change in

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

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

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

S. R. BATLIBOI & CO.
Chartered Accountants
Per (R. K. AGRAWAL)

Par

Place : 22, Camac Street
Block ‘C’, 3rd Floor
Kolkata - 700 016

Date: July 5, 2002

BALANCE SHEET AS AT MARCH 31, 2002

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Schedules</th>
<th>As at March 31, 2002 (Rs.)</th>
<th>As at March 31, 2001 (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>1</td>
<td>1,130,000,000</td>
<td>1,330,000,000</td>
</tr>
<tr>
<td>Loan Funds</td>
<td>2</td>
<td>1,250,000,000</td>
<td>1,372,852</td>
</tr>
<tr>
<td>Unsecured</td>
<td>3</td>
<td>616,856,527</td>
<td>626,810,000</td>
</tr>
<tr>
<td>Security Deposits</td>
<td></td>
<td>90,174,982</td>
<td>86,539,742</td>
</tr>
<tr>
<td>Total Shareholding</td>
<td></td>
<td>3,286,831,509</td>
<td>2,004,551,544</td>
</tr>
<tr>
<td>Application of Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>4</td>
<td>2,186,252,524</td>
<td>1,440,716,973</td>
</tr>
<tr>
<td>Unsecured</td>
<td></td>
<td>615,436,313</td>
<td>449,711,426</td>
</tr>
<tr>
<td>Secured</td>
<td></td>
<td>1,571,816,211</td>
<td>990,505,547</td>
</tr>
<tr>
<td>Capital Work-in-Progress</td>
<td></td>
<td>94,857,981</td>
<td>83,520,491</td>
</tr>
<tr>
<td>Total Fixed Assets</td>
<td></td>
<td>1,645,954,472</td>
<td>2,032,656,014</td>
</tr>
<tr>
<td>Current Assets, Loans &amp; Advances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>5</td>
<td>5,122,209</td>
<td>5,886,483</td>
</tr>
<tr>
<td>Sundry Debtors</td>
<td>6</td>
<td>87,582,633</td>
<td>53,973,125</td>
</tr>
<tr>
<td>Cash &amp; Bank Balances</td>
<td>7</td>
<td>23,840,045</td>
<td>47,066,577</td>
</tr>
<tr>
<td>Loans and Advances</td>
<td>8</td>
<td>1,045,458,546</td>
<td>988,310,049</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td></td>
<td>10,610,063,435</td>
<td>9,394,882,899</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long – Current Liabilities and Provisions</td>
<td>9</td>
<td>988,099,679</td>
<td>459,749,866</td>
</tr>
<tr>
<td>Provisions</td>
<td>10</td>
<td>2,210,320</td>
<td>2,492,929</td>
</tr>
<tr>
<td>Net Current Assets</td>
<td></td>
<td>988,310,049</td>
<td>459,111,887</td>
</tr>
<tr>
<td>Deferred Tax Asset</td>
<td></td>
<td>772,247,000</td>
<td>662,999,016</td>
</tr>
<tr>
<td>Miscellaneous Expenditure</td>
<td>11</td>
<td>212,834,910</td>
<td>228,935,471</td>
</tr>
<tr>
<td>Unamortised Licence Fees</td>
<td>12</td>
<td>228,583,471</td>
<td>10,632,623</td>
</tr>
<tr>
<td>Profit &amp; Loss Account-Debit Balance</td>
<td></td>
<td>917,701,841</td>
<td>1,085,486,729</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,286,831,509</td>
<td>2,004,551,544</td>
</tr>
</tbody>
</table>

SIGNIFICANT ACCOUNTING POLICIES

NOTES TO THE ACCOUNTS
BHARTI MOBITEL LIMITED

ANNUAL REPORT 2001-2002

Particulars As at
March 31, 2002 (Rs.)
March 31, 2001 (Rs.)

SCHEDULE – 1
Share Capital
Authorised Equity Shares of Rs. 10/- each 160,000,000
Issued, Subscribed & Paid up
133,000,000

*Secured by exclusive first charge over all immovable / movable fixed assets and current assets both present and future of the Company and corporate guarantee of Bharti Tele Venture Ltd., the Holding Company.

SCHEDULE – 2
Loan Funds – Unsecured
Short Term Loans
From Banks 594,650,000
From a Body Corporate (Bearing interest) 32,000,000
From a Body Corporate (Not bearing interest) 616,656,527

TOTAL INCOME 1,039,896,107

EXPENDITURE
Cost of Sale of Goods 1,305,008
Network Operating Cost 14 45,171,726
Access Charges paid to other operators 214,513,009
Personnel Expenses 15 75,343,377
Sales and Marketing Expenses 16 262,529,638
Administrative and Other Expenses 17 116,919,288
TOTAL EXPENDITURE 779,803,146

Operating Profit before Licence Fee, Depreciation, Interest, Amortisation & Tax 264,092,961

Less : Licence Fees and WPC (Revenue Share) 131,973,464
Profit before Interest, Depreciation, Amortisation & Tax 132,119,497

Amortisation 19 16,406,488
Depreciation 200,342,135

Loss before Tax 189,463,112

Provision for Tax
Wealth Tax
Adjustment for Deferred tax income 66,421,080
Loss after Tax 123,042,112

Loss brought forward 1,065,485,729
Adjustment of Deferred Tax Assets upto March 31, 2001 794,659,729

Loss carried forward to Balance Sheet 917,701,841

SIGNIFICANT ACCOUNTING POLICIES 20
NOTES TO THE ACCOUNTS 21

This is the Profit and Loss Account referred to in our report of even date.
S. R. BATHLIBO & CO.
Chartered Accountants

PER R. K. AGRAWAL
Director
DELIVER JAIN
Head (Finance)

Date : July 5, 2002

The Schedules referred to above form an integral part of the Profit and Loss Account.

On behalf of the Board
AKHIL GUPTA
Anil NAYAR
Director
Company Secretary
### SCHEDULE – 5

**Inventories**

- **Cellular Phones**
  - 5,266,000
- **Others**
  - 5,122,209

**Total Inventories**

- 5,388,209

### SCHEDULE – 6

**Sundry Debtors**

- **Outstanding for less than six months**
  - 87,182,633
  - 51,973,725

**Total Sundry Debtors**

- 87,182,633

*Secured by way of Security Deposits of Rs. 49,103,780/- (Rs. 45,440,356/-)

*Net of Provision for doubtful debts of Rs. 203,829,925/- (Rs. 200,123,303/-)

### SCHEDULE – 7

**Cash & Bank Balances**

- **Cash in Hand (including cheques in hand Rs. 6,380,608/-)**
  - 7,120,243
- **With Scheduled banks**
  - **In Current Account**
    - 16,130,582
  - **In Fixed Deposit Account**
    - 589,220

**Total Cash & Bank Balances**

- 23,840,045

### SCHEDULE – 8

**Loans and Advances**

- **Unsecured, Considered good**
  - **Loan to Holding Company (Not bearing interest)**
    - 997,592,723

**Total Loans and Advances**

- 3,102,087,499

### SCHEDULE – 9

**Current Liabilities**

- **Sundry Creditors for Goods, Services, Expenses, etc.**
  - 839,697,975

**Total Current Liabilities**

- 3,942,590,516

### SCHEDULE – 10

**Provisions**

- **For Wealth Tax**
  - 2,210,570
- **For Leave Liability**
  - 2,457,110

**Total Provisions**

- 4,667,680

### SCHEDULE – 11

**Unamortised Licence Fees**

- **Opening Balance**
  - 228,383,471
- **Amortisation during the year**
  - 15,048,661
- **Closing Balance**
  - 243,432,132

**Total Unamortised Licence Fees**

- 243,432,132
## Schedules Annexed to and Forming Part of Accounts

### Schedule – 12
**Preliminary Expenses**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2002</th>
<th>As at March 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs.)</td>
<td>(Rs.)</td>
</tr>
<tr>
<td>Loss on fixed assets sold / discarded (net)</td>
<td>–</td>
<td>77,823</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>645,679</td>
<td>209,373</td>
</tr>
<tr>
<td><strong>Total Preliminary Expenses</strong></td>
<td>713,502</td>
<td>387,296</td>
</tr>
</tbody>
</table>

### Schedule – 13
**Fixed Assets:**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2002</th>
<th>As at March 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs.)</td>
<td>(Rs.)</td>
</tr>
<tr>
<td>Buildings</td>
<td>4,162,953</td>
<td>3,588,691</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
<td>92,881,634</td>
<td>89,414,599</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>18,924,771</td>
<td>19,557,920</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3,057,089</td>
<td>2,640,659</td>
</tr>
<tr>
<td>Others</td>
<td>151,315</td>
<td>191,345</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>109,555,373</td>
<td>111,646,563</td>
</tr>
</tbody>
</table>

### Schedule – 14
**Inventories:**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2002</th>
<th>As at March 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs.)</td>
<td>(Rs.)</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>262,529,838</td>
<td>202,711,931</td>
</tr>
<tr>
<td><strong>Total Inventories</strong></td>
<td>262,529,838</td>
<td>202,711,931</td>
</tr>
</tbody>
</table>

### Schedule – 15
**Revenue Recognition and Receivables:**

- Revenue on account of sale of goods / services is recognised on passage of title / rendering of services to the customers.
- Billing Revenue includes income on roaming commission and BSNL (Bharat Sanchar Nigam Limited) access charges, and is net of discounts and waivers.
- 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 the management is of the view that the amounts are irrecoverable.

### Schedule – 16
**Depreciation:**

- Depreciation is provided on straight-line method to write off the cost of the fixed assets over their estimated useful lives. The estimated useful life has been taken as follows:
  - Buildings: 20 years
  - Plant & Machinery: 10 years
  - Furniture & Fixtures: 5 years
  - Vehicles: 3 years
  - Computers (including Software): 3 years

### Schedule – 17
**Net Loss on Fixed Assets sold / discarded (net):**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2002</th>
<th>As at March 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs.)</td>
<td>(Rs.)</td>
</tr>
<tr>
<td>Property, Plant &amp; Machinery</td>
<td>2,254,184</td>
<td>1,785,016</td>
</tr>
<tr>
<td>Other Income</td>
<td>18,924,771</td>
<td>19,557,920</td>
</tr>
<tr>
<td><strong>Total Net Loss on Fixed Assets sold / discarded (net)</strong></td>
<td>21,178,955</td>
<td>21,342,934</td>
</tr>
</tbody>
</table>

### Schedule – 18
**Finance Expenses (Net):**

- Interest Income
  - On Fixed Loan: 28,016,394
  - On Others: 6,275,168
  - Total: 94,321,679

### Schedule – 19
**Sundry Creditors:**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2002</th>
<th>As at March 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs.)</td>
<td>(Rs.)</td>
</tr>
<tr>
<td>Other Income</td>
<td>16,468,488</td>
<td>16,468,488</td>
</tr>
<tr>
<td><strong>Total Sundry Creditors</strong></td>
<td>16,468,488</td>
<td>16,468,488</td>
</tr>
</tbody>
</table>

### Schedule – 20
**Statement of Significant Accounting Policies:**

1. **Basis of Accounting:**
   - The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the generally accepted accounting principles in India.

2. **Fixed Assets:**
   - Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, including taxes, duties, freight and other incidental expenses related to acquisition and installation, up to the date the asset is ready for commercial use.

3. **Depreciation:**
   - Depreciation is provided on straight-line method to write off the cost of the fixed assets over their estimated useful lives. The estimated useful life has been taken as follows:
     - Buildings: 20 years
     - Plant & Machinery: 10 years
     - Furniture & Fixtures: 5 years
     - Vehicles: 3 years
     - Computers (including Software): 3 years

4. **Revenue Recognition and Receivables:**
   - Revenue on account of sale of goods / services is recognised on passage of title / rendering of services to the customers. Billing Revenue includes income on roaming commission and BSNL (Bharat Sanchar Nigam Limited) access charges, and is net of discounts and waivers.
   - 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 the management is of the view that the amounts are irrecoverable.

5. **Inventory:**
   - Inventories are valued at the lower of cost (computed on a first in first out basis) or net realisable value.
6. LICENSE FEES:

   With effect from August 1, 1999, the variable Licence fee computed as a percentage of revenue share prescribed by the NTP 1999, is being charged off to the Profit and Loss Account in the year in which the related revenue accrues. Revenue, for this purpose, comprises of service revenue net of discounts.

7. TRANSLATION OF ITEMS IN FOREIGN CURRENCY:

   Transactions in Foreign Currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary items (other than those covered by forward contracts) are carried at the year-end foreign exchange rates. The resultant exchange differences arising on premature or cancellation of liabilities are recognised as income or expenses in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is capitalised in the carrying cost of the respective fixed asset.

   In case of transactions covered by forward contracts, the difference between the contract rate and exchange rate prevailing on the date of transaction is adjusted to the cost of assets or recognised as income or expenses over the life of the contract, as the case may be.

8. RETIREMENT BENEFITS:

   Gratuity and superannuation premiums are charged to Profit & Loss account on the basis of payments made to the respective Trust funds as advised by Life Insurance Corporation of India.

   Leave pay/termination pay to employees are accounted for on accrual basis.

9. BORROWING COSTS:

   Borrowing costs relating to the acquisition/construction of qualifying assets are capitalised and the interest on all substantial expenditures necessary to prepare the qualifying assets for their intended use is capitalised. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

10. TAXATION:

   Tax expense comprises both current and deferred taxes. Deferred tax liabilities are accounted for as and when these arise. Deferred Tax Assets are recognised only to the extent there is reasonable certainty that sufficient future taxable profits will be available against which such deferred tax assets can be realised. Deferred Tax assets and liabilities are measured using the tax rate and tax laws enacted or substantively enacted on as on the Balance Sheet date.

SCHEDULE – 21

NOTES TO ACCOUNTS

1. Contingencies:

   Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

<table>
<thead>
<tr>
<th>(Rs.)</th>
<th>(Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As on March 2002</td>
<td>As on March 2003</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Estimated amounts of contracts remaining to be executed on Capital Account and not provided for (net of advance)</td>
<td>107,107,168</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Contingent Liabilities not provided for in respect of</td>
<td>3,329,972</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>1. Outstanding Bank Guarantees</td>
<td>67,725,118</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>2. Sales Tax demands under appeal</td>
<td>416,000</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>3. Differential Custom Duty in respect of certain imports where against Provisional Duty Bonds have been issued</td>
<td>17,181,638</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>4. Other Claims not acknowledged as debts.</td>
<td>3,020,528</td>
</tr>
</tbody>
</table>

2. Book Closure includes Rs.13,115,650 (Rs.1,82,540) due to M/s AC.Power Systems, a small-scale undertaking.

3. In line with the amendments in Amendment Agreement for the Kolkata cluster, the following changes have been considered during the year:
   (a) Licence Fees (Revenue Share) is provided @ 12% of "Adjusted Gross Revenue (AGR)" (instead of 15% as per the earlier recommendation) with effect from January 25, 2001.
   (b) WPC charges for cellular service spectrum has been provided @ 3% of "AGR" (instead of making provision as per the demand raised by DOT) with effect from August 1, 1999.
   (c) 5% of access charges payable to DOT from February 1, 2002 onward for call generated from cellular networks to fixed service networks, has been retained by the company as revenue.

   Consequently above changes, short provisioning of Rs. 7,620,926 (Net) pertaining to earlier years has been charged off in the accounts.

4. Unlike previous year, revenue from prepaid cards has been recognised at the point of sale instead of at the time of their activation. Consequently, loss for the year has decreased by Rs. 11,862,042.

5. In accordance with The Telecommunication Tariff (Fees, Rates and Charges) Order, 2001, a further liability of Rs. 6,399,208 being excess recovery from the customers in earlier years, has been provided for in the accounts.

6. In terms of the arrangement reached with Nokia Networks OY, Nokia Telecommunication OY & Nokia India Pvt. Ltd. certain liabilities aggregating to Rs. 94,166,213 due to them have been written off. Accordingly the said liabilities have been written back during the year, resulting into a reduction in the Company’s loss for the year by Rs. 25,698,769 towards Technical Support Agreement expenses.

7. Security Deposits of Rs. 90,174,982 (Rs. 46,528,742) included under Sources of Funds, represents deposits and non interest bearing redeemable deposits received from subscribers on activation of contracts granted.

8. The company has having one segment i.e. telecommunication and hence no separate disclosure thereof has been made.

9. Deferred tax asset of Rs. 35,241,022 arising due to unabsorbed depreciation and other timing differences, has been recognised in the accounts as management feels that there is a reasonable certainty of claiming this benefit in due course. The major components of the Deferred Tax Assets are as follows:

   - Deferred tax income due to Timing Difference: Rs. 9,452,000
   - Deferred tax income due to Unabsorbed Depreciation: Rs. 23,790,000

10. Auditor’s Remuneration:

<table>
<thead>
<tr>
<th>(Rs.)</th>
<th>(Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>2000-01</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Basic</td>
<td>700,000</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Tax Audit Fees</td>
<td>135,000</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Other Services</td>
<td>700,000</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Remuneration of out of pocket expenses</td>
<td>54,160</td>
</tr>
</tbody>
</table>

11. The Company has replaced certain existing network system during the year but as per the agreement with the original supplier these Network Equipments would be upgraded in due course without any extra cost to the Company, for future use. Since these Equipments/ Systems are in the nature of resale items Insurance spaces, no loss in this regard, at present, is envisaged by the Company.

12. The Company is yet to appoint a Whole time Director in terms of the provisions of Sections 269 of the Companies Act, 1956.

13. Related party Disclosures:

   a) Name of the related parties

   Persons having a direct or indirect control over the company

   - Bharti Cellular Limited (Holding Company).
   - Bharti Telesystems Limited (Holding Company of Bharti Cellular Ltd).
   - Bharti Telecom Limited.
   - Bharti Enterprise Limited.
   - Bharti Overseas Trading Company (Partnership Firm).
   - MobileLink Limited (MMPL) (Wholly Holding Company).
   - Modisign Limited (Holding Company of Modisoft Pvt. Ltd.)
   - GHCL Limited.
   - Bharti Telenet Limited
   - Bharti FT Internet Limited
   - Bharti FT Limited
   - Bharti Control Limited
   - Bharti MultiLink Limited
   - Bharti Mobile Limited
   - Bharti BROADBAND NETWORKS Limited
   - Bharti Telecom Limited
   - Bharti Against Limited
   - Modisign Limited (Wholly Fellow Subsidiary)
   - The company is having one segment i.e. Telecommunication and hence no separate disclosure thereof has been made.

   b) Fellow Subsidiaries

   - BHCL Limited
   - Bharti Mobile Limited
   - Bharti Telenet Limited
   - Bharti FT Internet Limited
   - Bharti FT Limited
   - Bharti Control Limited
   - Bharti MultiLink Limited
   - Bharti Mobile Limited
   - Bharti BROADBAND NETWORKS Limited
   - Bharti Telecom Limited
   - Bharti Against Limited
   - Modisign Limited (Wholly Fellow Subsidiary)
   - The company is having one segment i.e. Telecommunication and hence no separate disclosure thereof has been made.

   c) Associates

   - Bharti Telecom Finance Limited
   - Bharti Telecom Limited
   - Bharti Technosoft Limited
   - Bharti Infotrac Limited
   - Bharti Healthcare Limited
   - Bharti Tech Limited
   - Grameen Telecom communication and Systems Limited

   d) Key Subsidiaries

   - Bharti Infotrac Limited (Wholly Fellow Subsidiary)
### Schedules Annexed to and Forming Part of Accounts

#### A. Purchases, Sales and Stocks

<table>
<thead>
<tr>
<th>Class of Goods</th>
<th>Unit Opening Stock</th>
<th>Purchases</th>
<th>Sales</th>
<th>Closing Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Qty</td>
<td>Value</td>
<td>Qty</td>
<td>Value</td>
</tr>
<tr>
<td>Cellular Phone</td>
<td>No.</td>
<td>Value</td>
<td>Qty</td>
<td>Value</td>
</tr>
<tr>
<td>Nos.</td>
<td>94</td>
<td>526,326</td>
<td>382</td>
<td>2,506,625</td>
</tr>
<tr>
<td></td>
<td>(61)</td>
<td>(500.916)</td>
<td>(558)</td>
<td>(3,901,600)</td>
</tr>
</tbody>
</table>

**Notes:**
(a) Includes Cellular Phones capitalised, supplied free of cost etc.

(b) Net of Sales Tax

### B. CIF Value of Imports

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>503,783,868</td>
<td>185,121,344</td>
<td></td>
</tr>
</tbody>
</table>

### C. Expenditure in Foreign Currencies (On Cash basis)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,924,320</td>
<td>2,259,124</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>511,815</td>
<td>531,801</td>
<td></td>
</tr>
</tbody>
</table>

### D. Earnings in Foreign Exchange (On Cash basis)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,832,545</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

15. Previous period's figures given in brackets and being for nine months, are not comparable with those of the current year and the same have been regrouped/rearranged wherever necessary.

In terms of our attached report of even date.

S. R. BATLIBOI & CO.
Charters Accountants

PER R. K. AGRAWAL
Principal

AKHIL GUPTA
Anil Nayar

DHARUV JAIN
SEEMA SHARMA

Place: Kolkata
Date: July 5, 2002

On behalf of the Board

Head (Finance)
Company Secretary
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2002

A. Cash flow from operating activities:
   Net (loss)/profit before tax but after exceptional/extraordinary items
   Adjustments for:
   Depreciation
   Interest Expense
   Interest Income
   (Profit)/Loss on Fixed Assets sold
   Deferred revenue expenditure written off
   Provision for Grant & Leave Encumbrance
   Operating profit before working capital changes
   Adjustments for changes in working capital:
   – (INCREASE)/DECREASE in Sundry Debtors
   – (INCREASE)/DECREASE in Other Receivables
   – (INCREASE)/DECREASE in Inventories
   – INCREASE/(DECREASE) in Trade and Other Payables
   Net cash from operating activities

B. Cash flow from Investing activities:
   Adjustments for changes in:
   Purchase of fixed assets
   Capital Work in Progress
   Proceeds from sale of fixed assets
   Interest Received
   Net cash used in investing activities

C. Cash flow from financing activities:
   Proceeds from long term borrowings
   Proceeds from short term borrowings
   Net cash used in financing activities

D. Net Increase/(Decrease) in Cash & Cash Equivalents

E. Cash and cash equivalents as at 01.04.2001

F. Cash and cash equivalents as at 31.03.2002

Note:
Cash and cash equivalents comprise of:
Cash, Cheques & Drafts (in hand)
Balance with Scheduled Banks

AUDITORS’ CERTIFICATE

We have examined the above Cash Flow Statement of Bharti Mobitel Limited for the year ended March 31, 2002. The Statement has been prepared by the Company and is based on and derived from the Balance sheet of the Company as at March 31, 2002 and the Profit and Loss Account for the year ended on that date covered by our report of even date to the members of the Company.

S.R.BATLIBOI & CO.
Chartered Accountants

R. K. AGRAWAL
a Partner

BALANCE SHEET ABSTRACT AND COMPANY’S GENERAL BUSINESS PROFILE

I. Registration Details

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

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

IV. Performance of the Company (Amount in thousands)

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

AUDITORS’ CERTIFICATE

We have examined the above Balance Sheet of Bharti Mobitel Limited for the year ended March 31, 2002. The Statement has been prepared by the Company and is based on and derived from the Balance sheet of the Company as at March 31, 2002 and the Profit and Loss Account for the year ended on that date covered by our report of even date to the members of the Company.

S.R.BATLIBOI & CO.
Chartered Accountants

R. K. AGRAWAL
a Partner

AUDITORS’ CERTIFICATE

We have examined the above Cash Flow Statement of Bharti Mobitel Limited for the year ended March 31, 2002. The Statement has been prepared by the Company and is based on and derived from the Balance sheet of the Company as at March 31, 2002 and the Profit and Loss Account for the year ended on that date covered by our report of even date to the members of the Company.

S.R.BATLIBOI & CO.
Chartered Accountants

R. K. AGRAWAL
a Partner

AUDITORS’ CERTIFICATE

We have examined the above Balance Sheet of Bharti Mobitel Limited for the year ended March 31, 2002. The Statement has been prepared by the Company and is based on and derived from the Balance sheet of the Company as at March 31, 2002 and the Profit and Loss Account for the year ended on that date covered by our report of even date to the members of the Company.

S.R.BATLIBOI & CO.
Chartered Accountants

R. K. AGRAWAL
a Partner

AUDITORS’ CERTIFICATE

We have examined the above Cash Flow Statement of Bharti Mobitel Limited for the year ended March 31, 2002. The Statement has been prepared by the Company and is based on and derived from the Balance sheet of the Company as at March 31, 2002 and the Profit and Loss Account for the year ended on that date covered by our report of even date to the members of the Company.

S.R.BATLIBOI & CO.
Chartered Accountants

R. K. AGRAWAL
a Partner