

Bharti Comtel Limited

Directors' Report

The Directors have pleasure in presenting the Sixth Annual Report and the Audited Accounts for the financial year ended March 31, 2004.

OPERATIONS REVIEW

The Company continues to engage mainly in selling of hardware for Internet and Satellite business. The Company has also strengthened its market position in the field of value added services viz. Annual Maintenance Contracts (AMC), Programme Management and Installations. All new initiatives have contributed towards the profitability of the Company. Although the turnover of the Company declined by 24%, but the year ended with the profit of Rs. 3 Million. (Previous year Loss Rs. 11 Million.)

BUSINESS REVIEW

The summarized financial result for the year ended March 31, 2004 as compared with the earlier year as under:

Particulars	As on March 31, 2004 (Rs. in Thousand)	As on March 31, 2003 (Rs. in Thousand)
Service Revenue and other income	390,882	516,200
Profit before Finance Expense, Depreciation and Amortisation	16,372	19,057
Finance Expenses	(7,337)	14,622
Profit before Depreciation and Amortisation	23,709	4,435
Depreciation and Amortisation	16,426	14,211
Profit Before Tax	7,283	(9,776)
Income Tax	5,500	1,261
Deferred Tax	(1,254)	-
Profit After Tax	3,037	(11,037)

* Previous year figures have been regrouped/rearranged, wherever necessary to make them comparable with current year's figures.

DIVIDEND

In view of the past accumulated losses, the Directors' of the Company are unable to recommend any dividend for the financial year under review.

DIRECTORS

Mr. Badri Agarwal, Director of the Company 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.

AUDITORS' REPORT

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

AUDITORS

The Statutory Auditors of the Company M/s. J.C. Bhalla & Co., Chartered Accountants shall retire at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. A Certificate has been received from M/s. J.C.

Bhalla & Co., confirming therein that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

FIXED DEPOSITS

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

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.

There has been no foreign exchange earnings and outgo during the year. There are no employees during the year under review whose particulars are to be provided in terms of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

The requirement of constituting an Audit Committee under Section 292A of the Companies Act, 1956 is not applicable to the Company.

The secretarial compliance report in terms of Section 383A(1) is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT - SECTION 217(2AA)

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- they 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, 2004 and of the profit and loss account of the Company for that period;
- they have 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;
- they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation for the valuable contribution and dedicated efforts put in by the employees and for the assistance provided by the Bankers and other associates during the year.

On behalf of the Board

Place : New Delhi
Date : April 20, 2004

K.L. JAIN **BADRI AGARWAL**
Director Director

Secretarial Compliance Certificate

To,
The Members
Bharti Comtel Limited
'Qutab Ambience'
H-5/12, Mehrauli Road
New Delhi – 110 030

I have examined the register, records, books and papers of Bharti Comtel Limited as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2004. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers agents and audited Balance Sheet, Profit & Loss Account and Auditors' Report, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and return as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the act and the rules made thereunder.
3. The Company being a public limited Company, has the minimum prescribed paid up capital. The present authorised capital of the Company is rupees One Crores divided into Ten lac shares of Rupees Ten each.
4. The Board of Directors duly met the requirement of meeting once ever three months. In the Financial Year 2003-04 they met 6 (Six) times. The dates of the Board Meeting are 08-05-2003, 11-06-2003, 08-08-2003, 15-09-2003, 24-12-2003 and 26-02-2004 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions, if any, passed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its register of members during the financial year.
6. The Annual General Meeting for the financial year ended on 31-03-2003 was held on 29-09-2003. The meeting was held at a shorter notice. Necessary shareholders' consent in this regard was obtained. The resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extra-ordinary meeting was held during the financial year ending 31-03-2004.
8. The Company has not given any advance and loan to its directors and/or persons or firms or companies referred in the Section 295 of the Companies Act. Interest free loans have been given to employees only who are repaying the principal amounts as stipulated.
9. The Company has duly complied with the provisions of Section 297 of the Act, in the respect of contracts specified in that Section.
10. The Company has made the necessary entries in the register maintained under Section 301 of the Act.
11. There are no instances falling within the purview of Section 314 of the Act. Hence the Company has not obtained any approvals from the Board of Directors, Members or the Central Government as the case may be.
12. The Company has not issued any duplicate share certificates during the financial year.
13. (i) There were no allotment/transfer/transmission of securities during the financial year.
(ii) As no dividend was declared (including interim dividend) during the financial year the Company has not deposited any amount in separate bank account.
(iii) The Company has not posted warrants for dividends to any member of the Company as no dividend was declared during the financial year.
(iv) The Company has no unpaid dividend lying unclaimed/unpaid for a period of seven years.
(v) duly complied with requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. During the financial year following changes have occurred in the composition of the Board of Directors:
Resignation – Mr. Rajinder Sharma resigned from the directorship of the Company w.e.f. August 8, 2003.
Appointment – Mr. Narender Gupta was appointed as Additional Director on the Board w.e.f. August 8, 2003. He was subsequently appointed as Director in the AGM of the Company held on September 29, 2003.
15. Section 269 read with Schedule XIII to the Act is not applicable to the Company. As such the Company has not appointed a Managerial Personnel.
16. No sole-selling agents have been appointed.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. There were no allotment/transmission of securities during the Financial Year ending 31-03-2004.
20. The Company has not bought back any share during the Financial Year ending 31-03-2004.

21. The Company has not redeemed any preference shares/debentures during the year.
22. The Company has not kept in abeyance rights to dividend. There are no rights shares and bonus shares pending registration of transfer.
23. The Company has not accepted any deposits including unsecured loans falling within the purview of Section 58 A during the financial year.
24. The Company has taken necessary approval in terms of Section 293(1)(d) for borrowing from group companies, bank, financial institutions and the borrowings are within the limits approved by the shareholders.
25. The Company has not made loans and investments, or given guarantees or provided securities to other body corporate except to companies within the group or under the same management.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one State to another during the year.
27. The Company has not altered the provisions of the memorandum with respect to the Objects of the Company during the year.
28. The Company has not altered the provisions of the memorandum with respect to the name of the Company during the year.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year.
30. The Company has not altered its Articles of Association.
31. No prosecution is initiated or pending against the Company.
32. The Company has not received any security from its employees during the year.
33. According to the records of the Company, the Company has deducted statutory contribution towards Provident Fund and Employees' State Insurance during the year.

Place : New Delhi
Date : April 20, 2004

For **KIRAN SHARMA & CO.**
Company Secretaries

(KIRAN SHARMA)
A.C.S.
Proprietor
C.P. No. 3116

ANNEXURE – A

The Company maintains following registers:

1. Register of Members u/s 150.
2. Register of Share Transfer and Transmission u/s 108.
3. Minutes Book of Board Meetings u/s 193.
4. Minutes of General Meetings u/s 193.
5. Proper Books of Accounts u/s 209.
6. Register u/s 301 for contracts and arrangements in which Directors are interested or concerned.
7. Register of Directors u/s 303.
8. Register of Directors' Shareholdings u/s 307.
9. Register of Charges u/s 143.
10. Register of Fixed Assets.
11. Register of Share Application and Allotment Book.
12. Register of Common Seal.
13. Register of renewed and duplicate certificates u/s 7 of the Companies Act (Issue of Share Certificates) Rules, 1960.

ANNEXURE – B

Returns and Forms as filed by the Company with the Registrar of Companies during the financial year ending March 31, 2004:

- Annual Return u/s 160 for the year ending on 31.03.2003 filed on 27-11-2003.
Annual Report u/s 220 for the year ending on 31-03-2003 filed on 12-11-2003.
Compliance Certificate u/s 383A for the year ending on 31-03-2003 filed on 12-11-2003.
Form 32 for Section 303(2) filed on 07-11-2003.
Form 17 & 13 under Section 138/125/127/135 filed on 15-09-2003.
Form 32 for Section 303(2) filed on 27-08-2003.
Form 23 for Section 293 (1)(e) & 372A approval (E.G.M. held 1-4-2002) filed on 16-7-2003.
Form 23AA for Section 209 (Board Resolution of 11-06-2003) filed on 16-07-2003.
Form 23 for Section 293 (1)(a) approval (E.G.M. held 30-11-2002) filed on 16-7-2003.
Form 8 & 13 under Section 125/127/135 filed on 20-5-2003.

Auditors' Report

TO THE MEMBERS OF BHARTI COMTEL LIMITED

We have audited the attached Balance Sheet of Bharti Comtel Limited as at 31st March, 2004 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and Cash Flow Statement 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 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.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Govt. in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 of the said order to the extent applicable.

Further to our comments in the Annexure referred to in paragraph above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.

- c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
- d) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement are in compliance with the mandatory Accounting Standards, referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
- e) On the basis of the written representations received from the company on behalf of the directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Statement of Significant Accounting Policies and Notes to Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 and
 - ii) In the case of Profit and Loss Account of the profit for the year ended on that date.
 - iii) In the case of Cash Flow Statement of the Cash Flows for the year ended on that date.

For **J. C. BHALLA & CO.**
Chartered Accountants

Place : New Delhi
Date : April 20, 2004

(RAJESH SETHI)
Partner
(M. No. 85669)

ANNEXURE TO THE AUDITORS' REPORT ON THE ACCOUNTS OF BHARTI COMTEL LIMITED FOR THE YEAR ENDED 31ST MARCH, 2004 AS REFERRED TO IN OUR REPORT OF EVEN DATE.

- (i) The Company is maintaining proper records showing full particulars including quantitative details and situation of all fixed assets. The fixed assets have been physically verified by the management at the year-end. We are informed that no material discrepancies have been noticed by the management on such verification as compared with the record of fixed assets maintained by the Company. The Company has not disposed off substantial part of fixed assets during the year.
- (ii) The inventory of traded goods has been physically verified during the year by the management at reasonable intervals. In our opinion, the procedures of physical verification of inventory followed by the management were adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with the books of account.
- (iii) According to the information and explanations given to us and in our opinion the Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. In our opinion, there is no continuing failure to correct major weaknesses in internal control.

- (v) The Company has not entered into transactions in respect of any party that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 exceeding the value of five lac rupees in the financial year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year.
- (vii) The Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We are given to understand that the Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956 for any of its products.
- (ix) The Company is regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income-tax, Sales-tax, Customs Duty and any other statutory dues with the appropriate authorities and there are no undisputed liabilities of any other Statutory dues as on 31st March, 2004 outstanding for a period of more than six months from the date they became payable.
- (x) According to the records of the Company, its accumulated losses at the end of the financial year are *more* than fifty percent of its net worth. The Company has not incurred cash losses in the financial year under report and in the financial year immediately preceding such financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) According to the information and explanations given to us, the Company has not raised any term loans during the year.
- (xvii) According to the information and explanations given to us, the funds raised by the Company on short-term basis have not been used for long-term investment and vice versa.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not made any public issue.
- (xxi) According to the information and explanation given to us, any fraud on or by the Company has not been noticed or reported during the year under report.

For **J. C. BHALLA & CO.**
Chartered Accountants

(RAJESH SETHI)
Partner

Place : New Delhi
Date : April 20, 2004

Balance Sheet as at March 31, 2004

Particulars	Schedule No.	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,000	1,000
Loan Funds			
Secured Loans	2	23,742	8,829
Unsecured Loans	3	268,521	4,160
Security Deposits		–	27
Total		293,263	14,016
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	122,345	87,903
Less: Depreciation		30,145	13,718
Net Block		92,200	74,185
Capital Work-in-Progress		19	–
Total Fixed Assets		92,219	74,185
Deferred Tax Asset (Net)		1,653	399
Current Assets, Loans and Advances			
Inventories	5	116,659	78,268
Sundry Debtors	6	114,126	90,765
Cash and Bank Balances	7	37,092	102,515
Other Current Assets, Loans and Advances	8	71,850	3,201
Total Current Assets		339,727	274,749
Less : Current Liabilities and Provisions	9		
Current Liabilities		135,934	332,881
Provisions		8,159	9,230
Total Current Liabilities		144,093	342,111
Net Current Assets		195,634	(67,362)
Miscellaneous Expenditure (to the extent not written off or adjusted)	10	–	–
Profit and Loss Account		3,757	6,794
Total		293,263	14,016
Significant Accounting Policies	19		
Notes to Accounts	20		

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

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

On behalf of the Board

For **J.C. BHALLA & CO.**
Chartered Accountants

BADRI AGARWAL
Director

K.L. JAIN
Director

(**RAJESH SETHI**)
Partner

Place : New Delhi
Date : April 20, 2004

Profit and Loss Account for the year ended March 31, 2004

Particulars	Schedule No.	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
INCOME			
Service Revenue		85,716	37,926
Sale of Goods		301,366	468,205
Other Income	11	3,800	10,069
		<u>390,882</u>	<u>516,200</u>
EXPENDITURE			
Operating Expenses	12	25,884	10,833
Cost of Sales of Goods	13	248,631	409,071
Personnel	14	66,060	31,688
Sales and Marketing	15	21,038	24,878
Administrative and Others	16	12,897	20,673
Total Expenditure		<u>374,510</u>	<u>497,143</u>
Operating Profit before Finance Expenses, Depreciation and Amortisation		16,372	19,057
Finance Expenses (Net)	17	(7,337)	14,622
Profit/(Loss) before Depreciation and Amortisation		23,709	4,435
Depreciation		16,426	14,175
Amortisation	18	–	36
Profit/(Loss) before Tax		7,283	(9,776)
Tax Expenses			
– Current Tax (Net of write back for earlier year Rs. 1,261 thousand; Previous year Rs. 249 thousand)		5,500	1,261
– Deferred Tax		(1,254)	–
Profit/(Loss) after Tax		3,037	(11,037)
Profit/(Loss) Brought Forward		(6,794)	4,243
Profit/(Loss) carried to the Balance Sheet		<u>(3,757)</u>	<u>(6,794)</u>
Earnings per Share in Rs. (Basic & Diluted)		30.37	(110.37)
Significant Accounting Policies	19		
Notes to Accounts	20		

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

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

On behalf of the Board

For **J.C. BHALLA & CO.**
Chartered Accountants

BADRI AGARWAL
Director

K.L. JAIN
Director

(RAJESH SETHI)
Partner

Place : New Delhi
Date : April 20, 2004

Cash Flow Statement for the year ended March 31, 2004

(Rs. '000)

Particulars	For the year ended March 31, 2004	For the year ended March 31, 2003
A. Cash flow from operating activities:		
Net (loss)/profit before tax but after exceptional/extraordinary items	7,283	(9,776)
Adjustments for:		
Depreciation	16,426	14,175
Interest Expense	5,676	17,178
Interest Income	(38)	(2,556)
(Profit)/Loss on Fixed Assets sold (net)	—	8,022
(Profit)/Loss on sale of Investments	—	—
ESOP Expenditure written off	—	—
Deferred Revenue Expenditure written off	—	—
Amortisation of Goodwill	—	—
Preoperative Expenditure written off	—	—
Preliminary Expenditure written off	—	36
Licence fee written off	—	—
Debts/Advances written off	—	—
Provision for Bad and Doubtful Debts	3,242	(1,862)
Liability no longer required written back	—	—
Provision for Gratuity and Leave Encashment	1,925	—
Provision for Inventory for obsolete/damaged stock	—	—
Unrealised Foreign Exchange (Gain)/Loss	—	—
Provision for warranty	(3,302)	1,566
Gain from swap arrangements	—	—
Other provision	—	—
Operating profit before working capital changes	31,212	26,783
Adjustments for changes in working capital:		
– (Increase)/Decrease in Sundry Debtors	(26,603)	(40,361)
– (Increase)/Decrease in Other Receivables	(68,618)	14,714
– (Increase)/Decrease in Inventories	(38,391)	(55,013)
– Increase/(Decrease) in Trade and Other Payables	(196,641)	102,628
– Increase/(Decrease) in Security Deposit from Customers	(27)	27
Cash generated from operations	(299,068)	48,778
Increase in Miscellaneous Expenditure	—	—
– Taxes (Paid)/Received	(5,500)	(1,280)
Net cash from operating activities	(304,568)	47,498
B. Cash flow from investing activities:		
Adjustments for changes in:		
Purchase of Fixed Assets - Additions during the Year	(34,442)	(22,713)
Capital Work-in-Progress - Additions during the Year	(19)	3,124
Proceeds from Sale of Fixed Assets	—	176,516
Proceeds from Sale of Investments	—	—
Purchase of Investments	—	—
Licence fee paid for new circles	—	—
Interest Received (Revenue)	7	2,561
Amount Paid on Acquisition/Investment in Subsidiaries	—	—
Net cash used in investing activities	(34,454)	159,488

Cash Flow Statement for the year ended March 31, 2004

Particulars	(Rs. '000)	
	For the year ended March 31, 2004	For the year ended March 31, 2003
C. Cash flow from financing activities:		
Proceeds from fresh issue of Share Capital (including Share Premium)	-	-
Amount of share issue expenses	-	-
Amount invested by Minorities in Subsidiaries	-	-
Proceeds from long term borrowings		
Receipts	-	(159,341)
Payments	-	-
Proceeds from short term borrowings		
Receipts	279,274	-
Payments	-	-
Interest Paid	(5,676)	(17,178)
Profit on hedging transaction	-	-
Gain from swap arrangements	-	-
Net cash used in financing activities	<u>273,598</u>	<u>(176,519)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>(65,424)</u>	<u>30,467</u>
Opening Cash and Cash Equivalents	<u>102,515</u>	<u>72,048</u>
Cash and Cash Equivalents Acquired on Acquisition	-	-
Cash and Cash Equivalents as at March 31, 2004	<u><u>37,092</u></u>	<u><u>102,515</u></u>
Cash and Cash Equivalents comprise		
Cash, Cheques and Drafts (in hand) and Remittances in Transit	-	95,629
Balance with Scheduled Banks	37,092	6,886

Notes :

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

On behalf of the Board

BADRI AGARWAL
Director

K.L. JAIN
Director

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
<u>SCHEDULE : 1</u>		
<u>SHARE CAPITAL</u>		
Authorised		
1,000,000 Equity Shares of Rs. 10/- each (Previous year 1,000,000 Equity Shares of Rs. 10/- each)	10,000	10,000
Issued, Subscribed and Paid up		
100,000 Equity Shares of Rs.10/- each (Previous year 100,000 Equity Shares of Rs. 10/- each)	1,000	1,000
<u>SCHEDULE : 2</u>		
<u>SECURED LOANS</u>		
From Bank :		
- Cash Credit (Secured by hypothecation of stocks, all present and future book debts, outstanding moneys receivables, claim bills, contracts, engagements and guaranteed by Bharti Tele-Ventures Ltd.)	23,742	8,829
	23,742	8,829
<u>SCHEDULE : 3</u>		
<u>UNSECURED LOANS</u>		
Short Term Loans and Advances		
Bharti Infotel Limited (Holding Company)	268,521	4,160
	268,521	4,160

Schedules Annexed to and forming part of Accounts

SCHEDULE 4:
FIXED ASSETS
(Rs. '000)

Particulars	Gross Block Value			Depreciation			Net Block Value		
	As at April 1, 2003	Additions during the year	Sale/ Adjustment during the year	As at March 31, 2004	As at April 1, 2003	For the year	Sale/ Adjustment during the year	As at March 31, 2004	As at March 31, 2003
Tangible Fixed Assets									
Freehold Land	43,500	-	-	43,500	-	-	-	43,500	43,500
Plant and Machinery*	5,420	34,400	-	39,820	1,726	12,368	-	25,726	3,694
Building and Leasehold Improvements	25,184	-	-	25,184	2,726	1,263	-	21,195	22,458
Office Equipment	1,763	-	-	1,763	1,136	284	-	343	627
Computer	8,026	42	-	8,068	5,872	1,738	-	458	2,154
Vehicle	665	-	-	665	314	133	-	218	351
Furniture and Fixture	3,345	-	-	3,345	1,944	641	-	760	1,401
TOTAL	87,903	34,442	-	122,345	13,718	16,427	-	92,200	74,185
Capital Work-in-Progress								19	
GRAND TOTAL	87,903	34,442	-	122,345	13,718	16,427	-	92,219	74,185
Previous Year	261,397	22,713	196,207	87,903	11,212	14,175	11,669	74,185	

* Plant & Machinery includes assets given on operating lease.

Gross Block As at March 31, 2004	Depreciation		Net Block As at March 31, 2004
	As at April 1, 2003	As at March 31, 2004	
37,504	378	11,355	25,771
		11,733	

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
<u>SCHEDULE : 5</u>		
<u>INVENTORY</u>		
Traded goods		
PAMA VSATs	15,380	13,248
Internet Modems	43,443	–
Broadband Interactive Terminal	47,467	48,773
Gateways	9,315	8,306
Others	1,054	7,941
	<u>116,659</u>	<u>78,268</u>
<u>SCHEDULE : 6</u>		
<u>SUNDRY DEBTORS</u>		
(Unsecured, considered good unless otherwise stated)		
Billing Debtors :		
Outstanding for more than six months		
– Considered doubtful	4,032	4,183
Less: Provision	(4,032)	(4,183)
Others		
– Considered Good	114,126	90,765
– Considered Doubtful	7,788	4,395
Less: Provision	(7,788)	(4,395)
	<u>114,126</u>	<u>90,765</u>
	<u>114,126</u>	<u>90,765</u>
<u>SCHEDULE : 7</u>		
<u>CASH AND BANK BALANCES</u>		
Cheques in Hand	–	95,629
Balances in Scheduled Banks		
– in Current Account	36,309	6,255
– in Fixed Deposits	180	28
– in Deposit Account as Margin Money	603	603
	<u>37,092</u>	<u>102,515</u>
	<u>37,092</u>	<u>102,515</u>
<u>SCHEDULE : 8</u>		
<u>OTHER CURRENT ASSETS, LOANS AND ADVANCES</u>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	71,794	3,176
Interest Accrued on Fixed Deposit with Bank	56	25
	<u>71,850</u>	<u>3,201</u>
	<u>71,850</u>	<u>3,201</u>

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
<u>SCHEDULE : 9</u>		
<u>CURRENT LIABILITIES AND PROVISIONS</u>		
<u>Current Liabilities</u>		
Sundry Creditors	87,255	202,385
Security Deposit	6,270	100,130
Advance Billing Revenue	28,467	890
Other Liabilities	6,027	12,625
Advance Received from Customers	7,915	16,851
	135,934	332,881
<u>Provisions</u>		
Gratuity	1,063	-
Leave Encashment	862	-
Provision for Warranty	5,370	8,672
Provision for Tax (Net of advance Tax Rs. 5,523 thousand, Previous year Rs. 2,202 thousand)	864	558
Total Provisions	8,159	9,230
	144,093	342,111
<u>SCHEDULE : 10</u>		
<u>MISCELLANEOUS EXPENDITURE</u>		
(To the extent not written off)		
<u>Preliminary Expenditure</u>		
Opening Balance:	-	36
Add: Addition during the year	-	-
Less: Charged off during the year	-	36
Closing Balance	-	-

Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
<u>SCHEDULE : 11</u>		
<u>OTHER INCOME</u>		
Rent	3,800	2,400
Miscellaneous Income	–	7,669
	<u>3,800</u>	<u>10,069</u>
<u>SCHEDULE : 12</u>		
<u>OPERATING EXPENSES</u>		
Installation Charges	9,789	10,677
Repair and Maintenance Charges	16,093	156
Others	2	–
	<u>25,884</u>	<u>10,833</u>
<u>SCHEDULE : 13</u>		
<u>COST OF SALES</u>		
Opening Stock	78,268	15,774
Add : Purchases	323,847	471,565
Less : Internal issues/capitalized (Includes obsolete inventory written off of Rs. 2,425 thousand (Previous year Rs. Nil))	36,825	–
Less : Closing Stock (After Considering diminution in the value of stock of Rs. 638 thousand (Previous year Rs. Nil))	116,659	78,268
	<u>248,631</u>	<u>409,071</u>
<u>SCHEDULE : 14</u>		
<u>PERSONNEL EXPENDITURE</u>		
Salaries, Wages and Bonus	63,381	31,094
Contribution to Provident and Other Funds	2,162	563
Staff Welfare	386	28
Recruitment and Training	131	3
	<u>66,060</u>	<u>31,688</u>
<u>SCHEDULE : 15</u>		
<u>SALES AND MARKETING EXPENDITURE</u>		
Advertisement and Marketing Expenses	1,738	2,474
Sales Commission and Incentive	3,082	5,316
Waivers and Discounts including free supplies	5,294	1,358
Warranty Expenses	–	4,486
Other Selling and Distribution Expenses	10,924	11,244
	<u>21,038</u>	<u>24,878</u>

Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
<u>SCHEDULE : 16</u>		
<u>ADMINISTRATIVE AND OTHER EXPENDITURE</u>		
Legal and Professional Charges	841	205
Rates and Taxes	3	18
Electricity and Water	9	–
Telephone, Telex and Postage	74	48
Printing and Stationery	660	–
Travelling and Conveyance	288	2,268
Rent	6,542	6,460
Repairs and Maintenance		
– Plant and Machinery	90	–
– Others	38	480
Insurance	204	347
Provision for Doubtful Debts /Advances	3,229	–
Miscellaneous Expenses (Includes Provision for diminution in the Value of Closing Stock Rs. 638 Thousand) (Previous Year Rs. Nil)	794	276
Billing and Software Expenses	–	44
Loss on Sale of Assets	–	8,022
Charity and Donation	125	2,505
	<u>12,897</u>	<u>20,673</u>
<u>SCHEDULE : 17</u>		
<u>FINANCE EXPENSES</u>		
Interest :		
– On Security Deposit	2,680	15,000
– On Cash Credit	1,645	57
– On Others	24	14
Other Finance Charges (including exchange rate variation Credit/Debit Rs. Nil, Previous year Credit Rs. 155 thousand)	1,327	2,107
Gross Finance Expenses	<u>5,676</u>	<u>17,178</u>
Less: Interest Income :		
– from Current Investments [Gross of TDS Rs. 8 thousand (Previous Year Rs. Nil)]	38	–
– from Long Term (Gross of TDS Rs. Nil thousand, Previous year Rs. 79 thousand (Includes Rs. Nil thousand on account of finance lease, Previous Year 2,174 thousand)	–	2,556
Exchange fluctuation gain (Net)	2,144	–
Other Finance income - Leased Assets	10,831	–
Total Finance Income	<u>13,013</u>	<u>2,556</u>
Total Finance Expenses (Net)	<u>(7,337)</u>	<u>14,622</u>
<u>SCHEDULE : 18</u>		
<u>AMORTISATION</u>		
Preliminary Expenses	–	36
Total Amortisation	<u>–</u>	<u>36</u>

Schedules Annexed to and forming part of Accounts

SCHEDULE : 19

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in respect of these financial statements, are set out below.

1. BASIS OF PREPARATION

These financial statements are prepared under the historical cost convention in accordance with generally accepted accounting principles and provision of the Companies Act, 1956.

2. FIXED ASSETS

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

3. 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:

	Rate of Depreciation
Building	5%
Office Equipment	33.33%
Computer	33.33%
Vehicles	10.00%
Furniture & Fixtures	20.00%
Plant & Machinery	6.67%
Air Conditioners	10.00%

Depreciation is provided for the full value on all assets individually costing less than Rs. 5,000/-.

Software up to Rs. 500 thousand is written off in the year of purchase.

4. REVENUE RECOGNITION AND RECEIVABLES

Revenue from traded goods is recognised at the point of dispatch of goods to customers based on their confirmed orders or when title is transferred on endorsement and delivery of shipping documents in case of high sea sale. Installation charges are recognised as revenue on satisfactory completion of installation. Revenue from audio-conferencing is recognised on the actual usage basis and is net of discount. Provision for doubtful debts is made for dues outstanding for more than 90 days.

5. WARRANTY

Provision for warranty is based on technical estimates provided by management.

6. INVENTORIES

Inventories are valued at the lower of weighted average cost or net realisable value.

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.

Schedules Annexed to and forming part of Accounts

8. LEASES

As lessor - operating lease

Lease Rentals in respect of 'Operating Lease' as per Accounting Standard -19 have been taken into the Profit and Loss Account.

As lessor - finance lease

Finance lease are accounted as sale in the Profit & Loss Account and receivables shown accordingly, as per Accounting Standard-19. Finance charges on hire-purchase contracts and income from finance lease transactions are computed using internal rate of return method which ensures a constant periodic rate of return on net finance amount outstanding.

As Lessee

Lease rentals in respect of assets taken on operating lease are charged to Profit & Loss Account on accrual basis. Assets taken on finance lease are accounted for as assets of the Company. Lease rental payable are apportioned between principle and interest using the internal rate of return method and finance charge is recognised accordingly.

9. TAXATION

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit/(loss) for the period. Current tax is computed as per the provisions of Income Tax Act, 1961. Net outstanding balance in current tax account is recognised as current liability/current asset. However, in the year of transition, the accumulated deferred tax asset/liability at the beginning of the year is recognised with a corresponding charge/credit to the Reserves in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

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

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

10. MISCELLANEOUS EXPENDITURE

Expenditure incurred by the Company from the date of incorporation of the Company up to the date of commencement of commercial operations, not directly attributable to fixed assets are charged to the Profit & Loss Account in the year in which such expenditure is incurred. Preliminary expenses are charged to the Profit & Loss Account on commencement of commercial operations.

11. SEGMENTAL REPORTING

a) Primary Segment:

The Company operates in two primary business segment viz. 'Trading Division' that includes trading of hardware items and 'Telecom Division'.

b) Secondary Segment:

The Company caters only to the needs of Indian market representing a singular economic environment with similar risks and rewards and hence there are no reportable geographical segments.

12. 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. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares.

13. RETIREMENT BENEFITS

Contribution to provident fund is made at predetermined rates and is charged to Profit & Loss Account. Provision for the liability on account of unavailed unearned leave and gratuity is made as per actuarial valuation at the year end as per projected unit credit method.

14. BORROWING COST

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

Schedules Annexed to and forming part of Accounts

SCHEDULE : 20 NOTES TO ACCOUNTS

1. Contingent Liabilities		(Rs. '000)
	As at	As at
	March 31,	March 31,
	2004	2003
Capital Commitments	NIL	NIL
Bank Guarantee	8,595	17,240

2. Additional Information pursuant to provisions of Part II of Schedule VI to the Companies Act, 1956.

a. Details of purchases and sales:

Particulars	Purchases 2003-2004		Purchases # @ 2002-2003		Sales 2003-2004		Sales 2002-2003	
	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)
I. BIT	1,174	118,989	1,783	159,520	1252*	136,367	1,445	159,475
II. PAMA VSATs Assembly sets @		16,593		56,747		15,435		56,843
III. Gateway		2,615		212,679		2,426		234,106
IV. Internet Modems & others	28,535	184,050		42,618	20799	146,591		17,781
V. Others		1,600				547		-
Total		323,847		471,564		301,366		468,205

* Excludes 13 nos. issued for internal use

b. Details of inventories:

Particulars	As at March 31, 2004		As at March 31, 2003	
	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)
I. BIT	518	47,467	609	48,773
II. PAMA VSATs Assembly sets @		15,380	-	13,248
III. Gateway	-	9,315	-	8,306
IV. Internet Modems & others	8,694	43,443	958	7,941
V. Others		1,053		-
Total		116,659		78,268

@ In view of heterogeneous nature of PAMA VSATs, quantitative particulars have not been disclosed.

	2003-2004 (Rs. '000)	2002-2003 (Rs. '000)
c. CIF value of imports		
Traded goods	78,148	249,255
HCD Cards	702	-
d. Earnings in foreign exchange		
Others	-	3,384

Schedules Annexed to and forming part of Accounts

3. There are no dues to small scale industries (SSI) creditors as at March 31, 2004.
 4. The Net Deferred Tax Asset as on March 31, 2004 has been arrived at as follows:

	2004 (Rs. '000)	2003 (Rs. '000)
Deferred Tax Assets arising from: Expenses charged to the financial statements but allowable as deduction in future years under the Income Tax Act	2,814	6,448
Unabsorbed depreciation allowance and unabsorbed business loss carried forward	<u>1,250</u>	<u>—</u>
	4,064	6,448
Less : Deferred Tax liabilities arising from : Difference between carrying amount of fixed assets in the financial statement and the Income Tax Return	<u>—</u>	<u>(6,050)</u>
Total	<u>4,064</u>	<u>399</u>
Deferred Tax asset recognised	1,653	398

The management is of the view that there is virtual certainty supported by convincing evidence to the extent of 40% of the above amount and accordingly the deferred tax assets has been recognised to that extent.

5. Auditors' Remuneration*

	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
Audit Fee	225	135
Tax Audit Fee	40	25
Certification Charges	<u>20</u>	<u>—</u>
Total	<u>285</u>	<u>168</u>

*Excluding service tax

Schedules Annexed to and forming part of Accounts

6. Assets given under Finance Lease from 1st April, 2003 in accordance with the AS-19, issued by the Institute of Chartered Accountants of India, with contractual maturities lease financing activities are set out below:

	Gross Investment in Finance Lease	Unearned Finance Income	(Rs. 000's) Present value of Future Lease receivables
Not later than one year	35,690	8,305	27,385
Later than one year but not later than five years	44,014	5,629	38,385
Later than five years	-	-	-
Total	79,704	13,934	65,770
Less: Provision for uncollectible Lease receivables	-	-	-
Total	79,704	13,934	65,770

7. Earnings per Share

- a. Calculation of Weighted average number of equity shares of Rs. 10/- each.

	2003-04 ('000)	2002-03 ('000)
Number of equity shares at the beginning of the year	100	100
Number of equity shares outstanding at the end of the year	100	100
Weighted average number of equity shares outstanding during the year	100	100
b. Net profit after tax available for equity shareholders (in Rs. '000)	3,037	(11,037)
c. Basic and Diluted Earnings (in Rs.) per Share	(30.37)	(110.37)

Schedules Annexed to and forming part of Accounts

8. 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 and liabilities information relating to the respective Business Segments for the year ended March 31, 2004.

REPORTABLE SEGMENTS	(Rs. '000)			
	TELECOM DIVISION		TRADING DIVISION	
	March 31, 2004	March 31, 2003	March 31, 2004	March 31, 2003
REVENUE				
Service Revenue/Sale of Goods and Other Income	3,800	8,494	387,082	507,706
TOTAL REVENUE	3,800	8,494	387,082	507,706
RESULTS				
EBITDA	3,667	(344)	12,705	19,402
Segment Result, Profit/(Loss)	170	(12,624)	(224)	17,469
OPERATING PROFIT	170	(12,624)	(224)	17,469
Net Finance Expense/(Income)	2,704	15,109	(10,041)	(487)
NET PROFIT/(LOSS)	(2,534)	(27,733)	9,817	17,956
Provision for Tax	-	-	5,500	1,261
Deferred Tax (Expense)/Income	-	-	(1,254)	-
Minority Share	-	-	-	-
NET PROFIT/(LOSS) AFTER TAX	(2,534)	(27,733)	5,571	16,695
OTHER INFORMATION				
Segment Assets	70,551	71,905	357,380	273,968
Inter Segment Assets	143,790	98	123,365	2,963
Deferred Tax Asset	399	399	1,254	-
Advance Tax (Net of Provision for tax)	375	-	(1,239)	-
TOTAL ASSETS	215,116	72,401	480,760	276,931
Segmental Liabilities	6,614	113,839	160,355	237,127
Inter Segment Liabilities	259,570	7,309	272,093	(3,149)
Minority Interest	-	-	-	-
TOTAL LIABILITIES	266,184	121,148	432,448	233,978
Capital Expenditure	-	17,186	34,461	2,533
Depreciation	3,497	12,244	12,930	1,932
Non Cash Expenses other than Depreciation	-	36	-	-

9. In the absence of confirmation from parties the debit and credit balances of suppliers in regard to recoverable and payable have been taken as reflected in the books of account. In the opinion of Directors, loans and advances and current assets if realised in the ordinary course of business, have the value at which they are stated in the Balance Sheet.

10. Previous year figures have been regrouped/rearranged, wherever necessary to make them comparable with current year's figures.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. State Code

Balance Sheet Date Date Month Year

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

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

Sources of funds

Total Liabilities

Paid up Capital

Secured Loans

Application of funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Total Assets

Reserves & Surplus

Unsecured Loans

Investments

Miscellaneous Expenditure

IV. Performance of the Company (Amount in thousands)

Turnover

Profit/(Loss) Before Tax

Earning per Share in Rs.

Total Expenditure

Profit/(Loss) After Tax

Dividend Rate

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

Item code No. (ITC Code)

Product Description

On behalf of the Board

BADRI AGARWAL
Director

K.L. JAIN
Director

Place : New Delhi
Date : April 20, 2004