BHARTI INFOTEL LIMITED

(formerly BHARTI TELENET LIMITED)

DIRECTORS' REPORT

The Directors have pleasure in presenting the Ninth Annual Report and Audited Statement of Accounts for the financial year ending March 31, 2003.

BUSINESS REVIEW

Your directors are pleased to inform that the company's performance has shown considerable improvement during the year. This is largely attributed to the proactive measures taken by the Management.

During the year a new strategic vision and framework to create a single entity has paved the way for the merger of Bharti's fixed line, Long Distance and Broadband businesses into a single company- **Bharti Infotel Limited** and the demerger of the Cellular Service Project in Himachal Pradesh and the merger of the same into Bharti Cellular Limited to consolidate the mobile business. This reflects the management's pro-active steps to align the business activities to the dynamic market conditions and provide the highest quality of services to its esteemed customers.

The Company has drawn a blue print of continuing to service the consumer market in the fixed line business through its 'Touchtel' brand and the long distance business through its 'India One' brand.

FIXED LINE ACCESS

During the year under review, the Company's fixed line access business had a lot of positive movement. The subscriber base as at March 31, 2003 has more than doubled to 371,973 over subscriber base as at March 31, 2002.This business continues to be a leader in the private wire line industry of India in terms of number of subscribers.

In addition the Madhya Pradesh Circle, now Haryana Circle is also EBIDTA positive and the other circles have turned EBIDTA positive by the end of the first quarter of the ensuing financial year. This has been achieved in just over one year of launching services in all new circles and despite tremendous pressures on tariffs.

LONG DISTANCE

The year under review, being the first full year of operations of the long distance business of the Company was filled with flurry of activities, when alongwith full fledged operations we continued to spread our reach and strengthened our network by closure of backbone rings. The Industry saw the entry of new players in the telecom business and the competition further got heated up with the new initiatives taken by the incumbent operator. This led to further reduction of prices and consequent higher usage per subscriber. TRAI came out with its Interconnection Usage Charges (IUC) regulations in January 2003 and the same have been made applicable with effect from 1st May, 2003.

The company started its International Long Distance voice services w.e.f 19th July; 2002.The Company also expanded its revenue base by starting its Data business during the year

GROUP DATA & BROADBAND

During the year under review, the group data and broadband business also witnessed large order inflow for National leased circuits; International Private leased circuits and Internet Bandwidth from existing and new clients. Today we have large number of prestigious names on the customer list including Foreign Financial intermediaries, Technology firms and ISPs.

FINANCIAL PERFORMANCE

On a consolidated basis, the Key financial indicators for the year ending March 31, 2003 are as under:

Particulars	**As on March 31, 2003 (Rs. in Thousand)**	As on March 31, 2002 (Rs. in Thousand)
Sales and other income	**11,066,615**	1,787,838
Expenditure	**8,091,532**	1,263,042
Operating Profit	**2,975,083**	524,796
Finance Expenses	**641,428**	399,474
License Fees Revenue share and Spectrum Charges	**796,149**	144,118
Profit/(Loss) before Depreciation, Amortisation and Pre-operative expenses	**1,537,506**	(18,796)
Depreciation, Amortization and Pre-operative expenses	**(1,852,208)**	(1,263,385)
Profit/(Loss) before tax	**(134,883)**	(1,282,181)
Net Profit/(Loss) after tax	**(134,883)**	(1,081,181)

MERGER

The Hon'ble High Court of Delhi has on August 29, 2003 approved the amalgamation of Bharti Telesonic Limited and Bharti Broadband Networks Limited with Bharti Telenet Limited. Consequent upon this the NLD /ILD business of Bharti Telesonic Limited and the Internet business carried on by Bharti Broadband Networks Limited stands merged into Bharti Telenet Limited. As part of the scheme of amalgamation, the name of the company has been changed to *Bharti Infotel Limited* vide fresh Certificate of Incorporation dated September 15, 2003 to reflect the post merger broader businesses of the company.

The main object clause of the company has been amended as part of the scheme of amalgamation.

As part of the scheme of amalgamation, the paid up share capital of the company has been re-aligned and stands reduced to Rs.2,772,000,000/- divided into 277,200,000 equity shares of Rs.10/- each from Rs.3,000,000,000/-.

The Cellular division of the Company in the telecom circle of Himachal Pradesh ('HP cellular division') has been demerged from the Company under a scheme of arrangement with Bharti Cellular Limited. Consequent upon the scheme coming into effect the HP cellular division stands merged with Bharti Cellular Limited. Thus all cellular operations of the subsidiaries of Bharti Tele-Ventures Limited are being consolidated under Bharti Cellular Limited barring Bharti Mobile Limited.

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 Chartered Accountants shall retire at the ensuing Annual General Meeting and being eligible have offered themselves for appointment. A Certificate has been received from them 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 for the financial year 2003-04.

AUDIT COMMITTEE

The company has a duly constituted audit committee in existence since October 2001. The present constitution of the Committee is as under: -

1. Mr. Sunil Bharti Mittal
2. Mr. Rakesh Bharti Mittal
3. Mr. Badri Agarwal
4. Mr. V.N. Koura

DIRECTORS

During the year under review, Mr. Jagdish Kapur ceased to be the Director of the Company due to his sad demise in January 2003. The Board places on record the condolences and appreciation for the services rendered by him during his tenure as Director of the Company.

Mr. K.L. Jain was appointed as an Additional Director on the Board of the company. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. K.L. Jain holds office upto the date of Annual General Meeting. The company has received a notice from a shareholder in terms of section 257 of the Companies Act, 1956 signifying his intention proposing the candidature of Mr. K.L. Jain for the office of Directorship of the company. Mr. K.L. Jain has also given a confirmation to the company that she is, otherwise, not disqualified, in terms of section 274 of the Companies Act, 1956.

In view of rich and vast experience of Mr. K.L. Jain, it is felt that his presence on the Board would be an asset for the Company's future Growth, hence it is recommended that he may be appointed as Director of the Company.

Mr. Rajan Bharti Mittal has been re-appointed as Managing Director of the Company w.e.f. June 1, 2003. His appointment was confirmed at the Extra-ordinary General meeting of the Company held on July 29, 2003.

Mr. Rakesh Bharti Mittal and Mr. V.N. Koura 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.

Foreign Exchange Earnings and Outflow:

Particulars	**Year ended March 31, 2003 (Rs. in Thousand)**	Year ended March 31, 2002 (Rs. in Thousand)
Foreign Exchange Earnings	**2,136,659**	–
Foreign Exchange Outflow	**501,303**	955

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:

i. that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;

ii. 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 31st March, 2003 and of the profit and loss account of the company for the period;

iii. they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. they 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 — Managing Director
BADRI AGARWAL — Director

Place: New Delhi
Date: September 16, 2003

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, 2003 and forming part of the Directors' Report

Sl. No.	Name	Designation	Nature of Employment, whether contractual or otherwise	Nature of duties of the employee	Qualification(s)	Age (in years)	Date of Commencement of Employment	Total experience (in years)	Gross Remuneration	Previous employment/ Designation
(A)	**EMPLOYED THROUGHOUT THE FINANCIAL YEAR**									
1.	Arun Hariharan	Vice President	Permanent	Quality & Knowledge Mgmt	MBA - Univ. of ILLIONOIS	36	1-Apr-02	12	2,828,559	RPG Enterprises /GM Knowledge Management
2.	Jagbir Singh	Group Chief Technical Officer	Permanent	Technical	M-PHIL, MTech., MBA	38	9-Nov-01	16	3,298,488	Nortel, Singapore/ Director - Network Systems & Solutions
3.	Shamik Das	Vice President	Permanent	Finance	B.Com. (H), FCA	40	15-Oct-93	24	2,635,380	Pearson PLC/Finance Administrator
4.	Vivek Khanna	Sr.Vice President	Permanent	IT & Technology	CISA, CSSP, CSA	42	19-Jul-01	19	3,442,800	Sterling Cellular Limited/VP IT
5.	M.S. Ravichandran	Chief Technical Officer- Tamil Nadu	Permanent	Technical	BE (Hons.), MTech. - Comm.	53	9-Apr-01	29	2,626,790	RPG Cellular/VP - Tech & Ops.
6.	K. Krishnan	Chief Executive Officer - BTNL (Tamil Nadu)	Permanent	Operations	B.Com., C.A., ICWA	48	26-Jan-01	24	3,551,524	Saregama (I) Ltd./M.D.
7.	P. Swaminathan	Chief Executive Officer - Madhya Pradesh	Permanent	Operations	BTech., PGDM	47	12-Jul-99	24	3,371,990	BPL Cellular Ltd., Bangalore/ Circle Head
8.	Rohtash Mal	Chief Executive Officer - Delhi Circle	Permanent	Operations	B.Tech., PGDM	47	13-Jan-01	24	3,612,607	Maruti Udyog Ltd./ CGM (Mktg. & Sales)
9.	Prem Pradeep	Chief Operating Officer-BTNL, Karnataka	Permanent	Operations	B Tech.; MBA	49	15-Oct-01	22	2,699,635	Saregama (I) Ltd./ Head E-Business
10.	Ashok Juneja	Chief Executive Officer	Permanent	Operations	B.Tech., PGDM	46	1-Oct-00	24	5,321,929	Bharti Cellular Ltd./ Director (Special Project)
11.	Rajiv Sharma	Chief Operating Officer	Permanent	Operations	BA, MBA	45	29-Dec-00	22	3,252,139	GMS Technologies /CEO
12.	Naresh Pandey	Chief Financial Officer	Permanent	Finance	B.Com., ACS, ACA	39	24-Jul-01	19	2,922,778	HCL Perot Systems/CFO
13.	Chandan Ghosh	V.P. Commercial (ILD)	Permanent	Commercial (ILD)	Diploma Electrical	44	1-Mar-02	23	3,607,081	British Telecom./Director ICS South Asia
14.	Ramamurthy Kolluri	Chief Technical Officer	Permanent	Technical	BTech., M.Tech.	48	3-Nov-00	24	2,705,519	Siemens Public Communication Networks Ltd./ (VP-Information & Broadband)
15.	Brig. Vijay Raheja	V.P. Projects	Permanent	Projects	BE, M.Tech.	55	1-Aug-97	37	2,335,155	Deputy Director General, Indian Army
16.	N. Arjun	Chief Executive Officer	Permanent	Operations	BE, MBA	45	1-Oct-00	23	4,341,888	Bharti Tele-Ventures Ltd./ Chief Operating Officer
(B)	**EMPLOYED FOR PART OF THE FINANCIAL YEAR**									
1.	Anand Ramabhadran	Vice President	Permanent	Marketing	B.Com. - Shriram College, MBA - IIMA	39	5-Dec-02	18	2,575,953	Whirlpool India Limited/ Director Marketing
2.	Cherian Kuruvila	Chief Executive Officer-Karnataka	Permanent	Operations	B.Sc., (Engg.)	46	8-Feb-01	22	2,538,707	Modi Xerox Ltd./Executive Director (South)
3.	Col. A.K. Dewan	Chief Executive Officer - Spl. Projects	Permanent	Operations	M.Sc., AMIE	60	1-Aug-01	39	5,299,840	Bharti Telesonic Ltd./CEO (IFD)

Note:
1. Gross remuneration comprises of Salary, Taxable Allowances, Company's contribution to Provident Fund and taxable value of perquisites.
2. The employee would qualify for being included in Category (A) or (B) on the following basis:
   For (A) if the aggregate remuneration drawn by him during the year was not less than Rs. 24,00,000 p.a.
   For (B) if the aggregate remuneration drawn by him during the part of the year was not less than Rs. 2,00,000 p.m.
3. None of the employees mentioned above is a relative of any Directors of the Company.
4. None of the employees mentioned above hold 2% or more share capital of the Company.

AUDITORS' REPORT

To The Members of Bharti Infotel Limited (Formerly, Bharti Telenet Limited)

1. We have audited the attached Balance Sheet of Bharti Infotel Limited (Formerly, Bharti Telenet Limited), as at March 31, 2003, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

3.1 (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which is considered reasonable by us. Pursuant to the programme, a physical verification was carried out during the year at various locations and this revealed no material discrepancies.

3.2 The fixed assets of the Company have not been revalued during the year.

3.3 The stocks of traded goods of the Company have been physically verified by the management at the year-end.

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

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

3.6 In our opinion, the valuation of traded stock has been fair and proper in accordance with the normally accepted accounting principles in India, and is on the same basis as in the preceding year.

3.7 In our opinion, the terms and conditions of interest free unsecured loans taken by the Company from the holding company and a fellow subsidiary are prima facie not prejudicial to the interests of the Company. The Company has not taken any other loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of this section are not applicable to a Company on or after October 31, 1998.

3.8 In our opinion, the terms and conditions of interest free unsecured loans granted by the Company to its subsidiary companies are prima facie not prejudicial to the interests of the Company. The Company has not granted any other loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act, other than an interest free security deposit to a wholly owned subsidiary towards lease of premises. In terms of sub-section (6) of Section 370 of the Act, provisions of this section are not applicable to a Company on or after October 31, 1998.

3.9 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 interests are not being paid as stipulated, reasonable steps are being taken by the Company for recovery of the principal and/or interest.

3.10 In our opinion there is, an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of plant and machinery, equipment and similar assets and for the sale of goods.

3.11 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.

3.12 The Company has a system of determining unserviceable or damaged finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.

3.13 The Company has not accepted any deposits from the public.

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

3.15 The Central Government of India has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Act for any of its products.

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

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

3.18 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.

3.19 In respect of services rendered:

(a) The nature of services is such that it does not involve 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.

3.20 In respect of trading activities:

Damaged goods have been determined pursuant to the Company's laid down procedures and consequential adjustments, which have not been significant, have been made in the accounts.

3.21 The other clauses of the Order are not applicable to the Company's activities for the year and accordingly we are not commenting on the same.

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

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

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

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

(d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

(e) On the basis of written representations received from the directors, as on March 31, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2003;

(ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Place : New Delhi
Date : September 16, 2003

BALANCE SHEET AS AT MARCH 31, 2003

Particulars	Schedule No.	As at March 31, 2003 (Rs. '000)	As at March 31, 2002 (Rs. '000)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,772,000	3,000,000
Reserves and Surplus	2	897,730	–
Loan Funds			
Secured Loans	3	6,332,379	2,750,000
Unsecured Loans	4	15,537,895	5,263,358
Security Deposits		474,701	252,800
(Refer Note 7 on Schedule 24)			
		26,014,705	11,266,158
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		22,539,791	7,315,875
Less: Depreciation		3,665,426	1,581,649
Net Block		18,874,365	5,734,226
Capital Work-in-Progress		3,504,161	1,648,949
Total Fixed Assets		22,378,526	7,383,175
Preoperative Expenditure Pending Allocation	6	–	80,670
Unamortised Licence Fee	7	2,811,381	1,750,561
Investments	8	103,005	751,071
Current Assets, Loans and Advances			
Inventories	9	17,155	–
Sundry Debtors	10	1,263,664	89,651
Cash and Bank Balances	11	320,357	165,851
Current Assets, Loans and Advances	12	2,011,644	764,539
		3,612,820	1,020,041
Less: Current Liabilities and Provisions	13		
Current Liabilities		6,090,986	2,799,241
Provisions		32,018	13,368
		6,123,004	2,812,609
Net Current Assets		(2,510,184)	(1,792,568)
Deferred Tax Asset (Net)		213,988	201,000
(Refer Note 12 on Schedule 23 and Note 20 on Schedule 24)			
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	14	68,589	77,509
Profit and Loss Account		2,949,400	2,814,740
		26,014,705	11,266,158
Statement of Significant Accounting Policies	23		
Notes to Accounts	24		

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

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

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

Place: New Delhi
Date: September 16, 2003

VIPIN AGARWAL
Company Secretary

SHAMIK DAS
Chief Financial Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003

Particulars	Schedule No.	For the year ended March 31, 2003 (Rs. '000)	For the year ended March 31, 2002 (Rs. '000)
INCOME			
Service Revenue		11,024,979	1,776,234
Sale of Goods		15,482	–
Other Income	15	26,154	11,604
		11,066,615	1,787,838
EXPENDITURE			
Access Charges		4,540,626	414,243
Network Operating	16	1,165,695	262,773
Cost of Goods Sold	17	15,931	–
Personnel	18	1,195,291	226,124
Sales and Marketing	19	395,964	193,410
Administrative and Others	20	778,025	166,492
		8,091,532	1,263,042
Operating Profit before Licence Fee and Spectrum Charges (Revenue Share), Finance Income and Expense, Depreciation, Amortisation, Pre-operative Expenditure, Demerger and Taxation		2,975,083	524,796
Licence Fee and Spectrum Charges (Revenue Share) (Refer Note 21 on Schedule 24)		796,149	144,118
Operating Profit before Finance Income and Expense, Depreciation, Amortisation, Pre-operative Expenditure, Demerger and Taxation		2,178,934	380,678
Finance Expenses (Net)	21	641,428	399,474
Depreciation		1,661,758	666,884
Amortisation	22	183,901	39,030
Pre-operative Expenditure written off	6	6,549	557,471
Operating (Loss) before demerger and Taxation		(314,702)	(1,282,181)
Profit on demerger [Refer Note 2(iii) on Schedule 24]		179,819	–
(Loss) before Tax		(134,883)	(1,282,181)
Tax Expense			
– Current		–	–
– Deferred Tax Expense/(Income) (Refer Note 12 on Schedule 23 and Note 20 on Schedule 24)		–	(201,000)
Net (Loss) after Tax		(134,883)	(1,081,181)
(Loss) brought forward		(2,814,740)	(1,733,559)
Loss acquired on amalgamation [Refer Notes 2(i) and 2(iv) on Schedule 24]		(2,056,505)	–
Difference of consideration and value of net assets acquired under a scheme of amalgamation (Net) [Refer Notes 2(i) and 2(iv) on Schedule 24]		556,728	–
Reserves adjusted on reduction of Capital [Refer Note 2(v) on Schedule 24]		1,500,000	–
(Loss) carried over		(2,949,400)	(2,814,740)
Earnings/(Loss) per Share in Rs. (Basic and Diluted) (Refer Note 16 on Schedule 23 and Note 17 on Schedule 24)		(0.49)	(3.60)
Statement of Significant Accounting Policies	23		
Notes to Accounts	24		

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

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

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

Place: New Delhi
Date: September 16, 2003

VIPIN AGARWAL
Company Secretary

SHAMIK DAS
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2003

(Rs. '000)

Particulars	For the year ended March 31, 2003	For the year ended March 31, 2002
A. Cash flow from operating activities:		
Net (Loss)/Profit before tax but after Exceptional/Extra-ordinary items	(134,883)	(1,282,181)
Adjustments for:		
Depreciation	1,661,758	666,884
Interest Expense	670,695	407,816
Interest Income	(17,858)	(37,851)
(Profit)/Loss on Fixed Assets sold	(1,485)	(16)
(Profit)/Loss on sale of Investments	(260)	615
ESOP Expenditure written off	32,320	–
Deferred Revenue Expenditure written off	–	16,785
Pre-operative Expenditure written off	–	557,471
Preliminary Expenditure written off	26	–
Licence Fee written off	151,555	22,245
Debts/Advances written off	264	965
Provision for Bad and Doubtful Debts/Advances	78,393	22,580
Liability no longer required written back	(10,077)	(8,838)
Provision for Gratuity and Leave Encashment	14,913	9,253
Unrealised Foreign Exchange (Gain)/Loss	3,057	–
Gain from Swap Arrangements	(14,206)	–
Other Provision	(179,819)	–
Operating profit before working capital changes	2,254,393	375,728
Adjustments for changes in working capital:		
– (INCREASE)/DECREASE in Sundry Debtors	(1,017,538)	(60,345)
– (INCREASE)/DECREASE in Other Receivables	447,638	95,961
– (INCREASE)/DECREASE in Inventories	(1,816)	105
– INCREASE/(DECREASE) in Trade and Other Payables	647,043	304,708
– INCREASE/(DECREASE) in Security Deposit from Customers	245,172	51,349
Cash generated from operations	2,574,892	767,506
Increase in Miscellaneous Expenditure	(26)	(774,643)
– Taxes (Paid)/Received	(18,452)	(5,481)
Net cash from operating activities	2,556,414	(12,618)
B. Cash flow from investing activities:		
Adjustments for changes in :		
Purchase of Fixed Assets – Additions during the Year	(12,609,555)	(1,550,309)
Capital Work-in-Progress – Additions during the Year	2,908,662	(989,308)
Proceeds from Sale of Fixed Assets	3,647	4,126
Proceeds from Sale of Investments	2,310,559	823,438
Purchase of Investments	(2,310,276)	(946,289)
Licence Fee paid for new circles	–	(1,450,000)
Interest Received (Revenue)	17,611	38,785
Net cash used in investing activities	(9,679,352)	(4,069,557)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2003

(Rs. '000)

Particulars	For the year ended March 31, 2003	For the year ended March 31, 2002
C. Cash flow from financing activities:		
Proceeds from long term borrowings	**3,452,163**	4,581,828
Proceeds from short term borrowings	**4,441,393**	–
Interest Paid	**(597,023)**	(404,359)
Gain from Swap Arrangements	**14,206**	–
Net cash used in financing activities	**7,310,739**	4,177,469
Net Increase/(Decrease) in Cash and Cash Equivalents (Net of balances acquired on amalgamation)	**187,801**	95,294
Opening Cash and Cash Equivalents	**165,851**	70,557
Cash and Cash Equivalents acquired on amalgamation	**(33,295)**	–
Cash and Cash Equivalents as at March 31, 2003	**320,357**	165,851
Cash and Cash Equivalents comprise		
Cash, Cheques and Drafts (in hand) and Remittances in Transit	**29,701**	14,475
Balance with Scheduled Banks	**290,656**	151,376

Notes:

1. 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.
2. Figures in brackets indicate cash outgo.
3. Previous year's figures have been regrouped and recast wherever necessary to conform to the current year's classification.
4. Cash and cash equivalents includes Rs. 30,991thousand (Previous Year Rs. Nil) which are not available for use by the Company. (Refer Schedule 10).
5. The following Assets/Liabilities acquired for a purchase consideration of 127,200,000 fully paid up Equity Shares of Rs.10 each in the Company under the schemes of amalgamation, have not been considered in the above Cash Flow Statement: (Refer Note 2 on Schedule 24)

Fixed Assets (including CWIP & Pre-operative expenditure and net off accumulated depreciation)	6,967,780
Current Assets (other than cash)	1,980,936
Current Liabilities and Provisions	2,656,171
Loan Funds	6,250,815
Share Premium	876,446
Unamortised Licence Fee	1,241,597
Deferred Tax Asset	12,988
Miscellaneous Expenditure (to the extent not written off or adjusted)	34,171

6. Movement in the Investment appearing in the books of erstwhile BTSoL, which has been amalgamated with the Company during the year has not been considered for the cash flows of the Company. (Refer Note 2 on Schedule 24).
7. The following Assets/Liabilities transfered under the scheme of demerger have not been considered in the above Cash Flow Statement: (Refer Note 2 on Schedule 24)

Fixed Assets (including CWIP and Preoperative expenditure and net off accumulated depreciation)	90,076
Current Assets (other than cash)	37,992
Current Liabilities and Provisions	94,602
Loan Funds	287,456
Unamortised Licence Fee	29,222
Miscellaneous Expenditure (to the extent not written off or adjusted)	3,040

This is the Cash Flow Statement referred to in our report of even date

The Schedules referred to above form an integral part of the Cash Flow Statement

On behalf of the Board

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

Place: New Delhi
Date: September 16, 2003

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

VIPIN AGARWAL
Company Secretary

SHAMIK DAS
Chief Financial Officer

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2003 (Rs. '000)	As at March 31, 2002 (Rs. '000)
SCHEDULE : 1		
SHARE CAPITAL		
[Refer Note 2(v) on Schedule 24]		
Authorised		
300,000,000 (Previous year 300,000,000) Equity Shares of Rs.10 each	3,000,000	3,000,000
Issued, Subscribed and Paid up		
277,200,000 (Previous year 300,000,000) Equity Shares of Rs.10 each, fully paid up (Of the above shares, 127,200,000 shares are allotted as fully paid up pursuant to the scheme of amalgamation without payments being received in cash)	2,772,000	3,000,000
	2,772,000	3,000,000
SCHEDULE : 2		
RESERVES AND SURPLUS		
[Refer Note 2 (i) and 2(iv) on Schedule 24]		
Share Premium		
Acquired pursuant to the scheme of amalgamation	876,446	–
Revaluation Reserve		
Acquired pursuant to the scheme of amalgamation	21,284	–
	897,730	–
SCHEDULE : 3		
SECURED LOANS		
(Refer Note 8 of Schedule 24)		
Debentures	2,488,914	2,750,000
Loans and Advances from Banks:		
– Term Loan	713,250	–
– Cash Credit	130,215	–
Other Loans and Advances:		
– Term Loan	3,000,000	–
	6,332,379	2,750,000
Note : Amount repayable within one year.	438,100	151,666
SCHEDULE : 4		
UNSECURED LOANS		
Short Term Loans and Advances		
From Banks	365,180	117,323
From Financial Institutions	500,000	–
From Others	14,672,715	5,146,035
	15,537,895	5,263,358

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE 5 : FIXED ASSETS

(Refer Notes 2,3,11 and 14 on Schedule 23 and Note 2 on Schedule 24)

(Rs. '000)

Particulars	Gross Block Value						Depreciation						Net Block Value	
	As at April 1, 2002	Acquired on merger	Transferred on demerger	Additions during the year	Sale/ Adjustment during the year	As at March 31, 2003	As at April 1, 2002	Acquired on merger	Transferred on demerger	For the year	Sale/ Adjustment during the year	As at March 31, 2003	As at March 31, 2003	As at March 31, 2002
Leasehold Land	5,785	955	–	120	–	**6,860**	327	–	–	22	–	**349**	**6,511**	5,458
Freehold Land	143,266	7,787	–	32,855	–	**183,908**	–	–	–	–	–	**–**	**183,908**	143,266
Leasehold VSAT Assets	–	41,568	–	-	9,614	**31,954**	–	37,180	–	4,186	9,412	**31,954**	**–**	–
Plant and Machinery	6,223,915	2,129,974	60,250	11,909,078	-	**20,202,717**	1,271,263	216,903	10,795	1,304,311	–	**2,781,682**	**17,421,035**	4,952,652
Air Conditioners	37,388	30,332	–	61,938	105	**129,553**	8,302	2,862	–	13,951	30	**25,085**	**104,468**	29,086
Building and Leasehold Improvements	296,742	182,629	24,276	211,719	–	**666,814**	39,597	14,095	4,654	43,513	–	**92,551**	**574,263**	257,145
Office Equipment	45,645	36,650	2,541	35,008	381	**114,381**	22,080	16,479	1,854	24,335	158	**60,882**	**53,499**	23,565
Computer	481,949	280,903	10,186	330,801	2,793	**1,080,674**	203,547	160,051	3,201	247,540	1,765	**606,172**	**474,502**	278,402
Vehicle	15,488	–	1,232	1,233	1,626	**13,863**	9,219	–	1,020	2,235	1,169	**9,265**	**4,598**	6,269
Furniture and Fixtures	65,697	19,602	2,510	26,606	328	**109,067**	27,314	10,793	2,136	21,665	150	**57,486**	**51,581**	38,383
TOTAL	**7,315,875**	**2,730,400**	**100,995**	**12,609,358**	**14,847**	**22,539,791**	**1,581,649**	**458,363**	**23,660**	**1,661,758**	**12,684**	**3,665,426**	**18,874,365**	**5,734,226**
Capital Work-in-Progress													**3,504,161**	1,648,949
													22,378,526	**7,383,175**
Previous Year	5,567,140	–	–	1,757,088	8,353	7,315,875	889,177	–	-	696,715	4,243	1,581,649		

Notes:

1. Additions during the year are net off Rs. 2,608 thousand Exchange Gain (Previous year includes Rs. 1,474 thousand exchange loss) on account of fluctuation in foreign exchange rate on purchase of Fixed Assets.
2. Capital Work in Progress as at 31.03.03 includes Rs. 2,082 thousand exchange loss (Previous year Rs. 593 thousand exchange loss) on account of fluctuation in Foreign Exchange rate.
3. Leasehold land acquired on merger represents land acquired on lease-cum-sale basis from Karnataka Industrial Areas Development Board.
4. The company owns certain network infrastructure jointly with a 100 percent subsidiary under an agreement in the proportion of 13:87. The pro-rata costs of such assets and related depreciation included under Plant and Machinery above, is as below:

(Rs. '000)

	Current year*	Previous year
Cost		
Opening Balance	**19,698**	–
Addition during the year	**51,613**	19,698
	71,311	19,698
Depreciation		
Opening Balance	**310**	–
For the year	**903**	310
Accumulated Depreciation as at March 31, 2003	1,213	310
Written Down Value as on March 31, 2003	**70,098**	19,388

* As on December 1, 2002, the entire assets have been transferred by the subsidiary to the Company and the proportion of the subsidiary has been accounted for in the books of the company accordingly.

5. Pursuant to amalgamation of erstwhile BTSoL, the Company has acquired network infrastructure owned jointly by the erstwhile BTSoL with a fellow subsidiary under an agreement in the proportion of 56:44. The pro-rata costs of such assets and related depreciation included under Plant and Machinery above is as below:

	(Rs. '000)
Cost	
Acquired on merger	508,621
Addition during the year	–
	508,621
Depreciation	
Acquired on merger	9,225
For the year	33,925
Accumulated Depreciation as at March 31, 2003	**43,150**
Written Down Value as on March 31, 2003	**465,471**

6. Borrowing cost of Rs. 109,107 thousand (Previous year Rs. Nil) has been capitalised along with the respective qualifying assets.
7. Capital Work-in-Progress includes Capital Advances of Rs. 192,475 thousand (Previous year Rs. 79,379 thousand) and Rs. 47,649 thousand (Previous year Nil) of borrowing cost to be capitalised alongwith respective qualifying Fixed Assets.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2003 (Rs. '000)	As at March 31, 2002 (Rs. '000)
SCHEDULE : 6		
PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION		
[Refer Note 10 on Schedule 23 and Notes 1 and 2(iv) on Schedule 24]		
Opening Balance as on April 1, 2002	80,670	43,384
Balance transferred on merger	4,244	–
Additions during the period		
Network Operating Expenses		
Insurance Premium – Exchange/Sites	–	1,292
Repairs and Maintenance – Exchange/Sites	–	6,011
Power and Fuel	–	15,328
Rent	–	10,599
Miscellaneous	–	15,213
Sub-total	–	48,443
Personnel Expenses		
Salaries, Wages and Bonus	1,986	244,054
Contribution to Provident and Other Funds	59	14,187
Staff Welfare	49	24,394
Recruitment and Training	40	39,415
Sub-total	2,134	322,050
Selling Expenses		
Advertisement and Marketing	81	35,007
Other Selling and Distribution	158	40,206
Sub-total	239	75,213
Administrative and Other expenses		
Legal and Professional	285	13,418
Rates, Fees and Taxes	75	–
Power and Fuel	–	119
Travelling and Conveyance	898	35,551
Rent Expenses	–	23,288
Repairs and Maintenance	1	6,632
Insurance Expenses	–	194
Miscellaneous	55	48,556
Sub-total	1,314	127,758
Finance Expenses		
Other Bank/Finance Charges	1,722	58,989
Depreciation	–	29,831
Amortisation of ESOP Cost	–	5,285
Less: Other Income	–	291
	90,323	710,662
Less: Allocated to Fixed Assets	83,774	72,521
Less: Transferred to Profit and Loss Account	6,549	557,471
Total amount carried to Balance Sheet	–	80,670

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars		As at March 31, 2003 (Rs. '000)		As at March 31, 2002 (Rs. '000)
SCHEDULE : 7				
UNAMORTISED LICENCE FEE				
[Refer Note 7 on Schedule 23 and Notes 2(iii), 2(iv) and Note 22 on Schedule 24]				
Opening Balance		**1,750,561**		322,806
Add: Opening Balance pertaining to erstwhile BTSoL transferred on amalgamation		**1,241,597**		–
Less: Balance transferred on demerger of Cellular division		**29,222**		–
Add: Paid during the year		**–**		1,450,000
Less: Amortisation for the year		**151,555**		22,245
		2,811,381		1,750,561
SCHEDULE : 8				
INVESTMENTS				
[Refer Note 6 on Schedule 23 and Notes 2(iv) and 18 on Schedule 24]				
Long Term				
Trade Unquoted				
Bharti Comtel Limited		**1,005**		1,005
[100,000 (Previous year 100,000) fully paid-up equity shares of Rs. 10 each]				
Bharti Aquanet Limited				
[1,275,000 (Previous year Nil) fully paid-up equity shares of Rs. 10 each, acquired on amalgamation of erstwhile BTSoL]		**102,000**		–
Bharti Telesonic Limited		**–**		750,066
[Nil (Previous year 75,000,000) fully paid-up equity shares of Rs.10 each]				
		103,005		751,071
Aggregate Face Value of Unquoted Investments		**13,750**		751,000
SCHEDULE : 9				
INVENTORY				
(Refer Note 5 on Schedule 23 and Note 14 on Schedule 24)				
Stock-in-Trade		**17,155**		–
		17,155		–
SCHEDULE : 10				
SUNDRY DEBTORS				
(Refer Note 4 on Schedule 23 and Note 7 on Schedule 24)				
(Unsecured, considered good unless otherwise stated)				
Billing Debtors:				
Debts outstanding for a period exceeding six months				
– Considered good	**20,430**		1,825	
– Considered doubtful	**135,457**		44,787	
Less: Provision	**(135,457)**	**20,430**	(44,787)	1,825
Other debts				
– Considered good	**1,243,234**		86,915	
– Considered doubtful	**38,380**		17,696	
Less: Provision	**(38,380)**	**1,243,234**	(17,696)	86,915
Other Debtors:				
Debts outstanding for a period exceeding six months				
– Considered good		**–**		425
Other debts				
– Considered good		**–**		486
		1,263,664		89,651

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars		As at March 31, 2003 (Rs. '000)		As at March 31, 2002 (Rs. '000)
SCHEDULE : 11				
CASH AND BANK BALANCES				
Cash in Hand		**3,865**		4,862
Cheques in Hand		**25,836**		9,613
Balances with Scheduled Banks				
– in Current Accounts		**150,542**		109,302
– in Fixed Deposits		**108,457**		41,495
– in Deposit Account as Margin Money (Deposit Accounts under lien to Banks for Guarantees – Rs. 30,991 thousand, Previous year Nil)		**31,657**		579
		320,357		165,851

Particulars		As at March 31, 2003 (Rs. '000)		As at March 31, 2002 (Rs. '000)
SCHEDULE : 12				
CURRENT ASSETS, LOANS AND ADVANCES				
(Unsecured, considered good unless otherwise stated)				
CURRENT ASSETS				
Interest Accrued on Investment		**247**		89
LOANS AND ADVANCES				
Advances recoverable in cash or in kind or for value to be received:				
Considered good	**801,936**		488,125	
Considered doubtful	**7,100**		–	
Less: Provision	**(7,100)**	**801,936**	–	488,125
Advances and Loans to Subsidiaries (Net)		**13,038**		172,330
Accrued Billing Revenue		**979,502**		93,582
Advance to ESOP Trust		**173,631**		–
Advance Tax [Net of provision for tax acquired on amalgamation – Rs. 586 thousand (Previous year Nil)]		**31,679**		8,035
Balances with Custom authorities		**11,611**		2,378
		2,011,644		764,539

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars		As at March 31, 2003 (Rs. '000)		As at March 31, 2002 (Rs. '000)
SCHEDULE : 13				
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
(Refer Note 19 of Schedule 24)				
Sundry Creditors:				
Due to Small Scale Industrial Undertaking*	1,382		22	
Due to Others	5,509,497	5,510,879	2,673,842	2,673,864
Advance Billing and Prepaid Card Revenue		255,294		8,617
Interest accrued but not due		100,791		27,117
Other Liabilities		100,875		46,909
Advance Received from subscribers		123,147		42,734
		6,090,986		2,799,241
* The above information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancilliary undertakings on the basis of information available with the Company.				
Provisions				
(Refer Note 9 of Schedule 23)				
Gratuity		14,541		4,525
Leave Encashment		17,477		8,843
		32,018		13,368
		6,123,004		2,812,609
SCHEDULE : 14				
MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
[Refer Note 13 of Schedule 23 and Notes 2(i), 2(iii) and 2(iv) on Schedule 24]				
Deferred Employee Compensation Expense				
Opening Balance:		77,509		–
Add: Balance acquired on amalgamation of BBNL and BTSoL		34,145		–
Less: Balance transferred on demerger on HP division		3,040		–
Add: Deferred during the year (Net)		(7,706)		99,579
Less: Amortisation for the year		32,319		22,070
		68,589		77,509
Preliminary Expenditure				
Opening Balance:		–		–
Add: Acquired on Amalgamation		26		–
Less: Charged off during the year		26		–
		–		–
		68,589		77,509

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	For the year ended March 31, 2003 (Rs. '000)	For the year ended March 31, 2002 (Rs. '000)
SCHEDULE : 15		
OTHER INCOME		
Profit on Sale of Assets (Net)	1,485	–
Miscellaneous Income [Includes liabilities no longer required written back Rs.10,077 thousand (Previous year Rs. 8,838 thousand)]	24,669	11,604
	26,154	11,604
SCHEDULE : 16		
NETWORK OPERATING EXPENDITURE		
Internet Access and Bandwidth	172,645	–
Power and Fuel	127,130	43,917
Rent	101,865	8,247
Insurance	11,996	4,774
Repair and Maintenance	304,747	126,915
Gateway/Leased Line	210,405	25,149
Miscellaneous	236,907	53,771
	1,165,695	262,773
SCHEDULE : 17		
COST OF SALES		
Stock Acquired on Merger	15,339	–
Add: Purchases	17,747	–
	33,086	–
Less: Closing Stock	17,155	–
	15,931	–
SCHEDULE : 18		
PERSONNEL EXPENDITURE		
Salaries, Wages and Bonus *	1,017,342	183,579
Contribution to Provident and Other Funds	44,443	15,189
Staff Welfare	66,175	13,241
Recruitment and Training	67,331	14,115
	1,195,291	226,124
* Excluding amortisation of Deferred ESOP Cost		
SCHEDULE : 19		
SALES AND MARKETING EXPENDITURE		
Advertisement and Marketing	198,071	74,724
Sales Commission and Incentive	161,958	101,011
Other Selling and Distribution Expenses	35,935	17,675
Simcard Utilisation	–	–
	395,964	193,410

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	For the year ended March 31, 2003 (Rs. '000)	For the year ended March 31, 2002 (Rs. '000)
SCHEDULE : 20		
ADMINISTRATIVE AND OTHER EXPENDITURE		
Legal and Professional	282,431	15,748
Rates, Fees and Taxes	6,377	961
Power and Fuel	15,233	2,094
Travelling and Conveyance	127,139	32,437
Rent	34,434	4,394
Repairs and Maintenance	41,394	27,297
Insurance	913	–
Bad debts written off	264	965
Provision for doubtful debts/advances	78,393	22,580
Miscellaneous	124,538	23,699
Collection and Recovery	66,909	36,317
	778,025	166,492
SCHEDULE : 21		
FINANCE EXPENSES		
Interest :		
On Term Loan	136,955	899
On Debentures	392,104	397,500
On Others	11,007	9,417
Other Finance Charges	130,629	28,894
Exchange Fluctuation loss (Net)	3,057	–
Loss on Sale of Current Investments (Net)	–	615
	673,752	437,325
Less Income :		
Profit on Sale of Current Investments (Net)	260	–
Interest Income :		
From Current Investments (Non-Trade) [Gross of TDS Rs. 3,064 thousand (Previous year Rs. 5,241 thousand)]	16,824	37,851
From Others [Gross of TDS Rs.79 thousand (Previous year Rs. Nil)]	1,034	–
Gain from Swap Arrangement	14,206	–
	32,324	37,851
	641,428	399,474
SCHEDULE : 22		
AMORTISATION		
(Refer Notes 7 and 13 on Schedule 23)		
Licence Fee	151,555	22,245
Personnel - Deferred ESOP Cost	32,320	16,785
Preliminary Expenses	26	–
	183,901	39,030

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE : 23

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 have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act,1956 as adopted consistently by the Company.

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 and in the manner prescribed by Schedule XIV to the Companies Act, 1956 on all assets, 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 per annum
Building	5%
Plant and Machinery	6.67% / 10.00%
Office Equipment	20%
Computer	33.33%
Vehicles	20%
Furniture and Fixtures	20%
Leasehold Land	Period of lease
Leasehold Improvements	Period of lease or 10 years whichever is less

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

Bandwidth capacity is depreciated over the period of the agreement subject to a maximum of 15 years.

Additional depreciation is provided as appropriate, towards diminution in value of assets.

4. REVENUE RECOGNITION AND RECEIVABLES

Access and Long Distance Services: Billing and revenue on account of sale of goods is recognised on completion of provision of services and despatch of goods respectively. Revenue on account of bandwidth service is recognised on time proportion basis in accordance with the related contracts. Billing Revenue is net of discounts and waivers.

Unbilled receivables represent revenues recognized in respect of basic and long distance services provided from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

Internet and Broadband Services: Revenue from Traded Goods is recognised at the point of despatch of goods to customers based on their confirmed orders or when title is transferred on endorsement and delivery of shipping documents in the case of high sea sales.

Service Revenues comprise revenues from registration, Installation and provision of Internet and Satellite service. Registration fee is recognized at the time of despatch and invoicing of Start Up Kits. Installation charges is recognised as revenue on satisfactory completion of installation of hardware and service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of Internet and Satellite services.

Revenue from prepaid dialup packs is recognised on the actual usage basis and is net of sales return and discount. Advertisement revenues are on the advertisements served on Company's website and also include third party promotions and advertisements on Start Up Kits, which is recognised on provision of services as per contract.

Investing and Other Activities: Income on account of interest and other activities are recognised on an accrual basis. Dividends are accounted for when the right to receive the payment is established.

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

5. INVENTORIES

Inventories are valued at the lower of cost or net realisable value. Cost is determined on a weighted average basis.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

6. **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 to recognise a decline, if any, other than that of temporary nature.

7. **LICENCE FEES**

The fixed component of license fee payable by the Company for basic circles, 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 (post NTP 1999) (basic, national long distance and international long distance services) 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 license agreement of the license area to which the licence pertains.

8. **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.

All foreign currency liabilities covered by forward contracts are restated at the forward cover rates. The gains/losses arising from such restatement are recognised over the period of such contract.

9. **RETIREMENT BENEFITS**

Contribution to provident fund is made at predetermined rates and is charged to Profit and Loss Account. The Company has provided for the liability on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

The Company either contributes to a Group Gratuity Scheme with Life Insurance Corporation of India to cover the gratuity liability for its employees, such contribution being charged to the Profit and Loss Account for the year or provides the gratuity liability in its books. Liability at the year end in both cases is determined on the basis of actuarial valuation, based on the Projected Unit Credit Method.

10. **PRE-OPERATIVE EXPENDITURE**

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

11. **LEASES**

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

Assets taken on Finance Lease are accounted for as assets of the Company. Lease rentals payable are apportioned between principal and interest using the internal rate of return method and finance charge is recognised accordingly.

12. **TAXATION**

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

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 asset to the extent it pertains to brought forward losses and unabsorbed depreciation, is recognised only to the extent that there is virtual certainty of realisation, based on expected profitability in the future as estimated by the Company.

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

13. **MISCELLANEOUS EXPENDITURE**

(a) Preliminary expenses are charged to the Profit and Loss Account on commencement of commercial operations.

(b) Employee Stock Option Plan ('ESOP') – The aggregate amount of liability on account of ESOP 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.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

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.

15. SEGMENTAL REPORTING

a) Primary Segment:

The Company operates in three primary business segments – Basic Telephony Services, Long Distance Telephony Services and Integrated Broadband Services.

b) Secondary Segment:

The Company has operations within India as well as with entities located in other countries. The operations in India, constitute the major part, which is the only reportable segment, the remaining portion being attributable to others.

16. EARNINGS 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.

SCHEDULE : 24
NOTES TO ACCOUNTS

1. The Company has licences to provide basic telephone services in the state of Madhya Pradesh, Delhi, Haryana, Tamilnadu & Karnataka. During the year ended March 2003 the Company commenced commercial operations of Tamilnadu and Karnataka circles. All pre-operative expenditure directly allocable to Fixed Assets has been capitalized. Pre-operative expenditure other than those directly allocable to fixed assets are charged off in the Profit & Loss Account in the year they are incurred.

   Subsequent to the amalgamation of erstwhile Bharti Telesonic Limited ('BTSoL'), as elaborated in note 2 below, the International Long Distance ('ILD') Operations were commenced on July 19, 2002.

2. During the year, the Company witnessed the following:

   (i) Pursuant to the Scheme of Amalgamation of Bhoomi Promoters and Developers Private Limited (BPDPL) with the Company, as approved by the Honorable High Court of Delhi by its order dated March 25, 2003, which became effective on May 5, 2003, on receipt of Certificate of Registration of Order of Court from the Registrar of Companies, NCT of Delhi and Haryana, all the assets, liabilities and reserves of erstwhile BPDPL were transferred to and vested in the Company with effect from the appointed date i.e. April 1, 2002.

   The Scheme of Amalgamation has been accounted for under the Pooling of Interest Method as per Accounting Standard 14 on Accounting for Amalgamations issued by The Institute of Chartered Accountants of India whereby the assets, liabilities and reserves of the erstwhile BPDPL have been recorded in books of the Company at their book value to the erstwhile company. The value of net assets acquired effective from April 1, 2002 and the calculation of difference between consideration and value of net identifiable assets acquired is set out below:

Assets/(Liabilities) acquired	**BPDPL (Rs. '000)**
Fixed Assets (net off accumulated depreciation)	26,666
Net Current Assets	8
Miscellaneous Expenditure (to the extent not written off or adjusted)	26
Liabilities acquired	(5,393)
Revaluation Reserve	(21,284)
Accumulated Losses	77
Net Assets acquired as on April 1, 2002 (A)	**100**
Cost of investment (B)	21,306
Difference between consideration and value of net identifiable assets acquired taken to the opening balance of the Profit and Loss Account of the company (B-A)	**21,206**

   (ii) Pursuant to the Scheme of Amalgamation of J.D. Projects Private Limited (JDPPL) with Bharti Telesonic Limited (BTSoL), as approved by the Honorable High Court of Delhi by its order dated December 9, 2002, which became effective on February 3, 2003, on receipt of Certificate of Registration of Order of Court from the Registrar of Companies, NCT of Delhi and Haryana, all the assets, liabilities and reserves of erstwhile JDPPL were transferred to and vested in BTSoL with effect from the appointed date i.e. April 1, 2002.

The Scheme of Amalgamation has been accounted for under the Pooling of Interest Method as per Accounting Standard 14 on Accounting for Amalgamations issued by The Institute of Chartered Accountants of India whereby the assets, liabilities and reserves of the erstwhile JDPPL have been recorded in books of BTSoL at their book value to the erstwhile company. The value of net assets acquired effective from April 1, 2002 and the calculation of difference between consideration and value of net identifiable assets acquired is set out below:

Assets/(Liabilities) acquired	**JDPPL** (Rs. '000)
Fixed Assets (Net off Accumulated depreciation)	43,902
Net Current Assets	(7,348)
Liabilities acquired	(22,932)
Accumulated Profits	(3,622)
Net Assets acquired as on April 1, 2002 (A)	**10,000**
Adjustments for	
Cost of Investment in BTSoL* Books (B)	73,459
Difference between consideration and value of net identifiable assets acquired taken to the opening balance of the Profit and Loss Account of BTSoL* (B – A)	**63,459**

* BTSoL has since been merged into BTNL. Refer paragraph (iv) below.

(iii) The mobility division of the Company had a licence to provide Cellular Mobile Telephony Services in the state of Himachal Pradesh. Pursuant to the scheme of arrangement between the Company, Bharti Mobinet Limited (BMNL), a fellow subsidiary and Bharti Cellular Limited (BCL), a fellow subsidiary, as approved by the Honorable High Court of Delhi by its order dated July 29, 2003, which became effective on August 19, 2003, on receipt of Certificate of Registration of Order of Court from the Registrar of Companies, NCT of Delhi and Haryana, the Company has de-merged the said undertaking into BCL with effect from the appointed date i.e. April 2, 2002.

The scheme of arrangement has been accounted for by way of a reduction in assets and liabilities pertaining to the cellular undertaking at their book values to the Company. The value of net assets transferred effective from April 2, 2002 and the calculation of difference between consideration and value of net identifiable assets transferred is set out below:

Assets/(Liabilities) transferred	**BTNL - HP** (Rs. '000)
Fixed Assets (including CWIP and net of accumulated depreciation)	90,076
Unamortised Licence Fees	29,222
Net Current Assets	8,570
Miscellaneous Expenditure (to the extent not written off or adjusted)	3,040
Unsecured Loans	(287,456)
Security Deposits	(23,271)
Difference between the liabilities and the assets considered as profit on de-merger	**179,819**

(iv) BTSoL has the licence to provide Long Distance Telephony Services – National and International, and BBNL provides Integrated Business Communication Solutions.

Pursuant to the Scheme of Amalgamation of Bharti Broadband Networks Limited (BBNL) and Bharti Telesonic Limited (BTSoL) with the Company, as approved by the Honorable High Court of Delhi by its order dated August 29, 2003, which became effective on September 10, 2003, on receipt of Certificate of Registration of Order of Court from the Registrar of Companies, NCT of Delhi and Haryana, all the assets, liabilities and reserves of erstwhile BBNL and BTSoL were transferred to and vested in the Company with effect from the appointed date i.e. April 3, 2002.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Subsequent to the amalgamation, the Company has commenced International Long Distance Telephony Services with effect from July 19, 2002.

The Scheme of Amalgamation has been accounted for under the Pooling of Interest Method as per Accounting Standard 14 on Accounting for Amalgamations issued by The Institute of Chartered Accountants of India whereby the assets, liabilities and reserves of the erstwhile BBNL and BTSoL (including assets liabilities and reserves of erstwhile JDPPL referred to in note 2 (ii) above) have been recorded in the Company's books at their book value to the erstwhile companies. The value of net assets acquired effective from April 3, 2002 and the calculation of difference between consideration and value of net identifiable assets acquired is set out below:

Assets/(Liabilities) acquired	**BTSoL (Rs. '000)**	**BBNL (Rs. '000)**
Fixed Assets (including CWIP and net off accumulated depreciation)	6,352,850	584,222
Pre-operative Pending Allocation	4,244	–
Investments (*Excludes Investment in JDPPL)	102,000*	23
Unamortised Licence Fees	1,241,597	-
Net Current Assets	(543,719)	(122,911)
Deferred Tax Asset	12,988	–
Miscellaneous Expenditure (To the extent not written off or adjusted)	16,030	18,115
Liabilities acquired	(4,832,299)	(1,413,122)
Share Premium acquired	–	(876,446)
Accumulated Losses	146,309	1,910,119
Net Assets acquired as on April 3, 2002 (A)	**2,500,000**	**100,000**
Adjustments for		
Book value of shares issued to BTVL (B)	882,000	390,000
Investment in BTNL Books (C)	750,066	–
Difference between consideration and value of net identifiable assets acquired taken to the opening balance of the Profit and Loss Account of the Company (B+C-A)	**(867,934)**	**290,000**

(v) In accordance with the aforesaid scheme, the paid-up capital of the Company is reduced to adjust the absorption of losses of erstwhile BBNL and BTSoL and represent the available assets justifiably. The impact of reduction in capital, as computed below, has been taken to the opening balance of Profit and Loss Account of the Company :

	(Rs. '000)
300,000,000 Equity Shares of Rs. 10/- each held by the shareholders of the Company prior to amalgamation	3,000,000
Add : Shares allotted in terms of Scheme of Amalgamation referred to in Note (vii) above :	
– 39,000,000 Equity Shares of Rs. 10/- each allotted to the shareholders of erstwhile BBNL against fully paid shares in the ratio of 390 shares for every 100 shares held in erstwhile BBNL	390,000
– 88,200,000 Equity Shares of Rs. 10/- each allotted to the shareholders of erstwhile BTSoL against fully paid shares in the ratio of 50.4 shares for every 100 shares held in erstwhile BTSoL	882,000
Less: Capital Reduction in terms of the Scheme of Amalgamation	
– 150,000,000 Equity Shares of Rs. 10/- each	1,500,000
Issued, Subscribed and Paid-up Share Capital, post amalgamation and Capital Reduction :	
– 277,200,000 Equity Shares of Rs. 10/- each	2,772,000

(vi) Subsequent to the Amalgamation, the name of the Company has been changed to Bharti Infotel Limited. The Registrar of Companies has issued the fresh Certificate of Incorporation for the changed name dated September 15, 2003.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

3. (a) Contingent Liabilities

i. Claims against the Company not acknowledged as debts as at the year-end in respect of:

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Sales Tax, Service Tax and Income Tax	**113,361**	96,806
Access Charges	**184,221**	52,440
Others	**93,757**	11,901
Total	**391,339**	161,147

ii. During the year ended March 31, 2002, the Company had paid Rs. 36,777 thousand to MTNL pertaining to charges relating to the points of interconnect and ports at the Delhi fixed-line circle. Out of this, the Company had protested Rs. 15,735 thousand disputing the method of charging as well as items of charge relating to rent, installation and set up etc.

During the current year the Company has received a refund of Rs. 8,912 thousand and has capitalised Rs. 2,412 thousand out of the disputed amount. The Company is pursuing for the refund of the balance of Rs. 4,411 thousand which has been included under Loans and Advances.

iii. Export Obligation – The Company has obtained licences under the Export Promotion Credit Guarantee ('EPCG') Scheme for importing capital at a concessional rate of customs duty against submission of bank guarantee and bonds.

Upto March 31, 2003 the company has imported capital goods amounting to Rs. 3,301,857 thousand (Previous year Rs. 2,011,445) under the said scheme. Under the terms of the scheme the Company is required to export goods of FOB value equivalent to, or more than, five times the value of imports, within a period of eight years from the date of the respective licences. As per the terms of the scheme the Company is exempted from any export obligation during the first two years of the scheme, from the date of issue of respective licences. The value of exports till March 31, 2003 against the above obligations is Rs. 2,136,659 thousand.

iv. The Original License Agreement requires the Company to commission and provide Village Public Telephones ('VPT') in 16,500 uncovered villages within 36 months of the effective date of the Original License Agreement. As part of the migration package, under the NTP, the Company paid to DoT the maximum liability of Rs. 40,000 thousand as liquidated damages in respect of its failure to comply with these obligations and agreed to withdraw its pending claims against the DoT for failure to provide the necessary approvals. The migration package also provided that the DoT and the Company shall not raise any dispute in respect of license agreement, or other matters through the period ended July 31, 1999. However, in September 2001, the Company was forced by the DoT to issue a performance bank guarantee of Rs. 500,000 thousand, as a security towards the non-performance of this commitment.

The NTP has proposed to levy a Universal Access Levy on all telecom licensees in India, to fund the investments required by Private Operators for meeting its VPT obligations. The Regulator has recommended this levy to be 5 per cent of the AGR out of the existing revenue-share percentage.

Subsequent to the year-end, DoT has issued a letter dated May 15, 2003, asking the Company to provide details of villages outstanding as on August 15, 2000 after reducing certain category of villages such as unpopulated villages, terrorist infested and other remote areas etc. and submit its plans.

Pursuant to this, the Company has submitted its detailed response stating that the total number of VPTs installed till July 31, 2003 is 581. The Company believes that no liquidated damages are leviable since the date for meeting these obligations has been extended upto December 2003 by DoT and accordingly no provision has been made for the same in the financial statements.

(b) Outstanding Performance and Financial Bank Guarantees:

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Department of Telecom	**9,634,602**	7,676,700
Others	**955,298**	105,200
Total	**10,589,900**	7,781,900

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Guarantee to the extent of Rs. 91,500 thousand (Previous year Rs. Nil) are secured against the first ranking pari-passu charge on immovable assets and movable current assets both present and future.

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

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Department of Telecom	9,525,602	7,430,000
Others	922,340	12,820
Total	**10,447,942**	7,442,820

4. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 796,351 thousand (Previous year Rs. 497,533 thousand).
5. Billing Revenue in the Profit and Loss Account is net of roaming charges Rs. Nil (Previous year Rs. 18,643 thousand) and rebates and discount of Rs. 124,536 thousand (Previous year Rs. 48,850 thousand).
6. Issued, Subscribed and Paid up Capital of 277,200,000 shares (Previous year : 300,000,000) Equity Shares of Rs.10 each aggregating to Rs. 2,772,000 thousand (Previous year Rs. 3,000,000 thousand) is held by Bharti Tele-Ventures Limited (and/or its nominees).
7. Rs. 474,701 thousand (Previous year Rs. 252,800 thousand) included under Sources of funds represent refundable security deposits received from subscribers on activation of connections granted thereto and are repayable on disconnection. Sundry Debtors are secured to the extent of amount outstanding against individual subscribers by way of Security Deposits received from them.
8. Particulars of securities charged against secured loans taken by the Company and its subsidiaries/associates are as follows:

Particulars	Amount Outstanding (Rs. '000)	Security Charges
Debentures		
75,14% redeemable Non-Convertible Debentures of Rs.10,000 thousand each amounting to Rs. 750,000 thousand repayable in 32 equated installment starting from October 15, 2002.	703,200	• Secured by way of first ranking pari passu charge on: 1. The whole of movable properties including its movable plant and machinery, spares, tools, accessories, and other movables both present and future and the Company's bank accounts, book debts receivables, commissions situated in the state of Madhya Pradesh. 2. Additional security by way of mortgage by deposit of title deeds of immovable properties of the Company situated in the state of Madhya Pradesh. 3. Floating charge on all other assets situated in the state of Madhya Pradesh.
75, 14% Redeemable Non-Convertible Debentures of Rs. 10,000 thousand each amounting to Rs. 750,000 thousand repayable in 28 equated installment starting from October 1, 2002	669,642	• Secured by way of first ranking pari passu charge on: 1. The whole of movable properties of the Company including its movable plant and machinery, spares, tools, accessories, and other movables both present and future and the Company's bank accounts, book debts receivables, commissions. 2. Additional security by way of mortgage by deposit of title deeds of immovable properties of the Company situated in the state of Madhya Pradesh. 3. Floating charge on all other assets of the Company current assets charged/to be charged for working capital facility.
125, 15% Redeemable Non-Convertible Debentures of Rs. 10,000 thousand each amounting to Rs. 1,250,000 thousand repayable in 28 equated instalments starting from October 01, 2002	1,116,072	

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Amount Outstanding (Rs. '000)	Security Charges
		All the above Debentures are further secured by: 1. Pledge of shares in respect of 102,000,000 equity share capital held at any time by Bharti Tele-Ventures Limited until the execution of the tripartite agreement with DoT. 2. Undertaking for non-disposal of shareholdings and undertaking for meeting overrun in the project cost and/or working capital from BTVL.
Term loan from bank for Rs. 3,000,000 thousand repayable in 10 quarterly instalments commencing from October 15, 2006.	3,000,000	• Secured by first ranking pari passu charge on the whole of the movable property in relation to the National Long Distance project including its telecommunication equipment, transmission towers, fibre optic backbone, movable plant and machinery, spares, tools etc. • The loan is further secured by corporate guarantee given by BTVL.
Foreign Currency Term Loan of USD 15,000 thousand convertible into term loan after 3 years.	713,250	• Secured by first ranking pari passu charge on the machinery i.e. telecom equipment transmission towers, fibre optic backbone, machinery. • The loan is further secured by corporate guarantee given BTVL.
Cash Credit Rs. 40,000 thousand	130,215	• Secured by hypothecation of stocks, both present and future book debts, monies, receivables, claim bills and contracts.

9. In accordance with the requirements of Accounting Standard (AS-18) on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by management are:

Key Management Personnel
Rajan Bharti Mittal

Other Related Parties

Name of the Related Party	**Relationship**
Bharti Tele-Ventures Limited	Holding Company
Bharti Cellular Limited	Fellow Subsidiary
Bharti Mobile Limited	Fellow Subsidiary
Bharti Comtel Limited	Subsidiary
Bharti Aquanet Limited	Subsidiary
Bharti Enterprises Private Limited	Associate Company
Bharti Telecom Limited	Associate Company
Bharti Telecom Finance Limited	Associate Company
Bharti Telesoft Limited	Associate Company
Bharti Teletech Limited	Associate Company
Bharti Infotrac Limited	Associate Company
Bharti Systel Limited	Associate Company
Bharti Healthcare Limited	Associate Company
Bharti Global Limited	Associate Company
Bharti Overseas Trading Company	Associate Partnership Firm
Pastel Limited	Associate Company
Singapore Telecommunications Limited	Associate Company

Related Party Transactions for 2002-03

(Rs. '000)

Particulars	Bharti Cellular Limited	Bharti Teletech Limited	Bharti Comtel Limited	Bharti Infotrac Limited	Bharti Systel Limited	Bharti Telesoft Limited	Bharti Healthcare Limited	Bharti Mobile Limited	Bharti Aquanet Limited	Bharti Tele-Ventures Limited
Opening Balance (Refer Note 2 below)	**304,382**	**(204)**	**158,602**	**639**	**(6)**	**2,198**	**103**	**5,364**	**11,851**	**(10,836,604)**
Payment made for expenses incurred on our behalf	467	8,304	100	–	7,115	270	–	19	–	(47,879)
Funds Transferred/(Received) (net) (Refer Note 4 below)	(58,047)	–	(83,489)	–	–	744	–	(869)	8,020	(3,560,881)
Payment received for expenses incurred	(6,784)	–	(1,908)	–	–	(333)	(103)	(174)	(1,545)	–
Sale/transfer of Assets	–	–	(177,295)	–	–	–	–	–	–	19
Purchase of Assets	–	(16,769)	505	–	(37,347)	(850)	–	–	9	–
Expenses incurred on behalf of Group Companies	34,067	–	123,186	–	–	1,767	–	9,679	14,745	4,039
Expenses incurred by Group Companies	8,282	(8,813)	(24,521)	–	(8,676)	(781)	–	(4,788)	(17,868)	(58,642)
Sale of services from Group Company net of payment received (Refer Note 5 below)	132,326	(134)	6,005	(639)	–	180	–	57,032	(6,334)	2,656
Purchase of Services from Group Company net of payment made (Refer Note 6 below)	(642)	16,097	(2)	–	30,934	(2,754)	–	1,043	–	(168,000)
Others	333	–	–	–	–	—	–			
Closing Balance	**414,384**	**(1,519)**	**1,183**	**–**	**(7,980)**	**441**	**–**	**67,306**	**8,878**	**(14,665,292)**
Unsecured Loan	–	–	–	–	–	–	–	(1,534)	–	(14,666,101)
Creditors	–	(1,519)	(2,976)	–	(7,980)	–	–	–	–	–
Loan & Advances	235,151	–	4,159	–	–	–	–	–	8,878	–
Debtors	179,233	–	–	–	–	441	–	68,840	–	809
Closing Balance	**414,384**	**(1,519)**	**1,183**	**–**	**(7,980)**	**441**	**–**	**67,306**	**8,878**	**(14,665,292)**

Notes:

1. The above excludes provision of telephone services free of cost among the group companies.
2. Bharti Mobinet Limited, Bharti Mobitel Limited, S C Cellular Limited, Cellular division (Himachal Pradesh), have amalgamated with Bharti Cellular Limited. Bharti Broadband Limited, Bharti Telesonic Limited (including J D Projects Private Limited) have amalgamated with BIL (Formerly Bharti Telenet Limited)
3. Payment made to Key Management Personnel Rs.11,850 thousand.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

(Rs. '000)

Particulars	Bharti Cellular Limited	Bharti Teletech Limited	Bharti Comtel Limited	Bharti Infotrac Limited	Bharti Systel Limited	Bharti Telesoft Limited	Bharti Healthcare Limited	Bharti Mobile Limited	Bharti Aquanet Limited	Bharti Tele-Ventures Limited
4. Net Funds Movement:										
Funds Transferred	2,551,063	–	342,031	–	–	744	–	823	28,820	5,753,934
Funds received	(2,609,110)	–	(425,520)	–	–	–	–	(1,692)	(20,800)	(9,314,815)
Funds Transferred/ (Received) (net)	**(58,047)**	**–**	**(83,489)**	**–**	**–**	**744**	**–**	**(869)**	**8,020**	**(3,560,881)**
5. Sale of Services										
Sale of services from Group Company	874,831	476	6,005	459	–	436	–	361,507	–	3,812
Payment received against sale of services	(742,505)	(610)	–	(1,098)	–	(256)	–	(304,475)	(6,334)	(1,156)
Sale of Services to Group Companies net of payment received	**132,326**	**(134)**	**6,005**	**(639)**	**–**	**180**	**–**	**57,032**	**(6,334)**	**2,656**
6. Purchase of Services										
Purchase of Services from Group Company	(849)	(16,623)	(2)	–	(28,979)	(3,834)	–	1,043	–	–
Payment made to Group Company for purchase of service rendered	207	32,720	–	–	59,913	1,080	–	–	–	(168,000)
Purchase of Services from Group Companies net of payments made	**(642)**	**16,097**	**(2)**	**–**	**30,934**	**(2,754)**	**–**	**1,043**	**–**	**(168,000)**

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Related Party Transactions for 2001-02 (Rs. '000)

Particulars	Bharti Cellular Limited	Bharti Teletech Limited	Bharti Comtel Limited	Bharti Mobinet Limited	Bharti Systel Limited	Bharti Telesoft Limited	Bharti Overseas Trading Limited	Bharti Telecom Limited	Bharti Telecom Finance Limited	Bharti Mobile Limited	Bharti Aquanet Limited	Bharti Tele-Ventures Limited
Opening Balance	**(11,926)**	**(338)**	**423,026**	**2**	**–**	**4,313**	**411**	**(1,000)**	**83,196**	**32**	**–**	**(545,858)**
Payment made for expenses incurred on our behalf	2,528	18,374	1,861	1,899	25,376	8,932		1,000	2,000	6,586	2,424	1,068,158
Funds transferred/(received) (net) (Refer Note 1 below)	–	–	–	–	–	–	–	–	–	–	–	(1,889,364)
Payment received for expenses incurred	(2,517)		(195,712)	(1,693)		–	(691)	–	(86,840)	(2,182)	(2,424)	(3,097,618)
Sale/transfer of assets	–	–	–	–	(25,397)	–	–	–	–	–	–	–
Purchase of Assets	(4,063)	(18,562)	–	–	–	–	–	–		(1,633)	–	–
Expenses incurred on behalf of Group Companies	10,811		48,132	71	–		280	–	1,644	147	–	3,856
Expenses incurred by Group Companies	(2,481)	(191)	(4,978)	–	(140)	(909)	–	–		(2,892)	–	(663,847)
Sale of Services to Group Companies net of payment received (Refer Note 2 below)	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of Services from Group Company (Refer Note 3 below)	–	–	–	(1,926)	–	(11,410)	–	–	–	–	–	(7,329)
Others												
Closing Balance	**(7,648)**	**717**	**272,329**	**(1,647)**	**(161)**	**926**	**–**	**–**	**–**	**58**	**–**	**(5,132,002)**
Notes:												
1. Net Funds Movement:												
Funds Transferred	–	–	–	–	–	–	–	–	–	–	–	1,038
Funds received	–	–	–	–	–	–	–	–	–	–	–	(1,890,402)
Funds Transferred/ (Received) (net)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,889,364)**
2. Sale of Services												
Sale of services from Group Company	–	–	–	–	–	–	–	–	–	–	–	–
Payment received against sale of services	–	–	–	–	–	–	–	–	–	–	–	–
Sale of Services to Group Companies net of payment received	–	–	–	–	–	–	–	–	–	–	–	–
3. Purchase of Services												
Purchase of Services from Group Company	–	–	–	(1,926)	–	(11,410)	–	–	–	–	–	(7,329)
Payment made to Group Company for purchase of service rendered	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of Services from Group Companies net of payments made	**–**	**–**	**–**	**(1,926)**	**–**	**(11,410)**	**–**	**–**	**–**	**–**	**–**	**(7,329)**

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

10. **(a) Operating Lease – As a Lessee**

(i) The lease rentals charged during the year for cancellable/non cancellable leases relating to rent of building premises and cell sites as per the agreements and maximum obligations on long-term non-cancelable operating leases are as follows:

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Lease Rentals	**68,147**	25,000
Obligations on non cancelable leases:		
Not later than one year	**30,823**	60,000
Later than one year and not later than five years	**129,305**	515,000
Later than five years	**381,047**	–
Total	**541,175**	575,000

(ii) The company has taken a building on lease from a subsidiary in Chennai for an initial period of eleven months, which is cancelable and renewable on expiry. The lease rentals charged to the Profit and Loss Account during the year is Rs. 16,139 thousand.

(b) **Operating Lease – As a Lessor**

During the year the Company has given certain VSAT Assets under a non-cancellable lease to a fellow subsidiary for an initial period of three years. The future minimum lease payments receivable under each of the following periods are as follows:

	Year ended March 31, 2003 (Rs'000)
Lease Rentals	**1,438**
Minimum lease payments receivable:	
Not later than one year	**17,253**
Later than one year and not later than five years	**33,069**
Later than five years	**–**
Total	**50,322**

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

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Expenditure :		
Consultancy	**4,825**	–
Interest	**1,667**	–
Legal and Professional	**1,043**	–
Travelling	**3,546**	718
Membership & Subscription	**292**	3
Recruitment and Training	**1,460**	234
Bandwidth	**114,244**	–
Repairs and Maintenance	**6,309**	–
Access Charges	**367,917**	–
Earnings:		
Billing Revenue	**2,136,659**	–

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

12. CIF Value of Imports:

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Capital Goods	**1,359,817**	63,272
Traded Goods	**7,627**	–

13. 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, 2003.

Information about Business Segment – Primary **(Rs. '000)**

Reportable Segments	Access Services	Long Distance Services	Broadband Services	Others	Eliminations	Total
Revenue						
Billing Revenue and Other Income	3,516,418	6,794,328	755,274	595	–	11,066,615
Inter Segment Revenue	66,473	1,076,885	6,054	–	(1,149,412)	–
Total Revenue	**3,582,891**	**7,871,213**	**761,328**	**595**	**(1,149,412)**	**11,066,615**
Results						
Segment Result, Profit/(loss)	(686,218)	1,195,708	31,700	(34,645)	–	506, 545
Operating Profit/(Loss) before Finance Expenses	**(686,218)**	**1,195,708**	**31,700**	**(34,645)**	**–**	**506,545**
Finance Expenses/(Income) (net)				(641,428)	–	641,428
Net Loss	**(686,218)**	**1,195,708**	**31,700**	**(676,073)**	**–**	**(134,883)**
Deferred Tax Income	–	–	–	–	–	–
Net Loss After Tax	**(686,218)**	**1,195,708**	**31,700**	**(676,073))**	**–**	**(134,883)**
Other Information						
Segment Assets	13,275,921	14,124,223	924,949	877,699	–	29,202,792
Inter Segment Assets	82,734	7,533,908	74,599	14,893,228	(22,584,469)	
Deferred Tax Asset	–	–	–	213,988	–	213,988
Advance Tax	–	–	–	31,679	–	31,679
Total Assets	**13,358,655**	**21,658,131**	**999,548**	**16,016,594**	**(22,584,469)**	**29,448,459**
Segment Liabilities	4,981,416	11,739,994	1,898,560	10,108,160	–	28,728,130
Inter Segment Liabilities	12,505,685	9,085,158	993,626	–	(22,584,469)	–
Total Liabilities	**17,487,101**	**20,825,152**	**2,892,186**	**10,108,160**	**(22,584,469)**	**28,728,130**
Capital Expenditure	4,599,742	7,832,249	102,954	74,413	–	**12,609,358**
Total Capital Expenditure	**4,599,742**	**7,832,249**	**102,954**	**74,413**	**–**	**12,609,358**
Depreciation	**1,039,176**	**436,721**	**137,632**	**48,229**	**–**	**1,661,758**
Non-Cash Expenses other than Depreciation (Amortization)	**110,771**	**65,437**	**7,143**	**550**	**–**	**183,901**

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

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

(Rs. '000)

Reportable Segments	Access Services	Cellular & Mobile Telephony Services	Others	Eliminations	Total
Revenue					
Billing Revenue and Other Income	1,629,912	157,506	420	–	1,787,838
Inter Segment Revenue	–	–	–	–	–
Total Revenue	**1,629,912**	**157,506**	**420**	**–**	**1,787,838**
Results					
Segment Result, Profit/(Loss)	(877,413)	31,258	(36,552)	–	(882,707)
Operating Profit/(Loss)	**(877,413)**	**31,258**	**(36,552)**	**–**	**(882,707)**
Finance Expenses/(Income) (Net)			399,474	–	399,474
Net Loss	**(877,413)**	**31,258**	**(436,026)**	**–**	**(1,282,181)**
Deferred Tax Income	–	–	201,000	–	201,000
Net Loss After Tax	**(877,413)**	**31,258**	**(235,026)**	**–**	**(1,081,181)**
Other Information					
Segment Assets	9,846,801	201,952	1,092,719	(86,480)	11,054,992
Inter Segment Assets	235,320	–	4,575,221	(4,810,541)	–
Deferred Tax Asset	–	–	201,000	–	201,000
Advance Tax	–	–	8,035	–	8,035
Total Assets	**10,082,121**	**201,952**	**5,876,975**	**(4,897,021)**	**11,264,027**
Segment Liabilities	8,776,042	100,257	2,288,948	(86,480)	11,078,767
Inter Segment Liabilities	4,293,583	281,801	235,157	(4,810,541)	–
Total Liabilities	**13,069,625**	**382,058**	**2,524,105**	**(4,897,021)**	**11,078,767**
Capital Expenditure	1,602,381	30,292	124,415	–	1,757,088
Total Capital Expenditure	**1,602,381**	**30,292**	**124,415**	**–**	**1,757,088**
Depreciation	**646,311**	**8,846**	**11,727**	**–**	**666,884**
Non-Cash Expenses other than Depreciation (Amortization)	**32,432**	**2,979**	**3,619**	**–**	**39,030**

Notes:

1. 'Others' represents the unallocated revenue, profit/(loss), assets and liabilities of the corporate and president office of the Company.
2. Capital expenditure pertains to gross additions made to fixed assets during the year.
3. 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.
4. Segment Liabilities include Secured and Unsecured loans, current liabilities, provisions and security deposits from customers.
5. Inter segment assets/liabilities represent the inter segment account balances.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Information about Business Segment – Secondary

The Company has operations within India as well as with entities located in other countries. The information relating to the Geographical segments in respect of operations within India, which is the only reportable segment, the remaining portion being attributable to others, is presented below for the year ended March 31, 2003.

	(Rs. '000)
Segment Revenue from external customers based on geographical location of customers (including Other Income)	
Within India	8,929,956
Others	2,136,659
	11,066,615
Carrying amount of Segment Assets by geographical location	
Within India	27,263,493
Others	1,856,227
	29,119,720
Cost incurred during the year to acquire Segment Assets by geographical location	
Within India	11,985,527
Others	623,831
	12,609,358

* Includes Rs. 1,059,238 thousand unallocable deferred tax asset and Rs. 188,997 thousand unallocable miscellaneous expenditure (to the extent not written off).

During the previous year, the Company had operations only within India and accordingly, it had only one geographical area viz. India.

Notes:

1. 'Others' represents the unallocated revenue, assets and acquisition of segment assets of the Company.
2. Assets include Fixed Assets, Capital Work-in-Progress, Current Assets, Deferred Tax Asset and Miscellaneous Expenditure (to the extent not written off)
3. Cost incurred to acquire segment assets pertain to gross additions made to Fixed Assets during the year.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

14. Quantitative Information:
(Refer Note 2 above)

(Value in Rs.'000)

	Opening Balances April 1, 2001		Acquired on Merger April 3, 2001		Purchases 2002-03		Purchases 2001-02		Sales/Utilisation 2002-03		Sales/Utilisation 2001-02		As at March 31, 2003		As at March 31, 2002	
	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value
Cellular Handsets	12	96,191	–	–			26	138,350	–	–	38	234,541	–	–	–	–
Handset Antennae	11	8,712	–	–	–	–	–	–			11	8,712	–	–	–	–
TDMA VSATs			–	–	–	–	–	–	–	–	–	–	–	–	–	–
Assembly sets (Incl. s/w)			145	Nil	–	–	–	–	–	–	–	–	145	Nil	–	–
PAMA VSATs Assembly sets				12,959	–	–	–	–	–	–	–	–	–	11,319	–	–
Others				966	–	–	–	–		–	–	–	–	966	–	–
Gateways				201	–	319	–	–	–	–	–	–	–	520	–	–
Broadband Interactive Terminal			70	Nil	–	–	–	–	–	–	–	–	70	Nil	–	–
Internet Modem & Others			30	1,213	151	17,428	–	–	160	15,482	–	–	21	4,350	–	–
Total		**104,903**		**15,339**		**17,747**		**138,350**		**15,482**		**243,253**		**17,155**	**–**	**–**

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

15. Directors' Remuneration

Particulars	**Year ended March 31, 2003 (Rs. '000)**	Year ended March 31, 2002 (Rs. '000)
Salary and Allowances	–	1,110
Contribution to PF & Other funds	–	205
Perquisites	–	90
Total	–	1,405

The cumulative amount of excess remuneration paid to Managing Director and Whole-time Directors pertaining to earlier years, pending approval of the Central Government is Rs. 3,114 thousand (Previous year Rs. 3,114 thousand) and is refundable by Directors.

16. Auditors Remuneration:

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Audit Fee*	**7,037**	1,100
Other Services	**74**	125
Reimbursement of Expenses	**330**	128
Total	**7,441**	1,353

* Excluding Service Tax

17. Earnings Per Share:

	Year ended March 31, 2003	Year ended March 31, 2002 (Adjusted*)	Year ended March 31, 2002
Basic and Diluted Earnings per Share:			
a) Profit/(Loss) attributable to Equity Shareholders (Rs.'000) (A)	**(134,883)**	(1,081,181)	(1,081,181)
b) Weighted Average Number of Equity Shares Outstanding during the year (B)	**277,200,000**	277,200,000	300,000,000
c) Nominal Value of Equity Shares (Rs.)	**10/-**	10/-	10/-
d) Basic and Diluted Earnings per Share (Rs.) (A)/(B)	**(0.49)**	(3.90)	(3.60)

*Previous year figures have been restated pursuant to the scheme of amalgamation and capital reduction (Refer Note 2 above).

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

18. Investments:

a) The following Investment were purchased and redeemed/sold during the year (wherever applicable).

Particulars	For the year ended March 31, 2003 Purchased (Nos.)	Purchases at Cost (Rs. '000)	Sold (Nos.)
Kotak Mahindra Mutual Fund	50,134,293	550,000	50,134,293
Pioneer ITI Mutual Fund Income Plan	23,088,763	450,000	23,088,763
Prudential ICICI Mutual Fund	53,554,858	600,000	53,554,858
DSP Mutual Fund	2,890,350	42,500	2,890,350
DSPML – Short Term Income Plan	5,000,000	50,000	5,000,000
IL&FS Mutual Fund	8,917,743	100,000	8,917,743
JM Mutual Fund	4,182,026	70,000	4,182,026
Pioneer ITI AMC Ltd.	1,100,001	116,276	1,100,001
Pioneer ITI Mutual Fund	21,706	31,500	21,706
Prudential ICICI Gilt Fund Investment Plan	9,093,720	150,000	9,093,720
Standard Chartered Mutual Fund	13,342,347	150,000	13,342,347
Total	**171,325,807**	**2,310,276**	**171,325,807**

Details of Investments as at March 31, 2002

Particulars	For the year ended March 31, 2002 Purchased (Nos.)	Purchases at Cost (Rs. '000)	Sold (Nos.)
<u>**Long Term – Trade (Unquoted)**</u>			
Shares in Bharti Telesonic Limited	75,000,000	750,066	–
<u>**Current Non-Trade (Quoted)**</u>			
Mutual Funds			
Kotak Mahindra Mutual Funds	1,523,577	15,977,451	1,523,577
Dundee Mutual Fund	588,376	–	588,376
Kotak Mahindra Mutual Funds	1,449,544	–	1,449,544
Kotak Mahindra Mutual Funds	775,370	8,185,969	775,370
Dundee Mutual Fund	356,295	4,444,878	356,295
Dundee Mutual Fund	672,681	8,485,201	672,681
Dundee Mutual Fund	790,139	9,966,814	790,139
Kothari Pioneer Mutual Fund	604,230	9,951,661	604,230
IDBI Liquid Fund	286,823	2,992,169	286,823
Dundee Mutual Fund	191,473	–	191,473
Dundee Mutual Fund	4,256	103,090	4,256
Kotak Mahindra Mutual Funds	1,125,651	11,898,466	1,125,651
IDBI Liquid Fund	480,040	5,007,830	480,040
Kotak Mahindra Mutual Funds	186,630	1,975,503	186,630
Dundee Mutual Fund	387,357	4,993,802	387,357
Dundee Mutual Fund	1,160,991	14,967,492	1,160,991
Dundee Mutual Fund	2,717,864	35,038,705	2,717,864
Kothari Pioneer Mutual Fund	610,099	10,048,338	610,099
Birla Mutual Fund	2,401,043	35,000,000	2,401,043
Kotak Mahindra Mutual Funds	1,601,590	17,186,097	1,601,590
Bonds			
9.75% GECSI Debentures	–	–	5
11.90% ICICI Bonds	–	–	500
12% ICICI Bonds	–	–	500
12% IDBI Bonds	–	–	5
15% IDBI BOND	–	–	5
13% IDBI Bonds	–	–	500
11.50% ICICI Bonds	–	–	500
13.75% IDBI Bonds	–	–	1,000
12.10% IDBI Bonds	–	–	500
13% L&T Debentures	–	–	5
13% IDBI Bonds	–	–	500

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

19. Details of SSI Creditor:

Creditor more than 30 Days	**Amount as on 31.3.2003 (Rs. '000)**	Amount as on 31.3.2002 (Rs. '000)
Riding Consulting Engineers Pvt. Ltd.	**478**	22
Interface Electronics Pvt. Ltd.	**171**	–
Rectifiers and Control	**733**	–

20. 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 1st April, 2001. The balances as assessed for the year ending March 2002 and subsequently acquired on merger are as follows:

Deferred Tax Assets arising from:	**2002-2003 (Rs. '000)**	2001-2002 (Rs. '000)
(i) Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act	**16,057**	(25,640)
(ii) Unabsorbed depreciation allowance and unabsorbed business loss carried forward (to the extent considered realizable)	**1,284,477**	413,970
	1,300,534	388,330
Less: Deferred Tax Liabilities arising from:		
(i) Difference between carrying amount of fixed assets and license fee in the financial statements and the Income Tax Return.	**1,086,546**	187,330
Net Deferred Tax Asset/(Liability) *	**213,988**	201,000

* Refer Note 2 above

The Tax impact for the above purpose has been arrived at by applying a tax rate of 35.875% being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.

21. Licence Fees is net of Rs.4,600 thousand written back pertaining to earlier years.

22. The details of Licence Fees are as follows:

	Year ended March 31, 2003 (Rs. '000)	Year ended March 31, 2002 (Rs. '000)
Gross Carrying Amount		
Opening Balance	**1,792,603**	342,603
Additions during the year	–	1,450,000
Acquired on Amalgamation	**1,250,000**	–
Transferred on Demerger	**(42,670)**	–
Closing Balance	**2,999,933**	1,792,603
Amortisation		
Opening Balance	**42,042**	19,797
For the year	**151,555**	22,245
Acquired on Amalgamation	**8,403**	–
Transferred on Demerger	**(13,448)**	–
Closing Balance	**188,552**	42,042
Net Carrying Amount	**2,811,381**	1,750,561

23. Pursuant to the amalgamation and demerger as explained in Note 2 above, to that extent previous years figures are not comparable with the current year.

24. Previous year's figures have been reclassified/rearranged, wherever necessary, to confirm to the current year's classification.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	88756	State Code	55
Balance Sheet Date	31-03-03 (Date Month Year)		

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

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

	Total Liabilities	Total Assets
	26014705	26014705
Sources of funds	Paid up Capital	Reserves & Surplus
	2772000	897730
	Secured Loans	Unsecured Loans
	6332379	16012596
Application of funds	Net Fixed Assets	Investments
	22378526	103005
	Net Current Assets	Miscellaneous Expenditure
	(-)2510184	3093957
	Accumulated Losses	
	2949400	

IV. Performance of the Company (Amount in thousands)

Turnover	Total Expenditure
11066615	11201498
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
(-)134883	(-)134883
Earning per Share in Rs.	Dividend Rate
(-)0.49	NIL

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

Item Code No. (ITC Code)	NOT APPLICABLE
Product Description	BASIC TELEPHONE SERVICES & LONGDISTANCE COMMUNICATIONS SERVICES

On behalf of the Board

RAJAN BHARTI MITTAL Managing Director	**BADRI AGARWAL** Director
VIPIN AGARWAL Company Secretary	**SHAMIK DAS** Chief Financial Officer

Place: New Delhi
Date: September 16, 2003

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

1.	**Name of Subsidiary**	**Bharti Comtel Limited**	**Bharti Aquanet Limited**
2.	Financial Year of the Subsidiary ended on :	31-03-2003	31-03-2003
3.	Shares of the Subsidiary held by the Company on the above dates:		
	(a) No of shares	100,000	1,275,000
	(b) Face Value of shares	Rs. 10/-	Rs. 10/-
	(c) Extent of Holding %	100%	51%
4.	Net aggregate amount of profit/losses of the Subsidiary for the above financial year so far as they concern members of the Company (Rs. '000)		
	(a) Dealt with the accounts of the Company for the year ended 31-03-2003	N I L	N I L
	(b) Not dealt with in the Accounts of the Company for the year ended 31-03-2003	(11,037)	(4,479)
5.	Net aggregate amount of profits/(losses) for the previous financial years of the Subsidiary, since it became a Subsidiary so far as they concern the members of the Company (Rs. '000)		
	(a) Dealt with in the Accounts of the Company for the year ended 31-03-2002	N I L	N I L
	(b) Not dealt with in the Accounts of the Company for the year ended 31-03-2002	4,243	2,157

On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

Place: New Delhi
Date: September 16, 2003

VIPIN AGARWAL
Company Secretary

SHAMIK DAS
Chief Financial Officer