

BHARTI TELENET LIMITED

Basic Telephone Services

– Madhya Pradesh

– Haryana

– Delhi

– Tamil Nadu

– Karnataka

Cellular Mobile Telephone Services

– Himachal Pradesh

BHARTI TELENET LIMITED

DIRECTORS' REPORT

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

BUSINESS REVIEW

The Directors are pleased to inform the shareholders that the Company has continued to expand its operations during the fourth year of its operations. In October 2001, the Company was awarded four new Fixed Line licenses for the telecom circles of Delhi, Haryana, Tamil Nadu and Karnataka. These are in addition to the existing licenses for providing Fixed Line Services in the circles of Madhya Pradesh and cellular services in the state of Himachal Pradesh.

We commenced providing services in all these circles in record time. The launches were as under:

Licensed Area	Date of License	Date of Launch
Haryana	October 10, 2001	December 26, 2001
Delhi	October 29, 2001	March 4, 2002
Tamil Nadu	October 29, 2001	April 3, 2002
Karnataka	October 29, 2001	April 4, 2002

The Company has become the largest private fixed line service provider in the country having a subscriber base of 163,975 as on March 31, 2002. The optical fibre backbone network of over 3600 Kilometers helps the Company leverage its plans to provide various data based services other than conventional voice telephony.

HIMACHAL PRADESH CELLULAR SERVICE PROJECT

During the year under review, the Company has further expanded its coverage up to 39 towns and more than 50% of the DHQs of Himachal Pradesh. The new territories added to the cellular network are, Bilaspur, Barmana, Kangara, Dharamsala, Palampur and Chandyal. Further the Company has entered into the roaming agreements with all the major network operators in the country, which has resulted in substantial increase in the roaming revenues.

The H.P. region continues to enjoy more than 80% of the market share, which is expected to grow further on expansion of the network.

FINANCIAL PERFORMANCE

The Key financial indicators for the year ending March 31, 2002 are as under :

Particulars	As on March 31, 2002 (Rs.)	As on March 31, 2001 (Rs.)
Sales and other income	1,787,838,554	1,210,976,528
Expenditure	1,263,042,137	910,697,586
Operating Profit	524,796,417	300,278,942
Finance Expenses	399,473,848	433,870,182
Licence Fees Revenue share	136,701,249	81,946,887
Spectrum Charges	7,417,155	3,433,725
Profit/(Loss) before Depreciation, Amortisation Pre-operative expenses	(18,795,835)	(218,971,846)
Depreciation, Amortisation and Pre-operative expenses	12,63,385,413	(550,071,180)
Profit/(Loss) before tax	(1,282,181,248)	(769,043,026)
Net Profit/ (Loss) after tax	(1,081,181,248)	(769,043,026)

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 to Accounts.

AUDITORS

M/s. Price Waterhouse & Co., Chartered Accountants, shall retire at the ensuing Annual General Meeting and have expressed their unwillingness to be re-appointed. M/s. Price Waterhouse, Chartered Accountants have given their consent to act as auditors of the company from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting. A Certificate has been received from M/s. Price Waterhouse confirming therein that their appointment, if made, will be within the limits prescribed u/s 224(1B) of the Companies Act, 1956. The Directors' recommend their appointment as the Statutory Auditors.

DIRECTORS

During the year under review, Mr. Akhil Gupta resigned from the Board. The Board places on record the appreciation for the services rendered by him during his tenure as Director of the Company.

Mr. Sunil Bharti Mittal and Mr. Badri Agarwal are due to retire by rotation and being eligible, have offered themselves for re-appointment. The Board recommends their appointment as Directors of the Company.

STATUTORY STATEMENTS

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

The other disclosures required to be made in terms of section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of Energy, Research and Development and Technology Absorption are not applicable.

There were no foreign exchange earnings during the year under review. However, there was a foreign exchange outgo of Rs. 9.55 Million as compared to Rs. 51.42 Million in the previous year.

SUBSIDIARY COMPANY

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

DIRECTORS' RESPONSIBILITY STATEMENT-SECTION 217(2AA)

The Directors' Confirm:

- 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 March 31, 2002, and of the profit and loss account of the Company for the year;

- 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 assistance, co-operation and

support received from the Department of Telecommunications, Government of Madhya Pradesh, Himachal Pradesh, Tamil Nadu, Karnataka, Delhi and Haryana, Company's Bankers and Financial Institutions.

The Directors wish to place on record their sincere appreciation of the valuable contribution and dedication shown by the employees at all levels of the Company.

On behalf of the Board

RAJAN BHARTI MITTAL BADRI AGARWAL
Managing Director Director

Place: New Delhi
Date : July 2, 2002

ANNEXURE TO DIRECTORS' REPORT

Statement of particulars under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended March 31, 2002 and forming part of the Directors Report.

Sl. No.	Name	Designation	Qualification(s)	Age (In yrs.)	Date of commencement of employment	Total Experience (In yrs)	Gross Remuneration (In Rs.)	Previous Employment / Designation
(A) EMPLOYED FOR THE FULL FINANCIAL YEAR								
1	Cherian Kuruvila	Chief Executive Officer Karnataka Circle	B.Sc. (Engg)	45	08.02.01	21	2,993,222	Modi Xerox Ltd., Executive Director (South)
2	H.K. Gandhi	Vice President - HR	MBA, LLB	45	27.01.99	24	2,442,889	Koshtika Telecom
3	K. Krishnan	Chief Executive Officer Tamil Nadu Circle	B.Com, C.A., ICWA	47	26.01.01	23	3,401,936	Saregama (I) Ltd., M.D.
4	P. Swaminathan	Chief Executive Officer Madhya Pradesh	B.Tech, PGDM	46	12.07.99	23	3,500,208	BPL Cellular Ltd., Bangalore, Circle Head
5	R. P. Kalshreshtha	Vice President-Technical	B.Sc, B.E - Telecom	62	18.12.98	36	2,423,665	MTNL
6	Rajiv Kohli	Chief-SSM	B.Tech(Manufacturing), PGDM (Mktg)	41	23.06.00	16	2,446,000	Koshika Telecom Ltd., Chief Operating Officer
7	Rohitash Mal	Chief Executive Officer Delhi Circle	B. Tech, PGDM	46	13.01.01	23	3,368,232	Maruti Udyog Ltd., CGM (Mktg & Sales)
8	Sanjeev Mago	Vice President-Quality	FCA, FCWA	34	16.03.01	14	2,638,404	American Express
9	Sumanjit Chaudhry	Chief Executive Officer Har yana Circle	GCE-Degree in Natural Science & Chemical Engineering	54	21.09.98	30	3,381,581	Hytech Packs Pvt. Ltd.
(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR								
1	M S Ravichandran	Chief Technology Officer	M Tech	52	09.04.01	28	2,359,613	RPG Cellular Ltd., Vice President - Technical
2	Vivek Khanna	Vice President - IT	CISA, CSSP, CSA	41	19.07.01	18	2,279,126	Sterling Cellular
3	Milesh Ruparel	Vice President - Materials	MBA	45	08.10.01	24	1,169,329	Lucent Technologies
4	Prem Pradeep	Chief-Operations	B Tech ; MBA	47	15.10.01	21	1,197,365	Saregama India Ltd., Head - E-Business
5	Jagbir Singh	Vice President-Technologies	M-Phil, M-Tech, MBA	37	09.11.01	14	1,146,119	Nortel, Singapore
6	Col. A.K. Dewan	Chief Executive Officer Special projects	M.Sc, AMIE	59	01.09.01	38	1,844,532	BTVL, CEO Spl Projects

Notes

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

AUDITORS' REPORT

To The Members of Bharti Telenet Limited

- We have audited the attached Balance Sheet of Bharti Telenet Limited, as at March 31, 2002 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
- 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.
- In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon/attached thereto and the Statement on Significant Accounting Policies give in the prescribed manner the information required by 'The Companies Act, 1956, of India (the 'Act')', and also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
 - in the case of the Profit and Loss Account, of the loss for the year ended on that date
- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books and the aforementioned Balance Sheet and Profit and Loss Account are in agreement therewith.
- Read with Note 14 on Schedule 17 regarding related party disclosures being as identified and certified by the 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.
- Based on the written representations received from the Company on behalf of the Directors as on March 31, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2002, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 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 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:
 - The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

- The Company has conducted the physically verification of fixed Assets for all assets in Himachal Pradesh and certain categories of Plant and Machinery at Madhya Pradesh fixed line circle, which revealed no material discrepancies. The Company has not conducted physical verifications of any other assets.
- The fixed assets of the Company have not been revalued during the year.
 - The stocks of trading goods of the Company have not been physically verified by the management during the year.
 - In our opinion the rates of interest and the terms and conditions of an unsecured loan repayable on demand taken by the Company during the year from its holding Company are prima facie not prejudicial to the interests of the Company. The Company has not taken any other loan secured or unsecured from any other companies, firms or other parties listed in the register maintained under Section 301 of the Act.
 - In our opinion the rates of interest and other terms and conditions of an interest free unsecured loan, granted by the Company to a wholly owned subsidiary are prima facie not prejudicial to the interests of the Company. There are no loans secured or unsecured, granted by the Company to companies, firms or other parties listed in the register maintained under Section 301 of the Act, other than an interest bearing security deposit to a wholly owned subsidiary towards lease of premises.
 - 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 (as applicable) in most cases. In those cases where principal amounts and/or interest 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.
 - In our opinion in general there is, an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.
 - In our opinion, purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year Rs 50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials, or services or the prices at which the transactions for similar goods or services have been made with other parties, other than certain purchases of items/ services of a proprietary nature including software consultancy and certain rentals, for which we are informed that comparative prices are not available, and accordingly we are unable to comment thereon.
 - The Company has not accepted any deposits from the public.

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

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

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

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

7.14 In respect of services rendered:

- (a) Considering the nature of services rendered and the basis of billing, it is not considered necessary to have a system of allocation of consumption of materials and stores to the related jobs. However the Company

has a reasonable system of recording receipts, issues and consumption of materials and stores.

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

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

7.15 In respect of trading activities, there are no damaged goods in the possession of the Company as at March 31, 2002.

7.16 The other clauses of the order are either not applicable or not relevant to the operations of the Company for the year, and accordingly we have not reported on matters specified in such clauses.

U. Rajeev
Partner

For and on behalf of

Price Waterhouse & Co.

Chartered Accountants

Place: New Delhi
Dated: July 2, 2002

BALANCE SHEET AS AT MARCH 31, 2002

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
SOURCES OF FUNDS			
Shareholders' Fund	1		
Share Capital		3,000,000,000	3,000,000,000
Loan Funds	2		
Secured Loans		2,750,000,000	2,750,000,000
Unsecured Loans		5,146,033,809	564,205,827
Security Deposits		252,800,407	201,451,383
Total		<u>11,148,834,216</u>	<u>6,515,657,210</u>
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		7,315,875,242	5,567,139,644
Less: Depreciation		1,581,648,761	889,176,765
Net Block		5,734,226,481	4,677,962,879
Capital work-in-progress		1,648,948,667	590,380,996
Pre-operative Expenditure pending allocation	4	80,670,468	43,383,608
Investments	5	751,070,667	628,834,738
Unamortised Licence Fees	5A	1,750,560,873	322,806,010
Current Assets, Loans & Advances	6		
Inventories		-	104,903
Sundry Debtors		89,651,230	52,850,821
Cash and Bank Balances		165,850,837	70,556,757
Loans and Advances		764,539,371	740,532,548
		<u>1,020,041,438</u>	<u>864,045,029</u>
Less : Current Liabilities & Provisions	7		
Current Liabilities		2,916,564,698	2,341,198,619
Provisions		13,368,465	4,115,862
		<u>2,929,933,163</u>	<u>2,345,314,481</u>
Net Current Assets		(1,909,891,725)	(1,481,269,452)
Deferred Tax Asset (Refer Note 25 on Schedule 17)		201,000,000	-
Miscellaneous Expenditure (to the extent not written off or adjusted)	8	77,509,106	-
Profit & Loss Account		2,814,739,679	1,733,558,431
Total		<u>11,148,834,216</u>	<u>6,515,657,210</u>
Significant Accounting Policies	16		
Notes to Accounts	17		

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

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

Place: New Delhi
Date : July 2, 2002

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

On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

VIPIN AGARWAL
Company Secretary

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

Particulars	Schedule	For the year ended March 31, 2002 (Rs.)	For the year ended March 31, 2001 (Rs.)
Income			
Billing Revenue		1,776,234,110	1,198,499,661
Other Income	9	11,604,444	12,476,867
		<u>1,787,838,554</u>	<u>1,210,976,528</u>
Expenditure			
Access charges		414,242,681	271,474,783
Network Operating	10	262,773,018	169,230,816
Personnel	11	226,124,349	185,562,148
Sales & Marketing	12	193,409,793	116,936,621
Administrative and others	13	166,492,296	167,493,218
		<u>1,263,042,137</u>	<u>910,697,586</u>
Operating Profit before Licence Fee Revenue Share and Spectrum charges, Finance Expenses (Net), Depreciation and Amortisations		524,796,417	300,278,942
Finance Expenditure (Net)	14	399,473,848	433,870,182
Licence Fees Revenue Share		136,701,249	81,946,881
Spectrum Charges		7,417,155	3,433,725
Loss before Depreciation and Amortisations		(18,795,835)	(218,971,846)
Depreciation		666,884,155	530,274,121
Amortisations	15	39,030,088	19,797,059
Pre Operative Expenditure Written Off	15	557,471,170	-
Net Loss before tax		(1,282,181,248)	(769,043,026)
Deferred Tax		201,000,000	-
Net Loss after Tax		(1,081,181,248)	(769,043,026)
Loss brought forward		(1,733,558,431)	(964,515,405)
Balance carried forward to Balance Sheet		(2,814,739,679)	(1,733,558,431)
Earnings per Share	17(22)	(3.60)	(2.95)
Significant Accounting Policies	16		
Notes to Accounts	17		

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

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

Place: New Delhi
Date : July 2, 2002

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

On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

VIPIN AGARWAL
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
SHAREHOLDERS' FUND			
SHARE CAPITAL	1		
Authorised			
300,000,000 Equity shares of Rs. 10/- each (Previous Year 300,000,000 Equity shares of Rs. 10/- each)		3,000,000,000	3,000,000,000
Issued			
300,000,000 Equity shares of Rs. 10/- each fully paid up (Previous Year 300,000,000 Equity shares of Rs. 10/- each)		3,000,000,000	3,000,000,000
Subscribed and Paid up (Refer note 4 on Schedule 17)			
300,000,000 Equity shares of Rs. 10/- each fully paid up (Previous Year 300,000,000 Equity shares of Rs. 10/- each)		3,000,000,000	3,000,000,000
LOAN FUNDS	2		
Secured Loans			
From Financial Institution			
Debentures			
- 14% Non-convertible Secured Debentures issued to IDFC		750,000,000	750,000,000
- 14% Non-convertible Secured Debentures issued to IDBI		750,000,000	750,000,000
- 15% Non-convertible Secured Debentures issued to IDBI		1,250,000,000	1,250,000,000
		<u>2,750,000,000</u>	<u>2,750,000,000</u>

Notes :

- (1) (a) 75, 14% Secured Redeemable Non-convertible Debentures of Rs. 10 million each amounting to Rs. 750 Million were placed with IDFC & IDBI
- (b) 125, 15% Secured Redeemable Non-convertible Debentures of Rs. 10 Million each amounting to Rs. 1250 million were placed with IDBI
- (2) IDFC debentures are repayable in 32 equated quarterly instalments starting from October 15, 2005, and IDBI Debentures in 28 equated quarterly instalments from October 01, 2002.
- (3) Security provided for Debentures is as follows :
 - (a) A first mortgage and charge in favour of the Debentureholders / the Trustees of all the immovable properties, both present and future
 - (b) A first charge by way of hypothecation in favour of the Debentureholders / the Trustees of all movables, including movable plant and machinery and book debts, etc., both present and future.
 - (c) Pledge of shares in respect of 51% of the equity share capital held at any time by Bharti Tele-Ventures Ltd. until the execution of the Tripartite agreement with DoT.
 - (d) Undertaking for non disposal of shareholdings and undertaking for meeting overrun in project cost and / or working capital, from Bharti Tele-Ventures Limited, the Holding Company

Unsecured Loans

Short Term Loans and Advances

- Bharti Tele-Ventures Ltd. (Holding Company)	5,132,002,436	545,858,514
- Other Loans and Advances from Others	14,031,373	18,347,313
	<u>5,146,033,809</u>	<u>564,205,827</u>

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE - 3 (FIXED ASSETS)

(Refer note 1 and 2 on Schedule 16)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1-4-2001 (Rs.)	Additions (Rs.)	Sale / Adjustment (Rs.)	As at 31-3-2002 (Rs.)	As at 1-4-2001 (Rs.)	For the Period (Rs.)	Sale/ Adjustment (Rs.)	As at 31-3-2002 (Rs.)	As at 31-3-2002 (Rs.)	As at 31.3.2001 (Rs.)
Land	36,666,658	112,384,364	-	149,051,022	318,605	8,438	-	327,043	148,723,979	36,348,053
Building and Leasehold Improvements	231,135,090	65,606,413	-	296,741,503	25,267,045	14,329,765	-	39,596,810	257,144,693	205,868,045
Plant & Machinery	4,991,694,650	1,225,883,953	-	6,217,578,603	706,415,798	564,436,732	-	1,270,852,530	4,946,726,073	4,285,278,852
Air Conditioners	28,636,058	8,062,949	-	36,699,007	5,021,831	3,109,893	-	8,131,724	28,567,283	23,614,227
Furniture & Fixtures	27,753,002	37,944,047	-	65,697,049	17,126,454	10,187,465	-	27,313,919	38,383,130	10,626,548
Office Equipments	28,752,909	24,725,243	(807,040)	52,671,112	12,654,447	10,367,713	(294,019)	22,728,141	29,942,971	16,098,462
Computers	201,010,307	281,900,468	(961,598)	481,949,177	112,653,930	91,345,568	(519,670)	203,479,828	278,469,349	88,356,377
Vehicles	21,490,970	581,089	(6,584,290)	15,487,769	9,718,655	2,929,314	(3,429,203)	9,218,766	6,269,003	11,772,315
				-				-		
Total:-	5,567,139,644	1,757,088,526	(8,352,928)	7,315,875,242	889,176,765	696,714,888	(4,242,892)	1,581,648,761	5,734,226,481	4,677,962,879
Previous Year	3,623,899,612	1,944,422,147	(1,182,115)	5,567,139,644	359,074,993	530,557,578	(455,806)	889,176,765	4,677,962,879	
Capital Work In Progress									1,648,948,667	590,380,996
Total									7,383,175,148	5,268,343,875

Note:

- Gross Block of Land as at March 31,2002, includes Freehold Land amounting to Rs.139,605,772. (Previous Year Rs. 30,881,575).
- Additions during the year include Rs. 1,474 (000's) (Previous Year Rs. 2,660 (000's)) on account of fluctuations in foreign exchange rates on purchase of fixed assets.
- Capital Work in Progress includes:
 - Rs. 79,379 (000's) on account of Capital Advances (Previous Year Rs. 17,270 (000's))
 - Rs. 593 (000's) loss (Previous Year 1,530 (000's) gain) on account of fluctuations in foreign exchange rates on purchase of fixed asset
- The Company owns Network Infrastructure jointly with a 100% Subsidiary under an agreement in the proportion of 13:87. The prorata costs of such assets and related depreciation included under Plant and Machinery above, is as below:

	Amount Rs.
Additions during the year	19,697,931
Less: Sale	-
Total Cost as on March 31, 2002	19,697,931
Depreciation for the year	309,565
Accumulated Depreciation as on March 31, 2002	309,565
Written Down Value as on March 31, 2002	19,388,366

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
PREOPERATIVE EXPENDITURE			
PENDING ALLOCATION (Refer note 1 on Schedule 17)	4		
OPENING BALANCE		43,383,608	-
ADDITIONS DURING THE YEAR			
NETWORK OPERATING EXPENDITURE			
Access Charges		938,087	-
Interconnect Charges		10,054,606	-
Rental Charges/Rent		10,599,169	-
Insurance Premium - Exchange/Sites		1,292,077	27,406
Repairs and Maintenance - Exchange/Sites		6,010,887	255,615
Freight & cartage		4,220,343	-
Power & Fuel		15,327,949	671,797
		48,443,118	954,818
PERSONNEL EXPENDITURE			
Salaries		244,053,953	18,389,629
ESOP expenditure		5,284,610	-
Contribution to Provident & Other Funds		14,187,258	2,199,305
Staff Welfare Expenses		24,394,226	1,381,124
Recruitment & Training Expenses		39,415,067	6,262,130
		327,335,114	28,232,188
SELLING & MARKETING EXPENDITURE			
Advertising & Publicity Expenses		35,006,916	13,941
Gifts & Presentations		793,991	19,475
Business Promotion and Entertainment		39,145,488	209,622
Other Expenses		266,826	766,150
		75,213,221	1,009,188
ADMINISTRATIVE AND OTHER EXPENDITURE			
Legal & Professional Charges		13,417,538	1,155,812
Electricity and Water Charges - Others		118,701	-
Communication Expenses		16,785,071	1,885,807
Printing and Stationery		9,766,907	578,194
Traveling & Conveyance		35,551,269	3,742,746
Rent, Rates & Taxes		23,287,809	296,737
Vehicle Running & Maintenance		1,433,672	492,268
Repairs & Maintenance Others		5,198,658	365,520
Insurance Others		193,995	80,360
Software expenses		11,617,279	-
Miscellaneous expenses		10,387,154	1,987,745
		127,758,053	10,585,189
FINANCE EXPENSES			
Other Bank/Finance Charges		58,988,650	2,337,123
DEPRECIATION			
		29,830,733	283,457
OTHER INCOME			
		(290,497)	(18,355)
Total		710,662,000	43,383,608
LESS Allocated to Fixed Assets		72,520,362	-
LESS Transferred to Deferred Revenue Expenditure		557,471,170	-
CLOSING BALANCE		80,670,468	43,383,608

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
INVESTMENTS	5	-	-
(Refer note 5 on Schedule 16)		-	-
Long Term Investments			
Trade (Unquoted)			
Investment in Bharti Telesonic Limited		750,065,667	-
Investment in 100% Subsidiaries			
Investments in Bharti Comtel Limited		1,005,000	1,005,000
Current Investments			
Non-Trade (Quoted)			
Investments in Bonds		-	495,119,215
Investments in Mutual Funds		-	26,635,729
Investments in Debentures		-	106,074,794
		<u>751,070,667</u>	<u>628,834,738</u>
(Aggregate Market value of quoted investments Rs Nil, Previous year Rs. 652,673,514) (Aggregate Face value of quoted investments Rs Nil, Previous year Rs. 582,293,935) (Aggregate Face value of un-quoted investments Rs. 751,000,000, Previous year -Rs. 1,000,000)			
UNAMORTISED LICENCE FEE			
(Refer note 6 on Schedule 16)	5A		
Entry Fee			
Opening Balance		322,806,010	342,603,069
Add: Additions during the year		1,450,000,000	-
Less: Amortisation for the year		22,245,137	19,797,059
		<u>1,750,560,873</u>	<u>322,806,010</u>
CURRENT ASSETS, LOANS & ADVANCES	6		
INVENTORY			
(Refer note 4 on Schedule 16)			
Telephone Instruments		-	104,903
			<u>104,903</u>
Billing Debtors			
Outstanding for more than six months			
- Considered Good			
Secured		1,825,030	2,107,986
Unsecured		-	-
- Considered Doubtful		<u>44,787,005</u>	<u>21,966,397</u>
		46,612,035	24,074,383
Less : Provision for Doubtful Debts		<u>44,787,005</u>	<u>21,966,397</u>
		1,825,030	2,107,986
Outstanding for less than six months			
- Considered Good			
Secured		56,522,914	36,754,771
Unsecured		30,392,103	12,612,322
- Considered Doubtful		<u>17,696,056</u>	<u>17,936,925</u>
		104,611,073	67,304,018
Less : Provision for Doubtful Debts		<u>17,696,056</u>	<u>17,936,925</u>
		86,915,017	49,367,093
Total Billing Debtors		151,223,108	91,378,401
Less : Provision for Doubtful Debts		<u>62,483,061</u>	<u>39,903,322</u>
		<u>88,740,047</u>	<u>51,475,079</u>

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
Other Debtors			
(Unsecured considered good unless otherwise stated)			
Outstanding for more than six months		425,499	-
Outstanding for less than six months		485,684	1,375,742
Total Other Debtors		<u>911,183</u>	<u>1,375,742</u>
Less : Provision for Doubtful Debts		-	-
		<u>911,183</u>	<u>1,375,742</u>
		<u>89,651,230</u>	<u>52,850,821</u>
CASH AND BANK BALANCES			
Cash in hand		4,861,655	3,865,666
Cheques in hand		9,613,213	3,966,715
With scheduled banks - in Current Account		109,301,723	49,136,455
With schedule banks - in Fixed deposits		41,495,244	13,587,921
With scheduled banks - in Deposit Account as Margin Money		579,002	-
		<u>165,850,837</u>	<u>70,556,757</u>
LOANS AND ADVANCES			
(Unsecured considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received		488,125,892	230,742,481
Advance to Subsidiary		172,329,649	423,026,238
Accrued Billing Revenue		93,581,670	75,075,285
Advance tax / Tax deducted at source		8,035,216	2,554,626
Interest Accrued on Investments		88,689	1,022,945
Custom Duty Recoverable		2,378,255	8,110,973
		<u>764,539,371</u>	<u>740,532,548</u>
CURRENT LIABILITIES & PROVISIONS	7		
Current Liabilities			
Sundry Creditors		2,673,863,711	2,272,323,980
(Includes to SSI of Rs.22,273 Previous year Rs. Nil Refer Note 24 on Schedule 17)			
Book Overdraft		117,323,323	-
Advance billing and Prepaid Card Revenue		8,616,731	5,505,989
Advance Received from Subscribers		42,734,268	17,871,092
Interest Accrued but not Due		27,117,273	23,660,611
Other Liabilities		46,909,392	21,836,947
		<u>2,916,564,698</u>	<u>2,341,198,619</u>
Provisions			
(Refer note 8 on Schedule 16)			
Gratuity		4,525,056	1,054,889
Leave Encashment		8,843,409	3,060,973
		<u>13,368,465</u>	<u>4,115,862</u>
		<u>2,929,933,163</u>	<u>2,345,314,481</u>
MISCELLANEOUS EXPENDITURE	8		
(to the extent not written off or adjusted) (Refer note 12 on Schedule 16)			
Deferred Employee Compensation Expense			
Opening Balance		-	-
Add: Deferred Employee Compensation Expense		99,578,667	-
Less: Amortisation for the year		22,069,561	-
Closing Balance		<u>77,509,106</u>	<u>-</u>
Pre-Operative Expenditure Written Off			
Opening Balance		-	-
Add: Additions during the year		557,471,170	-
Less: Charged to Profit & Loss Account		557,471,170	-
Closing Balance (Deferred revenue Expenditure)		<u>77,509,106</u>	<u>-</u>

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Schedule	For the year ended March 31, 2002 (Rs.)	For the year ended March 31, 2001 (Rs.)
OTHER INCOME	9		
Provisions no longer required written back		8,838,459	3,299,978
Internet Service Revenue		983,961	4,406,541
Miscellaneous Income		1,782,024	4,770,348
		<u>11,604,444</u>	<u>12,476,867</u>
NETWORK OPERATION EXPENDITURE	10		
Interconnect / Port charges		43,210,533	16,526,966
WPC Fees		10,560,234	7,464,144
Gateway/Leased Line Charges		25,149,256	16,119,877
Site Expenses :			
Electricity & Water		43,917,078	37,511,092
Rent		8,247,046	4,006,827
Insurance		4,774,255	4,167,853
Repairs & Maintenance		126,914,616	83,434,057
		<u>262,773,018</u>	<u>169,230,816</u>
PERSONNEL EXPENDITURE	11		
Salaries & Wages		183,579,361	152,946,293
Contribution to Provident & Other Funds		15,188,958	16,294,771
Staff Welfare Expenses		13,240,750	10,706,731
Recruitment & Training Expenses		14,115,280	5,614,353
		<u>226,124,349</u>	<u>185,562,148</u>
SALES AND MARKETING EXPENDITURE	12		
Advertisement Expenses		74,723,901	65,613,874
Sales Commission and Incentive		101,011,307	40,199,627
Business Promotion		17,674,585	11,123,120
		<u>193,409,793</u>	<u>116,936,621</u>
ADMINISTRATIVE AND OTHER EXPENDITURE	13		
Legal & Professional		15,748,334	6,631,295
Rates, Fee & Taxes		961,240	1,549,717
Management Fees		-	25,704,000
Electricity & Water		2,094,387	736,589
Telephone, Telex & Postage		7,809,461	5,277,655
Printing & Stationery		6,914,937	12,727,051
Travelling & Conveyance		32,437,327	36,537,774
Rent		4,394,333	8,954,227
Repair & Maintenance - others		27,297,053	6,456,776
Interest & Liquidated Damages (DoT)		-	3,755,161
Software expenses		2,118,367	5,010,742
Provision for Doubtful Debts		22,579,739	21,869,370
Bad Debts Written Off		965,178	-
Bill Collection & Recovery		36,316,433	20,206,127
Miscellaneous Expenses		6,855,507	12,076,734
		<u>166,492,296</u>	<u>167,493,218</u>
FINANCE EXPENDITURE	14		
Interest (net) (Refer note 13 on Schedule 17)		369,965,625	373,834,538
Lease Rentals		7,320,000	34,541,538
Upfront Fee for Debentures		-	13,125,000
Loss/(Profit) on Sale of Investment		614,720	(2,975,117)
Other Charges		21,573,503	15,344,223
		<u>399,473,848</u>	<u>433,870,182</u>
AMORTISATIONS	15		
Licence Fee Amortisation (Net)		22,245,137	19,797,059
Deferred Employee Compensation Expense written off		16,784,951	-
		<u>39,030,088</u>	<u>19,797,059</u>
Pre Operative Expenditure written Off		557,471,170	-
		<u>596,501,258</u>	<u>19,797,059</u>

SCHEDULE 16

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

Capital work in progress is stated at cost.

2. DEPRECIATION

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 rates of depreciation are as below.

Particulars	Rates
Building	5%
Office Equipment	20% or 33.33%
Mobile Phone	33.33%
Computer	33.33%
Vehicles	20%
Furniture & Fixtures	20%
Leasehold Land	Period of lease

Lease hold Improvements Period of lease or 10% whichever is lower

Software upto Rs. 0.50 million is written off in the year of purchase

Impaired assets/ assets held for disposal are written down to their salvage value.

3. REVENUE RECOGNITION AND RECEIVABLES

Billing revenue from Telephony and Internet service, and revenue from sale of goods, is recognised on completion of provision of services and despatch of goods respectively. Provision for doubtful debts is made for dues outstanding more than 90 days in case of active subscribers and dues from customers who have been deactivated, other than those covered by security deposits or in specific cases where management is of the view that the amounts are recoverable.

4. INVENTORIES

Inventories are valued at lower of Cost and Net Realisable Value. Cost is determined on FIFO basis.

5. INVESTMENT

Current Investments are valued at lower of cost and fair market value. Long Term investments are valued at cost. Provision is made for diminution in value if any other than that of temporary nature.

6. LICENCE FEE

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

The one time license fee paid by the Company for acquiring new licences has been capitalised as an asset and is being amortised equally over the balance period of the license from the date of commencement of commercial operations.

With effect from August 1, 1999, the variable Licence fee computed at prescribed rates of revenue share is being charged to the Profit and Loss Account in the year in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the licence agreement of the license area to which the related license agreement pertains.

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 are restated at year-end foreign exchange rates. 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.

8. RETIREMENT BENEFITS

The Company has provided for the liability on account of un-availed earned leave as per actuarial valuation. The method used by the actuary for calculating the liability is the Projected unit credit method. The Company contributes to a group Gratuity Scheme with Life Insurance Corporation of India to cover the gratuity liability for its employees in the Madhya Pradesh circle. Such contribution is charged to the Profit & Loss Account for the year. The liability on account of Gratuity as per the payment of Gratuity Act, 1972, for the Himachal Pradesh and other circles/ corporate office is provided as per Actuarial Valuation, based on Projected unit credit method.

9. TAXES ON INCOME

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

However, in the year of transition, the accumulated deferred tax asset at the beginning of the year is recognised with a corresponding credit to the Profit and Loss in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonably certainty that sufficient future taxable profit will be available against which such deferred tax assets can be realised. Deferred tax asset to the extent it pertains to brought forward losses and unabsorbed depreciation is recognised to the extent that there is virtual certainty of their realisation based on expected profitability in the future as estimated by the Company.

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

10. EMPLOYEE STOCK OPTION

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

11. LEASES

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

12. MISCELLANEOUS EXPENDITURE

Expenditure incurred by the Company from the date of acquisition of licence for a new circle upto the date of commencement of operations of the circle not directly attributable to fixed assets are charged to the Profit and Loss account in the year in which such expenditure is incurred.

13. BORROWING COST

Borrowing costs attributable to the acquisition or construction of a qualifying asset is capitalised as part of the cost of that asset. Other borrowings costs are recognised as an expense in the period in which they are incurred.

14. SEGMENTAL REPORTING**(a) Primary Segment :**

The Company operates in two primary business segments viz. ' Access Services' which includes basic telephony services and 'Cellular Mobile Telephony Services.'

(b) Secondary Segment :

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

15. EARNING PER SHARE

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

SCHEDULE - 17

1. The Company has licences to provide cellular services in the state of Himachal Pradesh and basic telephone services in the state of Madhya Pradesh (M.P). The Company commenced commercial operations of cellular services in Himachal Pradesh (H.P) in 1996-97 and commenced commercial operations of basic telephone service in Madhya Pradesh in June 1998. During the year the Company has obtained licences for fixed telephony in the states of Haryana, Tamil Nadu, Karnataka and Delhi. The expenses incurred for the new circles directly relating to the setting up of Plant and Machinery have been considered as pre-operative expenditure and are allocated to Fixed Assets in the related year of commencement of operations, other expenses being charged to the Profit and Loss Account under Deferred Revenue Expenditure. During the year the Company commenced operations at Haryana and Delhi circles.

2. (a) There are contingent liabilities including claims against the Company not acknowledged as debts as at the year end in respect of:

	Year ended March 31, 2002 Rs. (in '000)	Year ended March 31, 2001 Rs. (in '000)
• Vendors	-	166,381
• Tax and Duties	96,806	-
• Others:		
Access & Port charges	52,440	241
Municipal charges	9,478	-
Other legal cases (including those relating to customers)	2,423	2,538
	<u>161,147</u>	<u>169,160</u>

- (b) Outstanding Performance and Financial Bank Guarantees:

	Year ended March 31, 2002 Rs. (in '000)	Year ended March 31, 2001 Rs. (in '000)
Towards:		
Department of Telecom	7,676,700	582,200
Others	105,200	3,790
Total	<u>7,781,900</u>	<u>585,990</u>

Guarantees given on behalf of the Company by Bharti Tele-Ventures Limited, the holding Company, to Bank's included above:

	Year ended March 31, 2002 Rs. (in '000)	Year ended March 31, 2001 Rs. (in '000)
Towards:		
Department of Telecom	7,430,000	333,200
Others	12,820	3,790
Total	<u>7,442,820</u>	<u>336,990</u>

- (c) The Company has been asked by MTNL to pay charges relating to the points of interconnect and ports at the Delhi fixed line circle.

The Company disputes the method of charging as well and items of charge relating to rent, installation and setup etc., amounting to Rs. 15,735 thousand as at March 31, 2002, as against demands amounting to Rs. 36,777 thousand. The Company has however paid the entire amount demanded under protest, and is in the process of settling the issue with MTNL. Accordingly, the amount so disputed Rs. 15,735 thousand has been shown under Loans and Advances which would have otherwise been capitalised as pre operative expenditure Rs 12,819 thousand and charged to the profit and loss Rs 150 thousand.

3. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 497,533 thousand (Previous Year Rs. 315,190 thousand).

4. Issued, Subscribed and Paid up Capital includes 300,000,000 (Previous Year 300,000,000) Equity shares of Rs.10 each aggregating to Rs. 3,000,000,000 (Previous Year Rs. 3,000,000,000) held by Bharti Tele-Ventures Limited (and/or its nominees).

5. (a) The Company has computed Licence Fee and WPC fees for fixed line circles as per the DoT licence amendment circular dated July 26, 2001 (for MP circle), and as per new licence agreements for the new fixed line circles, according to which a revenue share of 12% (for Delhi, Karnataka and Tamil Nadu circle), 10% (for Madhya Pradesh and Haryana circle) of Adjusted Gross Revenue has been prescribed. An additional 2% revenue share on adjusted gross revenue from WLL services towards Wireless Planning Co-ordination fees is also paid. The adjusted gross revenue is computed by Company based on separate division accounts maintained for respective circles and do not include any amount of income/expenditure included in Himachal Pradesh CMTS, Corporate Office and President's Office for which separate division accounts are maintained.

- (b) Until last year the Company had provided for license fee for H.P. Cellular Mobile Telephony Service (CMTS) on the basis of 15% of net service revenues with effect from August 1, 1999, i.e. post migration to the NTP 99 regime as provisionally fixed by Department of Telecommunications (DoT). During the year, DoT issued amendments to the existing license agreements for CMTS, which has been accepted by the Company, resulting in the changes stated below, due to which the charge of Licence Fee and WPC for the year is net of Rs. 1,475 thousand and Rs.4,181 thousand being amounts provided provisionally in excess in the prior year.

- (i) Annual license fee @15% of Adjusted Gross Revenue (AGR) is payable with effect from August 1, 1999, to January 25, 2001, and @8% of AGR thereafter.

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

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

- (iv)Guidelines have been issued for issuance of license for basic services to provide the use of hand held set with wireless access system in the local area (WLL). While the aforesaid amendments are subject to the ongoing litigation relating to the 1999 migration package and the WLL matter in the Supreme Court, as the Company has unconditionally accepted and signed the revised license agreement, the revenue share license fee and WPC charges have been accounted for in line with the changes as above.

6. Security Deposit Rs. 252,800 thousand (Previous Year Rs. 201,451 thousand) included under Sources of funds represents refundable security deposits received from subscribers on activation of connections granted thereto.

7. Loans repayable within one year amount to Rs. 151,666 thousand (Previous Year Rs. 6,255 thousand). Loans received from the holding Company Bharti Tele-Ventures Limited are repayable on demand.

8. Billing Revenue in the Profit and Loss Account is net of Roaming Charges of Rs. 18,643 thousand (Previous Year Rs. 3,378 thousand), and Rebates and Discounts of Rs. 48,850 thousand (Previous Year Rs. 51,890 thousand)

9. During the year 75,000,000 equity shares of Rs. 10 each of Bharti Telesonic Limited (BTSOL), being 30% of share capital of BTSOL as at March 31, 2002, were purchased at par from the holding company Bharti Tele-Ventures Limited for a consideration of Rs. 750,000 thousand.

10. Up to the previous year, the company charged off Miscellaneous expenditure to Profit and Loss account in the year in which the circle commences commercial operations. From this year onwards on a more conservative basis, such expenditure is charged to the Profit and Loss account in the year in which such expenditure is incurred. (Refer note 12 of Schedule 16). Had the Company followed the accounting policy as in the earlier year, the loss for the year would have been lower by Rs. 307,106 thousand with a consequential impact on the net assets of the Company.

11. The Company is sharing backbone network at Madhya Pradesh with a Bharti group Company, Bharti Telesonic Limited (BTSOL) under test condition for the year ended March 31, 2002. The Company had received an advance amount of Rs. 1,500,000 thousand from BTSOL in the prior year, and as the two Companies are in the process of entering into a agreement for operating lease of the Company's backbone by the BTSOL for periods subsequent to March 31, 2002, no lease charges are accrued as receivable by the Company for the year ended March 31, 2002.

15. Obligation on long term non- cancellable operating leases

The Company has entered into operating lease agreements for its site building at Indore for an initial period of ten years. The lease rentals charged during the year and maximum obligations on long term non cancellable operating leases payable as per the agreement are as follows:

	Year ended March 31, 2002 Rs.	Year ended March 31, 2001 Rs.
Lease Rentals	25,000	Nil
Obligations on non cancellable leases:		
Not later than one year	60,000	Nil
Later than one year	515,000	Nil
Total	575,000	Nil

16. Expenditure / Earnings in Foreign Currency (on accrual basis):

	Year ended March 31, 2002 Rs.	Year ended March 31, 2001 Rs.
Expenditure :		
Travelling	718,303	1,383,486
Membership & Subscription	3,431	274,386
Staff Training & Others	233,998	14,115
Annual Maintenance	-	3,470,648

17. CIF Value of Imports:

	Year ended March 31, 2002 Rs.	Year ended March 31, 2001 Rs.
Capital Goods	63,271,824	7,8729,331

18. Segmental Results

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

The following table presents the revenue, profit/(loss), assets & liabilities information relating to the respective Business Segments for the year ended March 31,2002.

Information about business segment – Primary

Reportable Segments	Access Services	Cellular and Mobile Telephony Services	Others	Eliminations	Total
Revenue					
Billing Revenue and Other Income	1,629,912,061	157,505,604	420,889	-	1,787,838,554
Inter Segment Revenue	-	-	-	-	-
Total Revenue	1,629,912,061	157,505,604	420,889	-	1,787,838,554
Results					
Segment Result, Profit/(loss)	(877,413,001)	31,257,753	(36,552,152)	-	(882,707,400)
Operating Profit / (Loss)	(877,413,001)	31,257,753	(36,552,152)	-	(882,707,400)
Finance Expenses/ (Income) (net)	425,971,097	6,742,181	(33,239,430)	-	399,473,848
Net Loss	(1,303,384,098)	24,515,572	(3,312,722)	-	(1,282,181,248)
Deferred Tax Income			201,000,000		201,000,000
Net Loss After Tax	(1,303,384,098)	24,515,572	197,687,278	-	(1,081,181,248)
Other Information					
Segment Assets	9,846,801,274	201,952,478	1,092,719,069	(86,480,337)	11,054,992,484
Inter Segment Assets	235,320,098	-	4,575,220,986	(4,810,541,084)	-
Deferred Tax Asset			201,000,000		201,000,000
Advance Tax			8,035,216		8,035,216
Total Assets	10,082,121,372	201,952,478	5,876,975,271	(4,897,021,421)	11,264,027,700
Segment Liabilities	8,776,042,487	100,256,846	2,288,948,382	(86,480,337)	11,078,767,378
Inter Segment Liabilities	4,293,583,135	281,800,934	235,157,015	(4,810,541,084)	-
Total Liabilities	13,069,625,622	382,057,780	2,524,105,397	(4,897,021,421)	11,078,767,378
Capital Expenditure	1,602,381,166	30,292,260	124,415,100	-	1,757,088,526
Total Capital Expenditure	1,602,381,166	30,292,260	124,415,100	-	1,757,088,526
Depreciation	646,310,731	8,845,970	11,727,455	-	666,884,156
Non-Cash Expenses other than Depreciation (Amortisation)	32,432,637	2,978,661	3,618,791	-	39,030,089

Notes:

- 'Others' represents the unallocated revenue, profit/(loss), assets & liabilities of the corporate and president office of the Company.
- Capital expenditure pertains to gross additions made to fixed assets during the year.
- Segment Assets include Fixed Assets, Capital Work in progress, Pre-operative expenses pending allocation, Current Assets and Miscellaneous expenditure to the extent not written off.
- Segment Liabilities include Secured and Unsecured loans, current liabilities and security deposits from customers.
- Inter segment assets/liabilities represent the inter segment account balances.

19. Quantitative Information:

Particulars	Year ended March 31, 2002		Year ended March 31, 2001	
	Quantity	Value Rs.	Quantity	Value Rs.
Opening Stock				
Cellular Handsets	12	96,191	36	301,836
Handset Antenna	11	8,712	11	8,712
	23	104,093	47	310,548
Purchases				
Cellular Handsets	26	138,350	1	5,200
Handset Antenna	-	-	-	-
	26	138,350	1	5,200
Sales / Capitalisation				
Cellular handsets				
- Sales/write off	12	96,191	17	91,608
- Capitalised	26	138,350	8	91,877
Handset Antennae	11	8,712	-	-
	49	243,253	25	183,485
Closing Stock				
Cellular Handsets	-	-	12	96,191
Handset Antenna	-	-	11	8,712
	-	-	23	104,093

20. Directors' Remuneration

	Year ended March 31, 2002 Rs.	Year ended March 31,2001 Rs.
Salary & Allowances	1,110,000	3,549,738
Contribution to PF & Other funds	204,600	649,055
Perquisites	90,000	581,562
Total	1,404,600	4,780,355

Note 1 :

The above includes excess remuneration u/s 198 of the Companies Act, 1956, amounting to Rs Nil (Previous Year Rs. 356,300 paid to Managing Director and whole-time Directors). The cumulative amount of excess remuneration paid to Managing Director and whole time Directors, pending approval of the Central government is Rs. 3,114,326 (Previous Year Rs. 3,114,326) and is refundable by the Directors.

21. Auditors' Remuneration :

	Year ended March 31, 2002 Rs.	Year ended March 31,2001 Rs.
Audit Fee	1,100,000	1,100,000
Other Services	124,952	Nil
Reimbursement of Expenses	127,688	Nil

22. Earnings Per Share:

Calculation of Weighted average number of Equity Shares of Rs.10/- each

	Year ended March 31, 2002 Rs.	Year ended March 31, 2001 Rs.
Number of equity shares at the beginning of the year	300,000,000	168,835,000
Number of equity shares outstanding at the end of the year	300,000,000	300,000,000
Weighted average number of equity shares outstanding during the year	300,000,000	260,470,822
Net profit after tax available for equity Shareholders (inRs.)	(1,081,181,248)	(769,043,026)
Basic and Diluted Earnings (in Rs.) Per Share	(3.60)	(2.95)

23. (a) Details of Investments as at March 31, 2002

Particulars	Rate of Interest	Nos. as at 31.03.02	Nos. as at 31.03.01	Face Value as at 31.03.02 Rs.	Face Value as at 31.03.01 Rs.	Cost as at 31.03.02 Rs.	Cost as at 31.03.01 Rs.
ICICI Bond	11.50%		500		50,000,000		53,128,356
ICICI Bond	11.90%		500		50,000,000		53,693,984
ICICI Bond	12.00%		500		50,000,000		53,351,480
IDBI Bond	12.00%		5		50,000,000		53,609,376
IDBI Bond	12.10%		500		50,000,000		52,444,910
IDBI Bond	13.00%		500		100,000,000		109,108,764
IDBI Bond	13.75%		1000		100,000,000		109,413,551
IDBI Bond	15.00%		1		10,000,000		10,368,794
L&T Debenture	13.00%		5		50,000,000		56,074,794
Gecsi Debenture	9.75%		5		50,000,000		50,000,000
Dundee Mutal Fund	-		779,849		7,798,490		9,635,729
K. Mutual Fund	-		1,449,544		14,495,445		17,000,000
Shares In Bharti Comtel Limited	-	100,000	100,000	1,000,000	1,000,000	1,005,000	1,005,000
Shares in Bharti Telesonic Limited	-	75,000,000	-	750,000,000	-	750,065,667	-
TOTAL				751,000,000	583,293,935	751,070,667	628,834,738

(b) The following short-term investments were purchased and redeemed/ sold during the year.

Particulars	Nos.	Face Value Rs.	Purchase During the year Rs.	Sale/Redemption Proceeds During the year Rs.
Mutual Funds(Quoted)				
Kotak Mahindra Mutual Funds	1,523,577	15,235,774	15,977,451	16,000,000
Dundee Mutual Fund	588,376	5,883,756	-	7,400,000
Kotak Mahindra Mutual Funds	1,449,544	14,495,445	-	17,223,487
Kotak Mahindra Mutual Funds	775,370	7,753,697	8,185,969	8,200,000
Dundee Mutual Fund	356,295	3,562,945	4,444,878	4,500,000
Dundee Mutual Fund	672,681	6,726,810	8,485,201	8,500,000
Dundee Mutual Fund	790,139	7,901,391	9,966,814	10,000,000
Kothari Pioneer Mutual Fund	604,230	6,042,296	9,951,661	10,000,000
IDBI Liquid Fund	286,823	2,868,233	2,992,169	3,000,000
Dundee Mutual Fund	191,473	1,914,730	-	2,431,717
Dundee Mutual Fund	4,256	42,560	103,090	54,051
Kotak Mahindra Mutual Funds	1,125,651	11,256,508	11,898,466	12,000,000
IDBI Liquid Fund	480,040	4,800,405	5,007,830	5,058,378
Kotak Mahindra Mutual Funds	186,630	1,866,298	1,975,503	2,000,000
Dundee Mutual Fund	387,357	3,873,567	4,993,802	5,000,000
Dundee Mutual Fund	1,160,991	11,609,907	14,967,492	15,000,000
Dundee Mutual Fund	2,717,864	27,178,640	35,038,705	35,128,394
Kothari Pioneer Mutual Fund	610,099	6,100,995	10,048,338	10,634,034
Birla Mutual Fund	2,401,043	24,010,427	35,000,000	35,134,458
Kotak Mahindra Mutual Funds	1,601,590	16,015,898	17,186,097	17,393,105

Particulars	Nos.	Rate of Interest	Face Value Rs.	Purchase During the year Rs.	Sale/Redemption Proceeds During The year Rs.
Bonds (Quoted)					
9.75% GECSI Debentures	5	9.75%	50,000,000	-	50,000,000
11.90% ICICI Bonds	500	11.90%	50,000,000	-	50,109,150
12% ICICI Bonds	500	12.00%	50,000,000	-	50,208,500
12% IDBI Bonds	5	12.00%	50,000,000	-	50,296,000
15% IDBI BOND	5	15.00%	10,000,000	-	10,082,170
13% IDBI Bonds	500	13.00%	50,000,000	-	52,912,500
11.50% ICICI Bonds	500	11.50%	50,000,000	-	50,118,300
13.75% IDBI Bonds	1,000	13.75%	100,000,000	-	104,509,000
12.10% IDBI Bonds	500	12.10%	50,000,000	-	49,500,000
13% L&T Debentures	5	13.00%	50,000,000	-	52,921,150
13% IDBI Bonds	500	13.00%	50,000,000	-	51,350,900

24. Details of SSI Creditor:

Creditor more than 30 Days	Amount as on 31.3.2002 Rs.	Amount as on 31.3.2001 Rs.
Riding Consulting Engineers Pvt Ltd.	22,273	-

The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings, on the basis of information available with the Company.

25. In View of 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:

Particulars	Rs. (in '000)
(i) Tax impact of difference between carrying amount of fixed assets in the Financial Statements and the Income Tax return (Liability)	(177,080)
(ii) Tax impact of difference between licence fee amount of amortised in the Financial Statements and the Income Tax return (Liability)	(10,250)
(iii) Tax impact of amounts charged off to Profit and Loss account but disallowed in Income Tax (Liability)	(29,210)
(iv) Tax impact of amounts allowable in Income Tax but not charged off in the Profit and Loss account (Liability)	(8,110)
(v) Tax impact of amounts charged off to Profit and Loss account but allowable in future years under Income Tax (Asset)	11,680
(vi) Unabsorbed depreciation Carried forward (Asset)	413,970
Total Deferred Tax Asset	201,000
Deferred Tax Asset for Current year	201,000

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

26. Previous year figures have been reclassified/regrouped wherever necessary to conform to current year's classification.

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

	31.03.2002 Rs.	31.03.2001 Rs.
A. Cash flow from operating activities:	(1,282,181,248)	(769,043,026)
Net (loss)/profit before tax but after exceptional/extraordinary items		
Adjustments for:		
Depreciation	666,884,155	530,274,121
Interest Expense	407,816,125	392,170,941
Interest Income	(37,850,500)	(18,336,403)
(Profit)/Loss on Fixed Assets sold	(16,131)	84,116
(Profit)/Loss on sale of Investments	614,720	(2,975,117)
Deferred revenue expenditure written off	574,256,122	-
Debts / Advances Written off	965,178	-
Provision for Bad & Doubtful Debts	22,579,739	21,869,357
Liability no longer required written back	(8,838,459)	(3,299,978)
Provision for Gratuity & Leave Encashment	9,252,603	2,614,333
Any other non cash Item (License Fee)	22,245,137	19,797,059
Operating profit before working capital changes	375,727,441	173,155,403
Adjustments for changes in working capital :		
- (INCREASE)/DECREASE in Sundry Debtors	(60,345,326)	(5,396,831)
- (INCREASE)/DECREASE in Other Receivables	95,960,844	(595,067,956)
- (INCREASE)/DECREASE in Inventories	104,903	391,853
- INCREASE/(DECREASE) in Trade and Other Payables	304,708,473	1,505,647,912

Cash generated from operations	725,676,639	1,078,730,381
– Taxes (Paid) / Received	(5,480,590)	(818,992)
– Increase in Miscellaneous Expenditure	(774,642,689)	(43,099,851)
Net cash from operating activities	(63,966,944)	1,077,911,389
B. Cash flow from Investing activities:		
Purchase of fixed assets		
Additions during the period (excludes Exchange Fluctuation capitalised Current Year Rs. 1,474,000 Previous Year Rs. 2,660,000)	(1,550,308,753)	(2,019,711,857)
Capital Work in Progress	(989,308,041)	351,603,629
Additions during the period (excludes Exchange Fluctuation Current Year Rs 593,000 Previous Year Rs.1,530,000)		
Proceeds from Sale of fixed assets	4,126,167	642,193
Proceeds from Sale of Investments	823,438,489	847,492,657
Purchase of investments	(946,289,137)	(1,473,352,278)
Interest Received (Revenue)	38,784,756	17,410,457
Licence Fee paid	(1,450,000,000)	–
Net cash used in investing activities	(4,069,556,519)	(2,275,915,199)
C. Cash flow from financing activities:		
Proceeds from fresh issue of Share Capital (including Share Premium)	–	268,832,396
Proceeds from long term borrowings	–	750,000,000
Proceeds from short term borrowings		
RECEIPTS	4,581,827,982	542,582,018
Security Deposit from Customers	51,349,024	80,653,356
Interest Paid	(404,359,463)	(399,031,235)
Net cash used in financing activities	4,228,817,543	1,243,036,535
Net Increase/(Decrease) in Cash & Cash Equivalents	95,294,080	1,932,874
Cash and cash equivalents as at 31.03.2001	70,556,757	68,623,883
Cash and cash equivalents as at 31.03.2002	165,850,837	70,556,757
Cash and cash equivalents comprise		
Cash, Cheques & Drafts (in hand) and Remittances in transit	14,474,868	7,832,381
Balance with Scheduled Banks	151,375,969	62,724,376
	165,850,837	70,556,757

Notes :

- The above Cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outgo.
- Previous period figures have been regrouped and recast wherever necessary to conform to the current period classification.

On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

VIPIN AGARWAL
Company Secretary

AUDITORS' CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Bharti Telenet Limited for the year ended 31.03.2002 reported upon by us on July 2, 2002. According to the information & explanations given, the aforesaid Cash Flow Statement has been prepared in consonance with the requirements of the Accounting Standard (AS)- 3 on Cash flow statements issued by the Institute of Chartered Accountants of India and the reallocations required for the purpose are as made by the Company.

U. RAJEEV

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

Place: New Delhi
Date : July 2, 2002

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No.	<input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="6"/>	State Code	<input type="text" value="5"/> <input type="text" value="5"/>
Balance Sheet Date	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="-"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="-"/> <input type="text" value="0"/> <input type="text" value="2"/>		
	Date Month Year		

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

<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
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Bonus Issue

<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
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Rights Issue

<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
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Private Placement

<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
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III. Position of mobilisation and deployment of funds (Amount in thousands)**Total Liabilities**

<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="4"/>

Sources of funds**Paid-Up Capital**

<input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
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Secured Loans

<input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
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Application of funds**Net Fixed Assets**

<input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/>
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Net Current Assets

<input type="text" value="(-)"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="2"/>

Accumulated Losses

<input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/>
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Total Assets

<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="4"/>

Reserves & Surplus

<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
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Unsecured Loans

<input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="4"/>
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Investments

<input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="1"/>

Misc. Expenditure

<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/>
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IV. Performance of the Company (Amount in thousands)**Turnover**

<input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="9"/>
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Profit / (Loss) Before Tax

<input type="text" value="(-)"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="1"/>

Earnings Per Share in Rs.

<input type="text" value="(-)"/> <input type="text" value="3"/> <input type="text" value="."/> <input type="text" value="6"/> <input type="text" value="0"/>
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Total Expenditure

<input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="8"/>
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Profit / (Loss) After Tax

<input type="text" value="(-)"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="1"/>

Dividend Rate %

<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
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V. Generic Names of three principal products / services of the Company (as per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="N"/> <input type="text" value="O"/> <input type="text" value="T"/> <input type="text" value="A"/> <input type="text" value="P"/> <input type="text" value="P"/> <input type="text" value="L"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="A"/> <input type="text" value="B"/> <input type="text" value="L"/> <input type="text" value="E"/>
Product Description	<input type="text" value="B"/> <input type="text" value="A"/> <input type="text" value="S"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="E"/> <input type="text" value="L"/> <input type="text" value="L"/> <input type="text" value="U"/> <input type="text" value="L"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="T"/> <input type="text" value="E"/> <input type="text" value="L"/> <input type="text" value="E"/> <input type="text" value="P"/> <input type="text" value="H"/> <input type="text" value="O"/> <input type="text" value="N"/> <input type="text" value="E"/> <input type="text" value="S"/> <input type="text" value="E"/> <input type="text" value="R"/> <input type="text" value="V"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="E"/>

On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

VIPIN AGARWAL
Company Secretary

BHARTI TELENET LIMITED

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

1. Name of the Subsidiary	Bharti Comtel Limited
2. Financial year of subsidiary ended	31-3-2002
3. Shares of the Subsidiary held by the holding Company on the above dates	
(a) Numbers of shares	100000
(b) Face value of share	Rs.10/-
(c) Extent of holding in %	100%
4. Net aggregate amount of profit/losses of the subsidiary for the above financial year so far as it concerns members of the holding Company :	
(a) Dealt with in the Accounts of the Company for the year ended 31-3-2002	Nil
(b) Not dealt with the Accounts of the Company for the year ended 31-3-2002	4,243,228
5. Net aggregate amount of profit/losses for previous financial years of the subsidiary since it became a subsidiary so far as they concern members of the Company:	
(a) Dealt with in the Accounts of the Company for the year ended 31-3-2001	Nil
(b) Not Dealt with the Accounts of the Company for the year ended 31-3-2001	Nil

On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

VIPIN AGARWAL
Company Secretary

Place: New Delhi
Date : July 2, 2002