

## BHARTI MOBTEL 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, your 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 36% in the prepaid segment and 73% in the contract segment. A table 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:

Product Variety	Subscriber Numbers				Percentage Growth	Projected as on March 03
	As on April 1, 01	As on August 1, 01	As on March 31, 02	As on March 03		
Contract	23046	28097	39983	73	78749	
Prepaid	45960	49595	62677	36	132729	
Total	69006	77692	102660		211478	

#### 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 concentrate on the launching of SMS based applications which would provide applications relating to Mobile Banking, Ticketing and Commerce **MMS:** The Company would also work towards launching Multi Media based services which would entail the sending of video clips over the phone.

#### Customer Focus:

- "Caretouch," which is a specialised customer care unit, was launched to handle the premium/corporate customers.
- Designing of processes and systems in accordance with the Bharti benchmark.
- A dedicated outbound team was formed to do the welcome calls/ bill explanation for all customers coming on board.
- A separate customer care unit was formed to handle the Prepaid customers.

#### DIRECTORS

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

#### FIXED DEPOSITS

The Company has neither invited nor accepted any fixed deposits during the year in terms of Section 58A of the Companies Act, 1956, read with the Companies (Acceptance of Deposit) Rules, 1975.

#### AUDITORS REPORT

The Auditors' Report to Accounts has been duly considered by the

Board and clarification(s), 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-appointment. 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 activity and accordingly the provision to furnish information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of Energy, Research and Development and Technology Absorption are not applicable.

The Foreign Exchange Earnings and Outgo were as under :

Particulars	(Rs. in millions)	
	Year Ended (31.03.2002)	Year Ended (31-03-2001)
Foreign Exchange Earnings	12.18	11.31
Foreign Exchange Outflow	5.27	2.79

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 hereto and forms part of the Report.

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

##### The Directors' Confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2002 and of the profit and loss account of the Company for that period;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors had prepared the annual accounts on a going concern basis.

#### ACKNOWLEDGEMENT

The Directors 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

## BHARTI MOBTEL LIMITED

Cellular Mobile Telephone Services

– Metro Circle Kolkata

## ANNEXURE TO DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 and forming part of the Director's Report for the financial year ended 31st March, 2002

Sl. No.	Name	Designation	Qualification(s)	Age (In years)	Date of commencement of employment	Total Experience (In years)	Gross Remuneration (In Rs.)	Previous Employment / Designation
<b>(A) EMPLOYED THROUGHOUT THE FINANCIAL YEAR</b>								
1.	NIL							
<b>(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR</b>								
1	Deepak Gulati	Chief Executive Officer	B.Sc. MBA	42	22.08.01	19	1,918,206	Bharti Cellular Ltd. - Chief Executive (Spl. Projects)
2	Lt. Col Lester Herbert	Chief Technical Officer	M.S (Tech)	47	01.09.01	25	1,509,998	Bharti Mobile Ltd. - Chief Technical Officer
3	Nirmalendu Kar	Chief Sales Officer	B.E (Chem Engg)/MBA	38	26.04.99	15	1,554,997	Sterling Cellular Pvt. Ltd. - Head (Channel Sales)
4	Ramesh Smika	Chief Finance Officer	B.Tech, MMS	41	11.04.00	16	3,656,357	Alcatel India Ltd. - GM (Materials and Information System)
5	S S Raghavan	General Manager - Treasury	A.C.A	52	01.07.00	27	2,111,148	Moldicorp Limited - General Manager
6	S P Halder	Senior Vice President Network & Technology	B.E (Elect & Telecom)	43	01.02.95	14	1,444,880	Crompton Greaves Nodes - Sr. Manager (Tech. Support)

## Notes

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

## AUDITORS' REPORT

## Auditor's Report to The Members

We have audited the attached Balance Sheet of BHARTI MOBILTEL 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' Report) Order, 1988, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we report that, in our opinion and as per the information and explanations furnished to us and the books and records examined by us in the normal course of audit: -

- (i) The Company has maintained proper records of Fixed Assets showing full particulars including quantitative details and situations thereof. The Fixed Assets of the company are in the process of physical verification and reconciliation with the book records and adjustments for discrepancies, if any, would be carried out after such reconciliation.
- (ii) None of the Fixed Assets of the Company has been revalued during the year.
- (iii) The stocks of traded goods have been physically verified by the management at the close of the year and no discrepancies were observed on such verification between the physical stocks and book records. The procedures followed by the Management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business. In our opinion, the valuation of such stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- (iv) In respect of loans taken from companies, listed in the register maintained under section 301 of the Companies Act, 1956, the rate of interest and other terms and conditions thereof are prima facie not prejudicial to the interest of the company. The company has granted certain loans to its holding company/companies under the same management, which are not prejudicial to the interest of the company, in view of the strategic nature of these loans.

- (v) Loans or advances in the nature of loans given to the employees are generally being recovered as per stipulations, wherever 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 commensurate with the size of the Company and the nature of its business with regard to purchases of components, plant and machinery, equipment and other assets and for the sale of services.
- (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 in the register maintained under Section 301 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 prices 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 Provident Fund dues with appropriate authorities and there were no arrears of such dues as on March 31, 2002. As informed to us, the Company has obtained a Stay Order from the Hon'ble High Court of Calcutta on the applicability of the Employees' State Insurance Act, 1948.
- (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 and to the best of our knowledge and belief, could be regarded as personal expenses.

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

(xv) In respect of services rendered:

The 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.

There is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business for rendering of cellular services.

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

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 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;
- The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- In our opinion, the balance sheet and the profit and loss account comply with the Accounting Standards referred to in Sub-Section 3(c) of Section 211 of the Companies Act, 1956.
- On the basis of written representation received from the directors, as on March 31, 2002, and taken on record by the Board of Directors, 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.

6. Attention is drawn to Note no. 4 on schedule 21 regarding change in the basis of revenue recognition for prepaid cards, resulting into a decrease in loss for the year by Rs. 11,862,060.

Had its impact been considered, the loss for the year would have been Rs. 134,904,172/- as against the reported figure of Rs. 123,042,112/- and the Profit & Loss Account debit balance would have been Rs. 929,563,901/- as against the reported figure of Rs. 917,701,841/-.

7. In our opinion and to the best of our information and according to the explanations given to us, the said Statements of Account subject to clause (6) 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:

- In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2002 and
- In the case of Profit & Loss Account, of the loss of the Company for the year ended on that date.

S. R. BATLIBOI & CO.  
Chartered Accountants

Per (R. K. AGRAWAL)  
a Partner

Place : 22, Camac Street  
Block 'C', 3rd Floor  
Kolkata - 700 016  
Date : July 5, 2002

## BALANCE SHEET AS AT MARCH 31, 2002

Particulars	Schedules	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	1,330,000,000	1,330,000,000
<b>Loan Funds</b>			
Secured	2	1,250,000,000	1,372,802
Unsecured	3	616,656,527	626,650,000
<b>Security Deposits</b>		<u>90,174,982</u>	<u>46,528,742</u>
<b>Total Shareholders' Fund</b>		<u>3,286,831,509</u>	<u>2,004,551,544</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
Gross Block	4	2,186,252,524	1,443,763,971
Less : Depreciation		635,156,033	449,711,428
Net Block		1,551,096,491	994,052,543
Capital Work-In-Progress		94,857,981	38,509,491
<b>Total Fixed Assets</b>		<u>1,645,954,472</u>	<u>1,032,562,034</u>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	5	5,122,209	5,888,483
Sundry Debtors	6	87,182,633	51,973,725
Cash & Bank Balances	7	23,840,045	47,066,577
Loans and Advances	8	1,045,458,546	34,913,580
<b>Total Current Assets</b>		<u>1,161,603,433</u>	<u>139,842,365</u>
<b>Less :- Current Liabilities and Provisions</b>			
Liabilities	9	986,099,679	459,748,864
Provisions	10	2,210,370	2,693,019
		<u>988,310,049</u>	<u>462,441,883</u>
<b>Net Current Assets</b>		<u>173,293,385</u>	<u>(322,599,518)</u>
<b>Deferred Tax Asset</b>		337,247,000	
<b>Miscellaneous Expenditure</b>			
Unamortised Licence Fees	11	212,634,810	228,583,471
Preliminary Expenses	12	-	519,827
<b>Profit &amp; Loss Account-Debit Balance</b>		<u>917,701,841</u>	<u>1,065,485,729</u>
<b>Total</b>		<u>3,286,831,509</u>	<u>2,004,551,544</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	20		
<b>NOTES TO THE ACCOUNTS</b>	21		

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

S. R. BATLIBOI & CO.  
Chartered Accountants  
PER R. K. AGRAWAL  
a Partner

Place: Kolkata  
Date : July 5, 2002

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

On behalf of the Board

AKHIL GUPTA  
Director

ANIL NAYAR  
Director

DHRUV JAIN  
Head (Finance)

SEEMA SHARMA  
Company Secretary

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

Particulars	Schedules	For the year ended March 31, 2002 (Rs.)	For the year ended March 31, 2001 (Rs.)
<b>INCOME</b>			
Billing Revenue		1,038,468,616	576,650,096
Sale of Goods		1,276,176	3,297,192
Other Income	13	151,315	209,373
<b>TOTAL INCOME</b>		<b>1,039,896,107</b>	<b>580,156,661</b>
<b>EXPENDITURE</b>			
Cost of Sale of Goods		1,305,008	3,285,169
Network Operating Cost	14	45,171,726	51,417,550
Access Charges paid to other operators		254,513,909	113,121,997
Personnel Expenses	15	75,343,377	44,056,780
Sales and Marketing Expenses	16	262,529,838	102,711,915
Administrative and Other Expenses	17	136,939,288	102,881,634
<b>TOTAL EXPENDITURE</b>		<b>775,803,146</b>	<b>417,475,045</b>
<b>Operating Profit before Licence Fee, Depreciation, Interest, Amortisation &amp; Tax</b>		<b>264,092,961</b>	<b>162,681,616</b>
Less : Licence Fees and WPC (Revenue Share)		131,973,464	71,937,514
<b>Profit before Interest, Depreciation, Amortisation &amp; Tax</b>		<b>132,119,497</b>	<b>90,744,102</b>
Less : Finance Expenses (Net)	18	104,771,987	67,563,820
<b>Profit before Depreciation, Amortisation &amp; Tax</b>		<b>27,347,510</b>	<b>23,180,282</b>
Depreciation		200,342,135	178,009,093
Amortisation	19	16,468,488	12,067,236
<b>Loss before Tax</b>		<b>189,463,112</b>	<b>166,896,047</b>
<b>Provision for Tax</b>			
Wealth Tax		-	25,909
Adjustment for Deferred tax income		66,421,000	-
<b>Loss after Tax</b>		<b>123,042,112</b>	<b>166,921,956</b>
<b>Loss brought forward</b>		<b>1,065,485,729</b>	<b>898,563,773</b>
Adjustment of Deferred Tax Assets upto March 31, 2001		270,826,000	-
		794,659,729	898,563,773
<b>Loss carried forward to Balance Sheet</b>		<b>917,701,841</b>	<b>1,065,485,729</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	20		
<b>NOTES TO THE ACCOUNTS</b>	21		

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

S. R. BATLIBOI & CO.  
Chartered Accountants  
PER R. K. AGRAWAL  
a Partner

Place: Kolkata  
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  
Director

ANIL NAYAR  
Director

DHRUV JAIN  
Head (Finance)

SEEMA SHARMA  
Company Secretary

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
<b>SCHEDULE – 1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
160,000,000 Equity Shares of Rs. 10/- each	1,600,000,000	1,600,000,000
<b>Issued, Subscribed &amp; Paid up</b>		
133,000,000 Equity Shares of Rs. 10/- each (Entirely held by Bharti Cellular Limited, the Holding Company and its nominees)	1,330,000,000	1,330,000,000
	1,330,000,000	1,330,000,000
<b>SCHEDULE – 2</b>		
<b>Loan Funds</b>		
<b>Secured</b>		
From Hire Purchase Financiers	-	1,372,802
Rupee Loan from a body corporate	1,250,000,000*	-
	1,250,000,000	1,372,802
*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.		
<b>SCHEDULE – 3</b>		
<b>Loan Funds – Unsecured</b>		
<b>Short Term Loans</b>		
- From Banks	-	594,650,000
- From a Body Corporate (Bearing interest)	-	32,000,000
- From a Body Corporate (Not bearing interest)	616,656,527	-
	616,656,527	626,650,000



## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE - 4  
Fixed Assets

Particulars	Gross Block (At Cost)			Depreciation			Net Block	
	As At 01.04.2001 (Rs.)	Additions/ Adjustments (Rs.)	Deductions/ Adjustments (Rs.)	As At 31.03.2002 (Rs.)	For The Year (Rs.)	Less: On Deductions/ Adjustments (Rs.)	As At 31.03.2002 (Rs.)	As At 31.03.2001 (Rs.)
Buildings & Leasehold Improvements	85,226,482	32,256,080	317,806	117,164,756 (a)	7,063,025	56,725	107,389,287	82,457,313
Plant & Machinery	1,135,594,999	715,355,481	39,028,108 (d)	1,811,922,373	154,774,610	5,641,811	1,376,010,649	848,816,074
Furniture & Fixtures	18,548,312	22,180,113	5,185,287	35,543,138	5,405,455	4,879,561	22,134,624	5,665,693
Office Machinery & Equipments	43,576,067	8,216,802	123,845	51,669,024	7,325,717	123,845	12,628,007	11,736,922
Information & Technology Equipments	157,393,895	15,919,106	4,557,240	168,755,761	25,218,266	3,369,888	32,335,767	42,822,278
Motor Vehicles	3,424,216	718,182,80	2,944,927	1,197,472	555,061	825,700	598,157	2,554,263
	<b>1,443,763,971</b>	<b>794,645,765</b>	<b>52,157,213</b>	<b>2,186,252,524</b>	<b>200,342,135</b>	<b>14,897,531</b>	<b>1,551,096,491</b>	<b>994,052,543</b>
Capital Work in Progress	38,509,491	856,216,679	799,868,189 (e)	94,857,981 (b)			94,857,981	38,509,491
<b>Total</b>	<b>1,482,273,462</b>	<b>1,650,862,444 (c)</b>	<b>852,025,401</b>	<b>2,281,110,505</b>	<b>200,342,135</b>	<b>14,897,531 -</b>	<b>1,645,954,472</b>	<b>1,032,562,034</b>
Previous Period's Total	1,530,863,859	666,909,232	715,499,629	1,482,273,462	178,009,093	99,439,671	1,032,562,034	1,159,721,853

(a) Includes premises valuing Rs. 70,600,000/- which are yet to be registered in the company's name.

(b) Includes materials under erection / installation and capital advances.

(c) After adjusting net increase on account of Exchange fluctuation Rs.14,511,725/-.

(d) Includes Rs.28,469,434/- representing waiver of purchase consideration by Nokia Networks OY (Refer note no. 6 on Schedule - 21).

(e) Includes value of assets discarded during the year Rs.5,222,424/-.

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
<b>SCHEDULE - 5</b>		
<b>Inventories</b>		
(At lower of cost or net realisable value)		
- Cellular Phones	-	526,326
- Others	5,122,209	5,362,157
	<b>5,122,209</b>	<b>5,888,483</b>
<b>SCHEDULE - 6</b>		
<b>Sundry Debtors</b>		
(Unsecured - considered good unless otherwise stated)		
<b>Other Debtors</b>		
- Outstanding for less than six months	87,182,633	51,973,725
	<b>87,182,633*</b>	<b>51,973,725</b>
*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/-)		
<b>SCHEDULE - 7</b>		
<b>Cash &amp; Bank Balances</b>		
- Cash in Hand (including cheques in hand Rs. 6,380,608/-)	7,120,243	2,951,610
- With Scheduled banks		
in Current Account	16,130,582	16,614,967
in Fixed Deposit Account	589,220	27,500,000
	<b>23,840,045</b>	<b>47,066,577</b>
<b>SCHEDULE - 8</b>		
<b>Loans and Advances</b>		
<b>Unsecured, Considered good</b>		
Loan to Holding Company (Not bearing interest)	997,592,723	-
Loans to Employees	216,586	95,833
Advances recoverable in cash or in kind or for value to be received	11,836,948	16,696,664
Interest accrued on investments	23,439	1,458,400
Advance Tax / Tax deducted at source and refunds receivable	1,123,321	809,940
Sundry Deposits.	34,665,529	15,852,743
	<b>1,045,458,546</b>	<b>34,913,580</b>
<b>SCHEDULE - 9</b>		
<b>Current Liabilities</b>		
Sundry Creditors for Goods, Services, Expenses, etc.	839,697,975	385,227,619
Revenue received in advance	39,267,815	47,609,068
Advance received against sale of Assets	4,009,750	4,009,750
Advance received from customers	10,255,918	8,476,948
Interest accrued but not due	64,785,959	5,770,019
Other Liabilities	28,082,262	8,655,460
	<b>986,099,679</b>	<b>459,748,864</b>
<b>SCHEDULE - 10</b>		
<b>Provisions</b>		
For Wealth Tax	-	25,909
For Leave Liability	2,210,370	2,667,110
	<b>2,210,370.00</b>	<b>2,693,019</b>
<b>SCHEDULE - 11</b>		
<b>Unamortised Licence Fees</b>		
Opening Balance	228,583,471	240,558,972
Amortisation during the year	15,948,661	11,975,501
	<b>212,634,810</b>	<b>228,583,471</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
<b>SCHEDULE – 12</b>		
<b>Preliminary Expenses</b> (To the extent not written off or adjusted)		
Preliminary Expenses	–	519,827
	–	519,827
<b>SCHEDULE – 13</b>		
<b>Other Income</b>		
Liabilities and Provisions no longer required written back	–	141,315
Exchange fluctuation (net)	–	64,858
Miscellaneous Receipts	151,315	3,200
	151,315	209,373
<b>SCHEDULE – 14</b>		
<b>Network Operating Costs</b>		
WPC Charges	4,717,750	9,667,725
Rent & Guarantee and Other Charges	11,834,477	11,388,672
Electricity & Water	8,741,332	4,488,660
Rent	14,650,417	6,158,672
Repairs and Maintenance	28,855,364	
Less: Written back due to waiver of Liability for earlier years (Refer Note No. 6 on Schedule – 21)	25,698,769	18,924,771
Signalling Charges	3,156,595	789,050
	2,071,155	
	45,171,726	51,417,550
<b>SCHEDULE – 15</b>		
<b>Personnel Expenses</b>		
Salaries & Allowances	62,499,202	34,438,620
Contribution to Provident and Other Funds	4,728,499	3,057,089
Staff Welfare Expenses	4,522,215	2,640,659
Recruitment and Training Expenses	3,593,461	3,920,112
	75,343,377	44,056,780
<b>SCHEDULE – 16</b>		
<b>Sales and Marketing Expenses</b>		
Cost of Sim card and other Accessories	22,759,182	12,833,536
Advertisement	176,583,151	65,966,200
Sales Commission and Incentives	58,237,223	20,497,114
Selling and Distribution Expenses	4,950,282	3,415,065
	262,529,838	102,711,915
<b>SCHEDULE – 17</b>		
<b>Administrative and Other Expenses</b>		
Rent	12,534,868	8,951,784
Rates, Fees and Taxes	645,679	30,808
Repair and Maintenance		
Buildings	4,162,953	3,588,693
Others	19,016,414	16,561,763
Electricity and Water	8,307,272	4,721,178
Telephone, Telex and Postage	9,056,289	4,081,584
Printing and Stationery	8,126,852	3,162,587
Travelling and Conveyance	16,300,259	7,574,358
Insurance	4,273,670	3,829,584
Legal & Professional Consultancy Charges	4,260,052	6,850,016
Collection and Recovery Charges	11,594,409	8,565,309
Provision for Doubtful Debts	3,652,065	19,557,920
Miscellaneous Expenses	23,314,868	13,301,831
Foreign Exchange Loss (Net)	77,823	–
Loss on Fixed Assets sold / discarded (net)	11,615,815	2,104,219
	136,939,288	102,881,634

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	For the year ended March 31, 2002 (Rs.)	For the year ended March 31, 2001 (Rs.)
<b>SCHEDULE – 18</b>		
<b>Finance Expenses (Net)</b>		
Interest Expense		
On Fixed Loan	64,785,959	59,221,607
On Others	28,016,394	6,275,168
	92,802,353	65,496,775
Less: Interest Capitalised	3,387,454	89,414,899
Less: Interest Income		908,514
Net Interest		88,506,385
Other Financial Charges		16,265,602
		104,771,987
		67,563,820
<b>SCHEDULE – 19</b>		
<b>Amortisation</b>		
Preliminary Expenses	519,827	91,735
Licence Fees	15,948,661	11,975,501
	16,468,488	12,067,236

## SCHEDULE – 20

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

	Years
Plant & Machinery	10
Buildings	20
Office Equipment	5
Mobile Phone	3
Computers (including Software)	3
Vehicles	5
Furniture & Fixtures	5

Leasehold Land/ Improvements and Buildings on Leasehold premises are depreciated over the respective Period of Lease.  
Impaired assets/ assets held for disposals are written down to their salvage value.
- 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. Unbilled revenue is accrued on an estimated basis.  
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 recoverable.
- INVENTORIES:**  
Inventories are valued at the lower of cost (computed on a first in first out basis) or net realisable value.

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

## 6. LICENSE FEES:

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

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 arises. 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 contract) are restated at the year-end foreign exchange rates. The resultant exchange differences arising on payment or conversion of liabilities are recognised as Income or Expense in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset.

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 recognized as income or expenses over the life of the contract, as the case may be.

## 8. RETIREMENT BENEFITS:

Gratuity and superannuation payments 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 payments to employees are accounted for on accrual basis.

## 9. BORROWING COSTS:

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. 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 expenses comprise 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 / virtual 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 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.

		(Rs.)	(Rs.)
		As on March 2002	As on March 2001
a.	Estimated amounts of contracts remaining to be executed on Capital Account and not provided for (net of advances)	107,107,168	5,329,972
b.	Contingent Liabilities not provided for in respect of		
	1. Outstanding Bank Guarantees	67,725,118	64,150,000
	2. Sales Tax demands under appeal	416,000	26,970,000
	3. Differential Customs Duty in respect of certain imports where against Provisional Duty Bonds have been issued	17,181,638	17,181,638
	4. Other Claims not acknowledged as debts.	3,020,528	3,020,528

2. Sundry Creditors include Rs.15,115/- (Rs.1,82,540/-) due to M/s A.C.Power Systems, a small-scale undertaking.

3. In line with the amendments in License Agreement for the Kolkata circle, the following changes have been considered during the year:

(a) License 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 network to fixed service network, has been retained by the company as revenue.

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

## SCHEDULES ANNEXED TO AND FORMING PART OF 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. 11,862,060.

5. In accordance with The Telecommunication Tariff (Twelfth Amendment) Order, 2001, a further liability of Rs. 6,399,006 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 O.Y, Nokia Telecommunication O.Y & Nokia India Pvt. Ltd. certain liabilities aggregating to Rs. 54,168,203 due to them have been waived 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 dealers' deposits and non interest bearing refundable deposits received from subscribers on activation of connections granted thereto.

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

9. Deferred tax asset of Rs. 337,247,000 arising due to unabsorbed depreciation and other timing differences, has been recognised in the accounts as the 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 below :

Deferred tax income due to Timing Difference:	Rs. 97,457,000
Deferred tax income due to Unabsorbed Depreciation:	Rs. 239,790,000

## 10. Auditors Remuneration:

	2001-02 (Rs.)	2000-01 (Rs.)
Audit Fees	400,000	400,000
Tax Audit Fees	135,000	135,000
Other Services	700,000	370,000
Reimbursement of out of pocket expenses	77,160	54,570

11. The Company has replaced certain existing network systems 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 standby items / Insurance spares, 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

- a) Bharti Cellular Limited (Holding Company).
- b) Bharti Tele-Ventures Limited. (Holding Company of Bharti Cellular Ltd.)
- c) Bharti Telecom Limited.
- d) Bharti Enterprise Limited.
- e) Bharti Overseas Trading Company (Partnership Firm)
- f) Modisoft Limited (MSPL) (Erstwhile Holding Company)
- g) Modicorp Limited (Holding Company of Modisoft Pvt. Ltd.)

## Fellow Subsidiaries

- a) Bharti Telenet Limited
- b) Bharti BT Internet Limited
- c) Bharti BT Limited
- d) Bharti Comtel Limited
- e) Bharti Mobinet Limited
- f) Bharti Mobile Limited
- g) Bharti Broadband Networks Limited
- h) Bharti Telesonic Limited
- i) Bharti Aquanet Limited
- j) Modikem Limited (Erstwhile Fellow Subsidiaries)
- k) Spice Communication Limited (Erstwhile Fellow Subsidiaries)

## Associates

- a) Bharti Telecom Finance Limited
- b) Bharti Telesoft Limited
- c) Bharti Teletech Limited
- d) Bharti Infotrac Limited
- e) Bharti Healthcare Limited
- f) Bharti Systel Limited
- g) Goa Telecommunication and Systems Limited

## Persons having Significant Influence

- a) Mr. Sunil Bharti Mittal
- b) Mr. Rajan Bharti Mittal
- c) Mr. Akhil Gupta
- d) Mr. Anil Nayar

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

## b) Related party transaction for the year 2001-2002

Name	Relationship	Services / Rendered	Services / Received	Trade Receivables	Trade Payables	Other Receivables	Other Payables	Corporate Guarantee	Others
Bharti Tele-Ventures Limited	Holding company of BCL	6,324,087	6,222,347	101,690		997,592,722	616,656,526	1,260,000,000	Brand Usage
Bharti Cellular Limited – (BCL)	Holding Company						164,118	60,000,000	
Bharti Teletel Limited	Fellow Subsidiary	59,508	145,268		85,760				
Bharti BT Internet Limited	Fellow Subsidiary		441,584			314,416			
Bharti Mobinet Limited	Fellow Subsidiary	1,235,635	1,253,587		17,947				
Bharti Mobile Limited	Fellow Subsidiary	2,623,249	2,718,446		95,197		355,157		
Bharti Telesoft Limited	Significant Interest		1,014,365						
Modicorp Ltd.*	Holding company of MSPL		1,002,740 (1,683,725)				(226,971)		Brand Usage
Modikem Ltd.*	Erstwhile Fellow Subsidiary		10,179 (1,502,645)						
Spice Communication Ltd.*	Erstwhile Fellow Subsidiary	750,509 (1,295,266)	1,210,428 (1,057,295)	77,371 (2,37,971)	537,290				

\* Transaction with Erstwhile Holding company and Fellow Subsidiaries

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

14. Information pursuant to the provisions of Paragraphs 3, 4(c) and 4(d) of Para II of Schedule VI to the Companies Act, 1956 ,(to the extent applicable to the Company): –

## A. Purchase, Sales and Stocks:

(Rs.)

Class of Goods	Unit	Opening Stock		Purchases		Sales		Closing Stock	
		Qty	Value	Qty	Value	Qty (a)	Value (b)	Qty	Value
Cellular Phone	Nos.	94 (61)	526,326 (500,916)	382 (558)	2,506,625 (3,901,600)	476 (525)	1,276,176 (3,297,192)	0 (94)	0.0 (526,326)

- Notes: (a) Includes Cellular Phones capitalised, supplied free of cost etc.  
(b) Net of Sales Tax

## B. CIF Value of Imports :

	(Rs.)	
	2001-2002	2000-2001
Capital Goods	503,783,868	185,121,344

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

	(Rs.)	
	2001-2002	2000-2001
Travelling	2,924,320	2,259,124
Miscellaneous Expenditure	511,815	531,801
Services	1,837,545	–

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

	(Rs.)	
	2001-2002	2000-2001
Services	12,186,400	11,316,312

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.

Signatories to Schedules '1' to '21'

In terms of our attached report of even date.

S. R. BATLIBOI & CO.  
Chartered Accountants  
PER R. K. AGRAWAL  
a Partner

Place: Kolkata  
Date : July 5, 2002

On behalf of the Board

AKHIL GUPTA  
Director

DHRUV JAIN  
Head (Finance)

ANIL NAYAR  
Director

SEEMA SHARMA  
Company Secretary



## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2002

	As at 31.03.2002 Rs.	As at 31.03.2001 Rs.
<b>A. Cash flow from operating activities:</b>		
Net (loss)/profit before tax but after exceptional/ extraordinary items	(189,463,112)	(166,896,047)
Adjustments for:		
Depreciation	200,342,135	178,009,093
Interest Expense	105,680,501	65,496,775
Interest Income	(908,514)	(2,720,587)
(Profit)/Loss on Fixed Assets sold	11,615,815	2,104,219
Deferred revenue expenditure written off	16,468,488	12,067,236
Provision for Gratuity & Leave Encashment	(468,501)	783,792
Operating profit before working capital changes	143,266,811	88,844,481
Adjustments for changes in working capital :		
– (INCREASE)/DECREASE in Sundry Debtors	(35,208,907)	44,620,070
– (INCREASE)/DECREASE in Other Receivables	(1,010,544,966)	3,779,761
– (INCREASE)/DECREASE in Inventories	766,274	(3,564,069)
– INCREASE/(DECREASE) in Trade and Other Payables	106,501,308	28,096,767
Net cash from operating activities	(795,219,480)	161,777,010
<b>B. Cash flow from Investing activities:</b>		
Adjustments for changes in :		
Purchase of fixed assets	(331,164,166)	(201,076,881)
Capital Work in Progress	(56,348,490)	79,906,192
Proceeds from Sale of fixed assets	25,643,866	(591,437)
Interest Received	908,514	2,720,587
Net cash used in investing activities	(360,960,276)	(119,041,539)
<b>C. Cash flow from financing activities:</b>		
Proceeds from long term borrowings		
RECEIPTS	1,250,000,000	
PAYMENTS	(1,372,802)	(581,792)
Proceeds from short term borrowings		
RECEIPTS	616,656,527	2,000,000
PAYMENTS	(626,650,000)	(2,660,527)
Interest Paid	(105,680,501)	(65,496,775)
Net cash used in financing activities	1,132,953,224	(66,739,094)
<b>D. Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	(23,226,532)	(24,003,623)
<b>E. Cash and cash equivalents as at 01.04.2001 (Opening Balance)</b>	47,066,577	71,070,200
<b>F. Cash and cash equivalents as at 31.03.2002 (Closing Balance) (D+E)</b>	23,840,045	47,066,577
<b>Note:</b>		
Cash and cash equivalents comprise of:		
Cash, Cheques & Drafts (in hand)	7,120,243	2,951,610
Balance with Scheduled Banks	16,719,802	44,114,967
	23,840,045	47,066,577

## 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

PER  
R. K. AGRAWAL  
a Partner

Place: Kolkata  
Date : July 5, 2002

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I. Registration Details</b>		
Registration No.	5 5 8 4 8 2 0 8	State Code 5 5
Balance Sheet Date	3 1 - 0 3 - 0 2 Date Month Year	
<b>II. Capital raised during the year (Amount in thousands)</b>		
Public Issue		Rights Issue
Bonus Issue		Private Placement
<b>III. Position of mobilisation and deployment of funds (Amount in thousands)</b>		
Total Liabilities	3 2 8 6 8 3 2	Total Assets
Sources of funds	Paid-Up Capital 1 3 3 0 0 0 0	Reserves & Surplus
Application of funds	Secured Loans 1 2 5 0 0 0 0	Unsecured Loans
	Net Fixed Assets 1 6 4 5 9 5 4	Investments
	Net Current Assets 1 7 3 2 9 3	Misc. Expenditure
	Accumulated Losses 9 1 7 7 0 2	
<b>IV. Performance of the Company (Amount in thousands)</b>		
Turnover	1 0 3 9 8 9 6	Total Expenditure
Profit / (Loss) Before Tax	(-) 1 8 9 4 6 3	Profit / (Loss) After Tax
Earnings Per Share in Rs.		Dividend Rate %
<b>V. Generic Names of three principal products / services of the Company (as per monetary terms)</b>		
Item Code No. (ITC Code)	N O T A P P L I C A B L E	
Product Description	C E L L U L A R P H O N E	
	S E R V I C E	

On behalf of the Board

AKHIL GUPTA  
Director

ANIL NAYAR  
Director

Place: Kolkata  
Date : July 5, 2002

DHRUV JAIN  
Head (Finance)

SEEMA SHARMA  
Company Secretary