

Bharti Infotel Limited

Directors' Report

The Directors have pleasure in presenting the Tenth Annual Report and Audited Statement of Accounts for the financial year ending March 31, 2004.

BUSINESS REVIEW

Year 2003-04 has been an eventful year for your Company. The year ended with a net profit of Rs. 3,087,347 thousand as against net loss of Rs. 134,883 thousand during the previous year. Revenue and other income during the year were Rs. 20,517,006 thousand higher than last year's corresponding period by 85%. Your Company generated ROI of 11% for the year, despite many unfavorable changes in the Interconnect usage charges, dropping of STD/ISD rates and competition driven lower tariffs, etc. The performance of the company reflects management's pro-active steps to align the business activities to the dynamic market conditions and focus on customer delight.

FIXED LINE ACCESS

During the year, Fixed line access business had witnessed 70% growth in subscriber base from 371,973 as on March 31, 2003 to 636,625 as on March 31, 2004. All Access circles have registered cash profit during the year, despite competition driven lower tariffs and unfavorable changes by the regulator.

Innovative initiatives and customer friendly approach like introduction of easy-to-understand minute based tariffs for fixed line and continuous focus on acquiring customers under the High-ARPU plans yielded good results.

During the year, Company's DSL broadband service grew many times faster than the industry and has registered leadership status in the market.

LONG DISTANCE

Long Distance Business in its second year of operations has achieved Revenue of Rs. 10,688,808 thousand in a financial year.

During the year, National Long distance division firmly established itself as the preferred carrier class long distance operator in the country. The division has consolidated its position built upon service differentiators of quality, technology and customer responsiveness. During the year traffic increased by more than 200% and crossed 2 billion minutes.

International Long Distance division of the company witnessed increased competitive activity due to low costs of entry, substitutes on account of emerging technologies, decreasing margins. Despite adversity, the division continued to efficiently expand business both in incoming and outgoing segments of traffic. The division increased connectivity with 72 international carriers and established physical presence in the United States enabling to aggregate traffic in USA meant for India thus reducing inbound termination costs.

GROUP DATA AND BROADBAND

The Group Data and Broadband business also consolidated their presence in the business of national/international long distance lease line connectivity, internet bandwidth, data solutions through satellite and added a number of innovative solutions to its stable. Internet business in particular gained significant volume growth with the switch over from satellite to terrestrials' Fibre bandwidth sourced from the undersea cable from Chennai to Singapore.

Gross Revenue increased by 195% and Operating profit experienced a phenomenal jump over last year. With a customer base of large corporates, your Company enjoys a respectable share in the enterprise data market. The data and broadband group is poised for maintaining the growth path in the coming financial year with its continuous focus on customizing data solutions for large Indian/Multinational corporations, innovating new products, customer service and riding on the potential for demand growth of broadband/internet in Indian market.

FINANCIAL PERFORMANCE

On a consolidated basis, the key financial indicators for the year ending March 31, 2004 are as under:

(Rs. '000s)

Particulars	As on March 31, 2004	As on March 31, 2003
Service Revenue and other income	20,517,006	11,066,615
Expenditure	12,772,434	8,090,072
Operating Profit	7,744,572	2,976,543
Finance Expenses	800,428	641,428
License Fees Revenue		
Share and Spectrum Charges	1,433,109	796,149
Profit/(Loss) before Depreciation, Amortisation, Pre-operative Expenses and Charity & Donation	5,511,035	1,538,966
Depreciation, Amortization, Pre-operative Expenses and Charity & Donation	2,589,601	1,853,668
Profit/(Loss) before tax	2,921,434	(134,883)
Net Profit/(Loss) after tax	3,405,427	(134,883)
Transfer to Debenture Redemption Reserve	(318,080)	–
Profit/(Loss) brought forward from the earlier years	(2,949,400)	(2,814,740)
Profit/(Loss) carried to the Balance Sheet	137,947	(2,949,400)

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

DIVIDEND

The Directors' of the Company wants to preserve the profits for the future growth and expansion plans and therefore, does not recommend any dividend for the financial year under review.

OTHER INITIATIVES

The company adopted six sigma quality initiatives to improve the operational efficiency and customer satisfaction. This is evident from the improved customer satisfaction scores.

The role of Customer Care has been expanded beyond Call Centre and Complaint Management to taking ownership of facilitating

improvements in Customer Experience at all Touch Points across Business Units.

On the technology front, this year has been a year of consolidation of the deployed technology on the voice communication domain. On the data side the Company has deployed state-of-the-art technologies viz. MPLS, Wi- fi and IP broadband wireless. On the Internet access your Company has positioned DSL services as a “great value for money internet experience”. By deploying STP in our networks architecture your Company has taken a big step towards making our networks robust and fault tolerant.

OUTLOOK FOR 2004-05

The competition in the financial year 2004-05 is likely to intensify in all businesses and the pressures on tariffs will be significant. However customer focus, flexibility, long-term vision, speed and entrepreneurship are some of the critical qualities, which will guide your Company to a continued success in the coming year.

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 2004-05.

AUDIT COMMITTEE

In terms of provisions of Section 292A of the Companies Act, 1956, the Company has constituted a Committee of the Board known as ‘Audit Committee’ consisting of following Directors of the Company :

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

DIRECTORS

Mr. Sunil Bharti Mittal, Mr. Rajan Bharti Mittal and Mr. Badri Agrawal 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:

(Rs. '000s)

Particulars	Year ended March 31, 2004	Year ended March 31, 2003
Foreign Exchange Earnings	4,781,196	2,136,659
Foreign Exchange Outflow	2,547,398	501,303

SUBSIDIARY COMPANY

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

DIRECTORS’ RESPONSIBILITY STATEMENT - SECTION 217(2AA)

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2004 and of the profit and loss account of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors express their gratitude for assistance, co-operation and support received from the Department of Telecommunications, Government of Madhya Pradesh, Himachal Pradesh, Tamil Nadu, Karnataka, Delhi and Haryana, Company’s Bankers and Financial Institutions.

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

On behalf of the Board

RAJAN BHARTI MITTAL **BADRI AGARWAL**
Managing Director Director

Place : New Delhi
Date : April 21, 2004

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, 2004 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 (in Rs.)	Previous employment/ Designation
(A) EMPLOYED THROUGHOUT THE FINANCIAL YEAR										
1.	Rajiv Sharma	Chief Executive Officer - Broadband and Data Business Group	Permanent	Operations	MA, LLB, MBA	46	29-Dec-00	23	3,041,388	GMS Technologies/CEO
2.	K. Krishnan	Chief Executive Officer & Director Access Business South	Permanent	Operations	B.Com., ICWA, CA	49	26-Jan-01	25	3,729,132	Saregama (I) Ltd./M.D.
3.	Prem Pradeep	Chief Operating Officer - Access Business South	Permanent	Operations	B.Tech., MBA	49	15-Oct-01	23	3,069,816	Saregama (I) Ltd./Head E-Business
4.	Rohitash Mal	Chief Executive Officer, Access Business MP	Permanent	Operations	B.Tech., PGDM	49	13-Nov-00	28	3,220,506	Maruti Udyog Ltd./CGM (Mktg. & Sales)
5.	N. Arjun	Chief Executive Officer & Director Long Distance Business	Permanent	Operations	B.E., MBA	46	1-Oct-00	24	5,214,344	Bharti Tele-Ventures Ltd./Chief Operating Officer
6.	Rajiv Kohli	Chief Executive Officer - Access Business North	Permanent	Operations	B.Tech., PGDM	43	1-Jun-00	17	2,737,533	Koshika Telecom Ltd./GM Marketing
7.	Jagbir Singh	Group Chief Technical Officer	Permanent	Technical	M.Phil., M.Tech., M.Sc., MBA	39	9-Nov-01	17	2,473,228	Nortel Networks, Singapore/ Director-Network Systems & Solutions
8.	Shamik Das	Group Chief Financial Officer	Permanent	Finance	B.Com. (Hons.), FCA	41	1-Jun-01	20	2,530,698	Bharti Mobile Ltd./CFO
9.	Arun Haridharan	Vice President	Permanent	Quality & Knowledge Mgmt.	MBA - Univ. of ILLINOIS	37	1-Apr-02	13	2,846,412	RPG Enterprises - GM Knowledge Management
10.	Vivek Khanna	Sr. Vice President	Permanent	IT & Technology	CISA, CSSP, CSA	43	19-Jul-01	20	3,782,925	Sterling Cellular Limited - VP IT
11.	Rahul Mehta	Chief Operating Officer	Permanent	Operations	BA	43	1-Jun-98	21	2,863,810	RPG Richo Ltd., Controller Business Operations (South)
12.	Chandan Ghosh	V.P. Commercial (ILD)	Permanent	Responsible for overall ILD business	Diploma in Electrical	45	1-Mar-02	23	4,431,343	British Telecom/Director ICS South Asia
13.	Ramanurthy Kolluri	Chief Technical Officer	Permanent	Technical	B. Tech., M.Tech.	49	3-Nov-00	24	3,152,747	Siemens Public Communication Networks Ltd. (VP - Information & Broadband)
(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR										
1.	Ashok Juneja	Chief Executive Officer	Permanent	Operations	B. Tech., PGDM	48	1-Oct-00	25	2,964,420	Bharti Cellular Ltd./Director (Special Project)
2.	M. S. Ravichandran	Chief Technical Officer - Tamil Nadu	Permanent	Technical	BE (Hons.), M.Tech. - Comm.	54	9-Apr-01	30	3,068,899	RPG Cellular /VP-Tech. & Ops.
3.	Mirmalini Gupta	Vice President	Permanent	Marketing	MBA	41	12-Nov-03	19	1,316,874	The Hindustan Times/VP - Marketing
4.	Brigadier Vijay Rabeja	V.P. Projects	Permanent	Projects	B.E., M.Tech.	58	1-Apr-01	37	1,249,567	Bharti Tele-Ventures Ltd./ Vice President - Projects
5.	Akhil Gupta	Joint Managing Director	Contractual	General Management	CA	48	1-Sep-03	22	15,380,382	Bharti Tele-Ventures Ltd./ Jt. Managing Director
6.	Rajan B. Mittal	Managing Director	Contractual	General Management	Graduate	44	1-Oct-03	18	10,370,984	Bharti Telecom Ltd./Jr. MD

Notes :

- Gross remuneration comprises of Salary, Taxable Allowances, Company's contribution to Provident Fund and taxable value of perquisites.
- 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.
- None of the employees mentioned above is a relative of any Directors of the company except that Mr. Sunil Bharti Mittal, Mr. Rakesh Bharti Mittal and Mr. Rajan Bharti Mittal are brothers and Directors on the Board of the Company.
- None of the employees mentioned above hold 2% or more share capital of the Company.
- The designation 'Director' wherever prefixed describing the area of responsibility occurring in the above Statement is not a Board position except that of Mr. Rajan Bharti Mittal and Mr. Akhil Gupta.

Auditors' Report

TO THE MEMBERS OF BHARTI INFOTEL LIMITED

1. We have audited the attached Balance Sheet of Bharti Infotel Limited, as at March 31, 2004, 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 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 Companies (Auditor's Report) Order, 2003 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 of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that:
 - (i)
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and physical inventory have been noticed other than in some circles where the company is in the process of reconciling the book records and the physical inventory and accordingly, we are unable to comment on discrepancies, if any, that may be identified.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
 - (ii)
 - (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
 - (iii)
 - (a) As indicated in Note 8 on Schedule 23, the Company has granted interest free unsecured loans (and advances) to its subsidiaries covered in the register maintained under Section 301 of the Act. The year-end balance of such loans aggregates to Rs. 269,130 thousand. The company has taken interest free unsecured loans from its holding Company and a fellow subsidiary covered in the register maintained under Section 301 of the Act. The year-end balance of such loans aggregates to Rs. 18,054,066 thousand and Rs. 6,471 thousand respectively.
 - (b) In our opinion, the terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
 - (c) As per the information made available to us, the aforesaid loans granted / taken by the Company are repayable on demand and repayments made during the year are as mutually agreed.
 - (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
 - (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
 - (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the register in pursuance of Section 301 of Act. Accordingly, clause (v)(b) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the current year.
 - (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
 - (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
 - (viii) We have broadly reviewed the books of account maintained by the company in respect of services where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been

prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of sales-tax, income-tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute other than disputed income-tax and sales-tax amounting to Rs. 48,795 thousand, as indicated in Note 2(i) on Schedule 23.
- (x) The Company has no accumulated losses as at March 31, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, and according to the information and explanations given to us, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.
- (xiv) In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment, and vice versa.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register

maintained under Section 301 of the Act during the year.

- (xix) The Company has created securities in respect of debentures issued and outstanding at the year-end.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no fraud (i.e., intentional material misstatements resultant from fraudulent financial reporting and misappropriation of assets) on or by the company has been noticed or reported during the year by the company.
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, 2004 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the 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 and 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, 2004;
- (ii) in the case of the Profit and Loss Account, of the profit 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

Membership No. F87191

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : New Delhi
Date : April 21, 2004

Balance Sheet as at March 31, 2004

Particulars	Schedule No.	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,772,000	2,772,000
Reserves and Surplus	2	1,353,757	897,730
Loan Funds			
Secured Loans	3	6,358,067	6,332,379
Unsecured Loans	4	18,912,964	15,537,895
		<u>29,396,788</u>	<u>25,540,004</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	33,102,877	25,539,724
Less : Depreciation		6,409,690	3,853,978
Net Block		<u>26,693,187</u>	<u>21,685,746</u>
Capital Work-in-Progress		1,846,571	3,504,161
		<u>28,539,758</u>	<u>25,189,907</u>
Pre-operative Expenditure pending allocation	6	–	–
		<u>28,539,758</u>	<u>25,189,907</u>
Investments	7	103,000	103,000
Deferred Tax Asset (Net) (Refer Note 12 on Schedule 22 and Note 18 on Schedule 23)		920,302	213,988
Current Assets, Loans and Advances			
Inventories	8	47,255	17,155
Sundry Debtors	9	2,722,331	1,263,664
Cash and Bank Balances	10	653,469	320,357
Other Current Assets, Loans and Advances	11	2,666,566	2,011,649
		<u>6,089,621</u>	<u>3,612,825</u>
Less : Current Liabilities and Provisions	12		
Current Liabilities		6,236,610	6,565,687
Provisions		49,746	32,018
		<u>6,286,356</u>	<u>6,597,705</u>
Net Current Assets		<u>(196,735)</u>	<u>(2,984,880)</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)	13	30,463	68,589
Profit and Loss Account		–	2,949,400
		<u>29,396,788</u>	<u>25,540,004</u>
Statement of Significant Accounting Policies	22		
Notes to Accounts	23		

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 : April 21, 2004

NIKHIL KULSHRESHTHA
Company Secretary

SHAMIK DAS
Chief Financial Officer

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

Particulars	Schedule No.	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
INCOME			
Service Revenue		20,372,159	11,024,979
Sale of Goods		60,094	15,482
Other Income	14	84,753	26,154
		<u>20,517,006</u>	<u>11,066,615</u>
EXPENDITURE			
Access Charges		8,245,670	4,540,626
Network Operating	15	1,552,803	1,165,695
Cost of Goods Sold	16	29,563	15,931
Personnel	17	1,430,223	1,195,291
Sales and Marketing	18	430,855	395,964
Administrative and Others	19	1,083,320	776,565
		<u>12,772,434</u>	<u>8,090,072</u>
Operating Profit before Licence Fee and Spectrum charges (revenue share), Finance Income and Expense, Depreciation, Amortisation, Pre-operative Expenditure, Charity and Donation, Demerger and Taxation		7,744,572	2,976,543
Licence fee and Spectrum charges (revenue share)		1,433,109	796,149
Operating Profit before Finance Income and Expense, Depreciation, Amortisation, Pre-operative expenditure, Charity and Donation, Demerger and Taxation		6,311,463	2,180,394
Finance Expenses (Net)	20	800,428	641,428
Depreciation		2,405,685	1,661,758
Amortisation	21	178,696	183,901
Pre-operative Expenditure written off	6	-	6,549
Charity and Donation		5,220	1,460
Operating Profit/(Loss) before Demerger and Taxation		<u>2,921,434</u>	<u>(314,702)</u>
Profit on demerger		-	179,819
Profit/(Loss) before Tax		2,921,434	(134,883)
Tax Expense			
- Current		222,321	-
- Deferred Tax		(706,314)	-
(Refer Note 12 on Schedule 22 and Note 18 on Schedule 23)			
Profit/(Loss) after Tax		3,405,427	(134,883)
Transfer to Debenture Redemption Reserve		318,080	-
		<u>3,087,347</u>	<u>(134,883)</u>
(Loss) brought forward		(2,949,400)	(2,814,740)
Losses acquired on amalgamation		-	(2,056,505)
Difference of consideration and value of net assets acquired under a scheme of amalgamation (Net)		-	556,728
Reserves adjusted on reduction of Capital		-	1,500,000
Profit/(Loss) carried over		<u>137,947</u>	<u>(2,949,400)</u>
Earnings/(Loss) per share in Rs. (Basic and Diluted)		12.29	(0.49)
(Refer Note 16 on Schedule 22 and Note 16 on Schedule 23)			
Statement of Significant Accounting Policies	22		
Notes to Accounts	23		

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 : April 21, 2004

NIKHIL KULSHRESHTHA
Company Secretary

SHAMIK DAS
Chief Financial Officer

Cash Flow Statement for the year ended March 31, 2004

	(Rs. '000)	
Particulars	For the year ended March 31, 2004	For the year ended March 31, 2003
A. Cash flow from operating activities :		
Net (loss)/profit before tax but after exceptional/extraordinary items	2,921,434	(134,883)
Adjustments for:		
Depreciation	2,405,685	1,661,758
Interest Expense	818,893	670,695
Interest Income	(2,987)	(17,858)
(Profit)/Loss on Fixed Assets sold	195	(1,485)
(Profit)/Loss on sale of Investments	-	(260)
ESOP Expenditure written off	23,879	32,320
Preliminary Expenditure written off	-	26
Licence fee written off	154,817	151,555
Provision for Bad and Doubtful Debts/Advances	155,844	78,393
Debts/Advances written off	24,449	264
Liability no longer required written back	(57,632)	(10,077)
Provision for Gratuity and Leave Encashment	17,681	14,913
Unrealised foreign exchange (gain)/loss	11,953	3,057
Gain from swap arrangements	(22,725)	(14,206)
Other Provision	-	(179,819)
Operating profit before working capital changes	6,451,486	2,254,393
Adjustments for changes in working capital :		
- (Increase)/Decrease in Sundry Debtors	(1,638,960)	(1,017,538)
- (Increase)/Decrease in Other Receivables	(643,973)	447,638
- (Increase)/Decrease in Inventories	(30,100)	(1,816)
- Increase/(Decrease) in Trade and Other Payables	(286,830)	892,215
Cash generated from operations	3,851,623	2,574,892
- Increase in Miscellaneous Expenditure	-	(26)
Taxes (Paid)/Received	(211,600)	(18,452)
Net cash from operating activities	3,640,023	2,556,414
B. Cash flow from investing activities :		
Adjustments for changes in :		
Purchase of Fixed Assets	(5,953,222)	(9,700,893)
Proceeds from Sale of Fixed Assets	42,670	3,647
Proceeds from Sale of Investments	-	2,310,559
Purchase of Investments	-	(2,310,276)
Interest Received	2,685	17,611
Net cash used in investing activities	(5,907,867)	(9,679,352)

Cash Flow Statement for the year ended March 31, 2004

Particulars	(Rs. '000)	
	For the year ended March 31, 2004	For the year ended March 31, 2003
C. Cash flow from financing activities :		
Proceeds from long term borrowings (Net)	649,080	3,452,163
Proceeds from short term borrowings		
Net movement in cash credit facilities and short term loans	2,751,677	4,441,393
Interest Paid	(822,526)	(597,023)
Gain from swap arrangements	22,725	14,206
Net cash used in financing activities	<u>2,600,956</u>	<u>7,310,739</u>
Net Increase in Cash and Cash Equivalents	333,112	187,801
Opening Cash and Cash Equivalents	320,357	165,851
Cash and Cash Equivalents Acquired on Amalgamation	-	(33,295)
Cash and Cash Equivalents as at March 31, 2004	<u><u>653,469</u></u>	<u><u>320,357</u></u>
Cash and Cash Equivalents comprise		
Cash, Cheques and Drafts (in hand) and Remittances in Transit	26,525	29,701
Balance with Scheduled Banks	626,944	290,656

Notes :

- Figures in brackets indicate cash outgo.
- Cash and cash equivalents includes Rs. 1,061 thousand (Previous year Rs.30,991 thousand) which are not available for use by the Company. (Refer Schedule 10)
- Previous year's figures have been regrouped and recast wherever necessary to conform to the current year's classification.

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

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

Place : New Delhi
Date : April 21, 2004

NIKHIL KULSHRESHTHA
Company Secretary

SHAMIK DAS
Chief Financial Officer

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
SCHEDULE : 1		
SHARE CAPITAL		
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 277,200,000) 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) (Refer Note No. 5 on Schedule 23)	2,772,000	2,772,000
	<u>2,772,000</u>	<u>2,772,000</u>
SCHEDULE : 2		
RESERVES AND SURPLUS		
Share Premium		
Opening Balance	876,446	-
Acquired pursuant to the scheme of amalgamation	-	876,446
	<u>876,446</u>	<u>876,446</u>
Revaluation Reserve		
Opening Balance	21,284	-
Acquired pursuant to the scheme of amalgamation	-	21,284
	<u>21,284</u>	<u>21,284</u>
Debenture Redemption Reserve		
Transfer from Profit and Loss Account during the year	318,080	-
	<u>318,080</u>	<u>-</u>
Profit and Loss Account		
	137,947	-
	<u>1,353,757</u>	<u>897,730</u>
SCHEDULE : 3		
SECURED LOANS		
(Refer Note 7 of Schedule 23)		
Debentures		
Loans and Advances from Banks :	1,500,000	2,488,914
- Term Loan	1,851,245	713,250
- Cash Credit	6,822	130,215
Other Loans and Advances :		
- Term Loan	3,000,000	3,000,000
	<u>6,358,067</u>	<u>6,332,379</u>
Note : Amount repayable within one year	<u>1,456,256</u>	<u>438,100</u>
SCHEDULE : 4		
UNSECURED LOANS		
Short Term Loans and Advances		
From Banks	350,378	365,180
From Others	18,062,586	15,172,715
Other Loans and Advances		
From Others	500,000	-
	<u>18,912,964</u>	<u>15,537,895</u>
Note : Amount repayable within one year	-	-

Schedules Annexed to and forming part of Accounts

**SCHEDULE 5:
FIXED ASSETS**

(Refer Notes 2, 3, 11 and 14 on Schedule 22 and Note 9(b) on Schedule 23)

Particulars	Gross Block Value				Depreciation/Amortisation			Net Block Value	
	As at April 1, 2003	Additions during the year	Sale/Adjustment during the year	As at March 31, 2004	As at April 1, 2003	For the year	Adjustment during the year	As at March 31, 2004	As at March 31, 2003
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
INTANGIBLE									
Licence Fees	2,999,933	—	—	2,999,933	188,552	154,817	—	343,369	2,811,381
Software	16,022	—	—	16,022	4,323	5,341	—	9,664	11,699
Bandwidth Capacity	620,773	731,952	—	1,352,725	17,700	62,995	—	80,695	603,073
TANGIBLE									
Leasehold Land	6,860	181	—	7,041	349	53	—	402	6,511
Freehold Land	183,908	190	—	184,098	—	—	—	—	183,908
Leasehold VSAT Assets	31,954	—	—	31,954	31,954	—	—	31,954	—
Plant and Machinery	19,711,497	6,352,614	37,042	26,027,069	2,789,065	1,915,409	221	4,704,253	16,922,432
Building	474,975	37,278	—	512,253	64,349	24,793	—	89,142	410,626
Leasehold Improvements	191,839	72,706	—	264,545	28,202	38,820	—	67,022	163,637
Office Equipment	114,381	18,896	253	133,024	60,884	22,275	196	82,963	53,497
Computer	1,064,652	384,832	9,336	1,440,148	601,847	316,129	3,494	914,482	462,805
Vehicle	13,863	2,246	864	15,245	9,266	1,146	719	9,693	4,597
Furniture and Fixtures	109,067	9,916	163	118,820	57,487	18,723	159	76,051	51,580
TOTAL	25,539,724	7,610,811	47,658	33,102,877	3,853,978	2,560,501	4,789	6,409,690	21,685,746
Capital Work-In-Progress									
Previous Year	9,108,478	16,488,763	57,517	25,539,724	1,623,691	2,256,419	26,132	3,853,978	25,189,907

Notes :

- Additions during the year are net off Rs.119,926 thousand Exchange Gain (Previous year Rs. 2,608 thousand) on account of fluctuation in foreign exchange rate on purchase of Fixed Assets.
- Capital Work-in-Progress as at 31.03.04 includes Rs. 63 thousand exchange gain (Previous year Rs. 2,082 thousand) on account of fluctuation in foreign exchange rate.
- Leasehold land amounting to Rs.955 thousand (Previous year Rs.955 thousand) represents land acquired on lease-cum-sale basis from Karnataka Industrial Areas Development Board.
- The Company owns network infrastructure jointly 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:

Cost	As at	
	March 31, 2004	March 31, 2003
	(Rs. '000)	(Rs. '000)
Gross Block	508,621	508,621
Depreciation	508,621	508,621
Opening Balance	43,150	9,225
For the year	33,925	33,925
Accumulated Depreciation as at March 31, 2004	77,075	43,150
Written Down Value as on March 31, 2004	431,546	465,471

- Borrowing cost of Rs. 23,503 thousand (Previous year Rs. 109,107 thousand) has been capitalised along with the respective qualifying assets.
- Capital Work-in-progress includes capital advances of Rs. 87,238 thousand (Previous year Rs. 192,475 thousand) and Rs. Nil (Previous year Rs. 47,649 thousand) of borrowing cost to be capitalised alongwith the respective qualifying fixed assets.
- The remaining amortisation period of the Licence Fees as at March 31, 2004 ranges between 10 to 18 years.
- Plant and Machinery includes certain items given on operating lease basis during the year:

Gross Block	Depreciation		Net Block
	As at	For the Year	
March 31, 2004	April 1, 2003	March 31, 2004	March 31, 2004
40,057	597	4,399	35,061

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
SCHEDULE : 6		
<u>PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION</u>		
(Refer Note 10 on Schedule 22)		
Opening Balance as on April 1, 2003	-	80,670
Balance transferred on merger	-	4,244
Additions during the period		
Personnel Expenses		
Salaries, Wages and Bonus	-	1,986
Contribution to Provident and Other Funds	-	59
Staff Welfare	-	49
Recruitment and Training	-	40
Sub-total	-	2,134
Selling Expenses		
Advertisement and Marketing	-	81
Other Selling and Distribution	-	158
Sub-total	-	239
Administrative and Other Expenses		
Legal and Professional	-	285
Rates and Taxes	-	75
Travelling and Conveyance	-	898
Repairs and Maintenance – Plant and Machinery	-	1
Miscellaneous	-	55
Sub-total	-	1,314
Finance Expenses		
Other Bank/Finance Charges	-	1,722
Depreciation	-	-
Amortisation of ESOP Cost	-	-
Less : Other Income	-	-
	-	90,323
Less : Allocated to Fixed Assets	-	83,774
Less : Transferred to Profit and Loss Account	-	6,549
	-	-
Total amount carried to Balance Sheet	-	-
SCHEDULE : 7		
<u>INVESTMENTS</u>		
(Refer Note 6 on Schedule 22)		
Long Term		
Trade Unquoted		
Bharti Comtel Limited		
[100,000 (Previous year 100,000) fully paid-up equity shares of Rs. 10 each]	1,000	1,000
Bharti Aquanet Limited		
[1,275,000 (Previous year 1,275,000) fully paid-up equity shares of Rs. 10 each]	102,000	102,000
	103,000	103,000
Aggregate Face Value of Unquoted Investments	13,750	13,750

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
SCHEDULE : 8		
INVENTORIES		
(Refer Note 5 on Schedule 22 and Note 13 on Schedule 23)		
Stock-in-Trade	47,255	17,155
	<u>47,255</u>	<u>17,155</u>
SCHEDULE : 9		
SUNDRY DEBTORS		
(Refer Note 4 on Schedule 22 and Note 6 on Schedule 23)		
(Unsecured, considered good unless otherwise stated)		
Billing Debtors :		
Debts outstanding for a period exceeding six months		
– Considered good	78,669	20,430
– Considered doubtful	211,349	135,457
Less : Provision	<u>(211,349)</u>	<u>(135,457)</u>
	78,669	20,430
Other debts :		
– Considered good	2,643,662	1,243,234
– Considered doubtful	118,332	38,380
Less : Provision	<u>(118,332)</u>	<u>(38,380)</u>
	2,643,662	1,243,234
	<u>2,722,331</u>	<u>1,263,664</u>
SCHEDULE : 10		
CASH AND BANK BALANCES		
Cash in Hand	4,448	3,865
Cheques in Hand	22,077	25,836
Balances in Scheduled Banks		
– in Current Accounts	572,787	150,542
– in Fixed Deposits *	53,453	108,457
– in Deposit Account as Margin Money*	704	31,657
* [Deposit Accounts under lien to banks for Guarantees Rs. 1,061 thousand (Previous year Rs. 30,991 thousand)]		
	<u>653,469</u>	<u>320,357</u>
SCHEDULE : 11		
OTHER CURRENT ASSETS, LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	836,597	801,941
Considered doubtful	7,100	7,100
Less : Provision	<u>(7,100)</u>	<u>(7,100)</u>
	836,597	801,941
Advances and Loans to Subsidiaries (Net)	269,130	13,038
Accrued Billing Revenue	1,361,269	979,502
Advance to ESOP Trust	178,991	173,631
Advance Tax [Net of provision for tax Rs. 224,361 thousand (Previous year Rs. 586 thousand)]	20,579	31,679
Balances with Custom authorities	–	11,611
Interest Accrued on Investment	–	247
	<u>2,666,566</u>	<u>2,011,649</u>

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
SCHEDULE : 12		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
Due to Small Scale Industrial Undertakings* (Refer Note 17 of Schedule 23)	231	1,382
Due to Others	<u>3,954,094</u>	<u>5,509,497</u>
Advance Billing and Prepaid Card Revenue	1,131,089	255,294
Interest accrued but not due	97,158	100,791
Advance Received from subscribers	117,672	123,147
Security Deposits (Refer Note 6 on Schedule 23)	684,614	474,701
Other Liabilities	251,752	100,875
	<u>6,236,610</u>	<u>6,565,687</u>
* The above information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancillary undertakings on the basis of information available with the company.		
Provisions		
(Refer Note 9 of Schedule 22)		
Gratuity	21,469	14,541
Leave Encashment	28,230	17,477
Wealth Tax	47	-
	<u>49,746</u>	<u>32,018</u>
	<u>6,286,356</u>	<u>6,597,705</u>
SCHEDULE : 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
(Refer Note 13 of Schedule 22)		
Deferred Employee Compensation Expense		
Opening Balance :	68,589	77,509
Add : Balance acquired on amalgamation	-	34,145
Less : Balance transferred on demerger	-	3,040
Less : Adjustments	14,247	7,706
Less : Amortisation for the year*	23,879	32,319
	<u>30,463</u>	<u>68,589</u>
* Net of writeback		
Preliminary Expenditure		
Opening Balance	-	-
Add : Acquired on Amalgamation	-	26
Less : Charged off during the year	-	26
	<u>30,463</u>	<u>68,589</u>

Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
SCHEDULE : 14		
OTHER INCOME		
Profit on sale of assets (Net)	–	1,485
Liabilities/Provisions no longer required written back	57,632	10,077
Miscellaneous	27,121	14,592
	84,753	26,154
SCHEDULE : 15		
NETWORK OPERATING EXPENDITURE		
Internet and Satellite Bandwidth	276,829	172,645
Power and Fuel	168,386	127,130
Rent	127,620	101,865
Insurance	11,404	11,996
Repair and Maintenance – Plant and Machinery	464,871	304,747
Leased Line and Gateway	98,757	210,405
Miscellaneous	404,936	236,907
	1,552,803	1,165,695
SCHEDULE : 16		
COST OF GOODS SOLD		
Opening Stock	17,155	–
Stock Acquired on Merger	–	15,339
Add : Purchases	34,573	17,747
Cost transferred from fixed assets	25,090	
	76,818	33,086
Less : Closing Stock	47,255	17,155
	29,563	15,931
SCHEDULE : 17		
PERSONNEL EXPENDITURE		
Salaries, Wages and Bonus *	1,235,462	1,017,342
Contribution to Provident and Other Funds	47,366	44,443
Staff Welfare	83,332	66,175
Recruitment and Training	64,063	67,331
	1,430,223	1,195,291
* Excluding amortisation of Deferred ESOP Cost		
SCHEDULE : 18		
SALES AND MARKETING EXPENDITURE		
Advertisement and Marketing	177,937	198,071
Sales Commission and Incentive	212,398	161,958
Other Selling and Distribution	40,520	35,935
	430,855	395,964

Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
SCHEDULE : 19		
ADMINISTRATIVE AND OTHER EXPENDITURE		
Legal and Professional	394,003	282,431
Rates and Taxes	5,341	6,377
Power and Fuel	24,011	15,233
Travelling and Conveyance	127,786	127,139
Rent	28,298	34,434
Repairs and Maintenance – Buildings	9,894	13,207
– Plant and Machinery	4,410	1,890
– Others	28,971	26,297
Insurance	6,000	913
Provision for Doubtful Debts/Advances	180,293	78,393
Provision for Doubtful Debts/Advances written back	(24,449)	–
Bad debts written off	24,449	264
Collection and Recovery	156,583	66,909
Loss on sale of assets (Net)	195	–
Miscellaneous	117,535	123,078
	<u>1,083,320</u>	<u>776,565</u>
SCHEDULE : 20		
FINANCE EXPENSES		
Interest :		
– On Term Loan	409,393	136,955
– On Debentures	274,504	392,104
– On Others	16,583	11,007
Other Finance Charges	118,413	130,629
Exchange Fluctuation Loss (Net)	11,953	3,057
	<u>830,846</u>	<u>673,752</u>
Less Income :		
Profit on sale of Current Investments (Net)	–	260
Interest Income :		
– from Current Investments (Other than Trade) [Gross of TDS Rs. Nil (Previous year Rs. 3,064 thousand)]	–	16,824
– from Fixed Deposits [Gross of TDS Rs. 549 thousand (Previous year Rs. nil)]	4,706	–
– from Others – Loans and Advances, etc. [Gross of TDS Rs. 73 thousand (Previous year Rs. 79 thousand)]	2,987	1,034
Gains from swap arrangements	22,725	14,206
	<u>30,418</u>	<u>32,324</u>
	<u>800,428</u>	<u>641,428</u>
SCHEDULE : 21		
AMORTISATION		
(Refer Note 13 on Schedule 22)		
Licence Fee	154,817	151,555
Personnel – Deferred ESOP Cost	23,879	32,320
Preliminary Expenses	–	26
	<u>178,696</u>	<u>183,901</u>

Schedules Annexed to and forming part of Accounts

SCHEDULE : 22

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.

The fixed component of license fee payable by the Group for cellular and basic circles, upon migration to the National Telecom Policy (NTP 1999), i.e. Entry Fee, has been capitalised as an asset.

The one time license fee paid by the Group for acquiring new licences (post NTP-1999) (basic, cellular, national long distance ('NLD') and International Long Distance ('ILD') services) has been capitalised as an asset.

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%/50%
Computer/Software	33.33%
Vehicles	20%
Furniture and Fixtures	20%
Leasehold Land	Period of lease
Leasehold Improvements	Period of lease or 10 years whichever is less

Assets individually costing Rs.5 thousand or less are fully depreciated in the month of purchase. 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.

The Entry Fee capitalised is being amortised equally over the period of the license and the one-time licence fee is being amortised equally over the balance period of licence from the date of commencement of commercial operations.

4. REVENUE RECOGNITION AND RECEIVABLES

Basic 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.

Schedules Annexed to and forming part of Accounts

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

Provision for doubtful debts, in case of Other Telecom Operators on account of their NLD and ILD traffic and on account of Interconnect Usage Charges (IUC), is made for dues outstanding for more than 120 days from the date of billing after considering any amount payable to that operator pertaining to the same period.

5. INVENTORIES

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

6. INVESTMENT

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 – REVENUE SHARE

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 and does not include any amount of income/expenditure included in corporate office and president office for which separate division accounts are maintained.

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 at the year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

Schedules Annexed to and forming part of Accounts

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 on a straight-line basis over the lease term.

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

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.

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.

Schedules Annexed to and forming part of Accounts

SCHEDULE: 23

NOTES TO ACCOUNTS

- The Company has licences to provide basic telephone service in the state of Madhya Pradesh, Delhi, Haryana, Tamilnadu and Karnataka and National and International Long Distance, Broadband and Group Data Services.

- Contingent Liabilities

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

	Year ended March 31, 2004 (Rs. '000)	Year ended March 31, 2003 (Rs. '000)
Sales Tax, Service Tax and Income Tax	106,554	113,361
Access Charges	133,112	184,221
Others	56,650	93,757
Total	296,316	391,339

Of the above, details of unpaid amounts together with forum where dispute is pending as at March 31, 2004 is set out below :

Nature of the Statute	Rs. '000	Forum where dispute is pending
Sales Tax (Various Acts)	19,241	Appellate Authority Sales Tax
	18,698	High Court New Delhi
Income Tax	10,856	Income Tax Appellate Tribunal
	48,795	

- Outstanding Financial Bank Guarantees Rs. 1,820,806 thousand (Previous year Rs. 1,482,408 thousand). Guarantees to the extent of Rs. 67,994 thousand (Previous year Rs. 91,500 thousand) are secured by first charge on the current assets of Integrated Broadband service division of the Company.

- 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 year ended March 31, 2003 the Company had received a refund of Rs. 8,912 thousand and has capitalised Rs. 2,412 thousand out of the disputed amount.

During the year, MTNL had raised demand for renewal of 139 E1s. The balance amount of Rs. 4,411 thousand was adjusted against the demand note raised by MTNL during the year with respect to renewal of port links and accordingly has been charged off.

- 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,

Schedules Annexed to and forming part of Accounts

in September 2001, the Company was asked by the DoT to issue an additional performance bank guarantee of Rs. 500,000 thousand, as a security towards the non-performance of this commitment.

The National Telecom Policy (NTP) has proposed to levy a Universal Access Levy (5 per cent of the AGR out of the existing revenue-share percentage as recommended by the Regulator) on all telecom licensees in India, to fund the investments required for providing Telecommunication services in all villages of the country.

The Company has since migrated its Basic Service Licence in Madhya Pradesh to Unified Access (Basic and Cellular) Service Licence vide DoT letter no. 10-10-2003-BS-II/Vol.II dated November 11, 2003.

As per the Unified Access Service Licence guidelines, issued vide no. 808-26/2003-VAS dated November 11, 2003, the Department of Telecommunications has clearly specified that "The Licence fee, service area, roll out obligations and performance bank guarantee under the Unified Access Services Licence will be the same as for Fourth Cellular Mobile Service Providers (CMSPs)."

As there is no VPT obligation in the Fourth Cellular Mobile Service Licence guidelines, the Company is now not required to fulfill any VPT obligation and have received back the additional performance bank guarantee of Rs. 500,000 thousand submitted towards the non-performance of VPT commitment.

- (v) In a case involving the Uttar Pradesh Trade Tax Department and the DoT, the Supreme Court of India has ruled that a telephone connection along with a telephone set provided by a company rendering basic services tantamount to a "transfer of right to use the telephone system" and the rentals collected by DoT towards this right to use should suffer sales tax. Subsequent to the passing of this order, the Cellular Operators as well as the basic operators agitated the same issue before the Supreme Court by way of a Petition under Article 32 of the Constitution. The Hon'ble Supreme Court, inspite of its own judgment, admitted the Petitions and vide orders dated September 25, 2003 referred the matter to a larger bench for determination of dispute on merits and further directed that in future there shall be no coercion for recovery of any dues. In so far as the assessments already completed as on September 25, 2003 the Hon'ble Supreme Court directed that the operators should file statutory appeals against the assessment orders.

The sales tax department, all across the country, has raised demands on cellular mobile operators including the Company amounting to Rs.10,000 thousand included in Note 2 (i) above (Previous year Nil). Demands raised have been challenged before the respective high courts and the company has obtained interim stays against enforcement of the demands.

3. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 752,756 thousand (Previous year Rs. 796,351 thousand).
4. Billing Revenue in the Profit and Loss Account is net of rebates and discount of Rs. 707,543 thousand (Previous year Rs. 124,536 thousand).
5. Issued, Subscribed and Paid up Capital of 277,200,000 shares (Previous year 277,200,000) Equity Shares of Rs.10 each aggregating to Rs. 2,772,000 thousand (Previous year Rs. 2,772,000 thousand) is held by Bharti Tele-Ventures Limited (and/or its nominees).
6. Security Deposit included under Current Liabilities includes Rs. 632,562 (Previous year Rs. 474,701 thousand) represents refundable security deposit received from subscribers on activation of connections granted thereto and are repayable on disconnection net of outstanding, if any. Sundry Debtors are secured to the extent of amount outstanding against individual subscribers by way of Security Deposits received from them.

Schedules Annexed to and forming part of Accounts

7. 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, 12.5% Redeemable Non-Convertible Debentures of Rs. 10,000 thousand each amounting to Rs.750,000 thousand repayable in 28 equated installments starting from October 2002 .	562,500	<ul style="list-style-type: none"> • Secured by way of first ranking pari passu charge on: <ol style="list-style-type: none"> 1. The whole of movable properties of the Madhya Pradesh (MP) Basic Project 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 Basic project of the Company situated in the state of Madhya Pradesh. 3. Floating charge on all other assets of the MP Basic Project and current assets charged /to be charged for working capital facility.
125, 12.5% Redeemable Non-Convertible Debentures of Rs. 10,000 thousand each amounting to Rs.1,250,000 thousand repayable in 28 equated installments starting from October 2002.	937,500	
Term loan from financial institution for Rs. 3,000,000 thousand repayable in 11 quarterly installments commencing from October 2006.	3,000,000	<ul style="list-style-type: none"> • Secured by first ranking pari passu charge on the whole of the freehold immovable and 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.
Foreign Currency Term Loan of USD 15,000 thousand convertible into term loan after 3 years.	687,900	
Foreign Currency Term Loan of USD 26,670 thousand convertible into term loan after 3 years.	1,163,345	<ul style="list-style-type: none"> • The loan is further secured by corporate guarantee given by BTVL.
Cash Credit of Rs. 40,000 thousand	6,822	
		<ul style="list-style-type: none"> • Secured by hypothecation of all current assets both present and future, including book debts, monies, receivables, claim bills and contracts of the broadband business of the Company.

Note 1: The Company has given security by way of first ranking pari-passu charge on all movable property including telecommunication equipment, fibre optic assets and all rights, titles, interest in the accounts, monies deposited and investments made therefrom and in project documents, book debts and insurance policies of the Delhi circle basic telephone services on account of term loan of Rs. 2,000,000 thousand from a Financial Institution, taken by Bharti Tele-Ventures Limited, the holding company.

Note 2: The Company has a cash credit facility of Rs. 250,000 thousand secured by hypothecation of all assets both present and future, including book debts, monies, receivable, claim bills and contracts of the Madhya Pradesh basic telephone services circle of the Company.

Schedules Annexed to and forming part of Accounts

8. 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
Akhil Gupta

Other Related Parties

Name of the Related Party	Relationship
Bharti Tele-Ventures Limited	Holding Company
Bharti Cellular Limited	Fellow Subsidiary
Bharti Comtel Limited	Subsidiary
Bharti Aquanet Limited	Subsidiary
Bharti Mobile Limited	Fellow Subsidiary
Bharti Telesoft Limited	Associate Company
Bharti Teletech Limited	Associate Company
Bharti Infotrac Limited	Associate Company
Bharti Systel Limited	Associate Company
Network i2i Limited	Associate Company
Singapore Telecommunications Limited	Entity having Significant Influence

Schedules Annexed to and forming part of Accounts

Particulars	(Rs. '000)										
	Bharti Cellular Limited	Bharti Teletech Limited	Bharti Comtel Limited	Bharti Infotrac Limited	Bharti Systel Limited	Bharti Telesoft Limited	Network i2i Limited	Bharti Mobile Limited	Bharti Aqanet Limited	Bharti Tele-Ventures Limited	Singapore Telecommunications Limited
Opening Balance	414,384	(1,519)	1,183	-	(7,980)	441	(634,044)	67,306	8,878	(14,665,292)	-
Payment made for expenses incurred on our behalf	215	241	12,018	-	1,170	-	-	1,488	3,835	-	-
Funds Transferred/(Received) (net) (Refer Note 3 below)	(32,000)	-	210,530	-	-	-	-	-	2,086	(3,352,232)	-
Payment received for expenses incurred	(39)	-	-	-	-	(173)	-	(154)	(43)	-	-
Sale/transfer of assets	1,096	-	-	-	-	-	-	-	-	217	-
Purchase of assets	-	-	-	-	-	-	-	-	-	(2,246)	(49,913)
Expenses incurred on behalf of Group Companies	452,478	-	34,265	-	-	165	-	18,423	6,769	5,716	-
Expenses incurred by Group Companies	(470,518)	-	(2,404)	-	-	(36)	-	(46,274)	(11,318)	(23,927)	-
Sale of services from Group Company net of payment received	660,098	(118)	6,662	-	53	934	-	318,964	4,676	745	347,941
Purchase of Services from Group Company net of payment made	(518,242)	3,239	(52)	-	3,453	1,490	634,044	(246,320)	(23,534)	-	(122,830)
Employee Related Transaction incurred by Group Companies on behalf of us	(123)	-	6,319	-	-	-	-	(2,367)	1,857	(16,310)	-
Others	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	507,349	1,843	268,521	-	(3,304)	2,821	-	111,066	(6,794)	(18,053,329)	175,198
Unsecured Loan	-	-	-	-	-	-	-	(6,471)	-	(18,054,066)	-
Creditors	-	-	-	-	-	-	-	-	(14,483)	-	-
Loan and Advances	-	-	261,441	-	-	-	-	-	7,689	-	-
Debtors	507,349	-	7,080	-	-	-	-	117,537	-	737	-
Closing Balance	507,349	-	268,521	-	-	-	-	111,066	(6,794)	18,053,329	-

Notes :

1. The above excludes provision of telephone services free of cost among the Group Companies.
2. Payment made to Key Management Personnel Rs. 24,518 thousand.

Schedules Annexed to and forming part of Accounts

Particulars	(Rs. '000)										
	Bharti Cellular Limited	Bharti Teletech Limited	Bharti Comtel Limited	Bharti Infotrac Limited	Bharti Systel Limited	Bharti Telesoft Limited	Network iZi Limited	Bharti Mobile Limited	Bharti Aquanet Limited	Bharti Tele-Ventures Limited	Singapore Telecommunications Limited
3. Net Funds Movement											
Funds Transferred	-	-	338,920	-	-	-	-	-	40,240	5,134,357	-
Funds Received	(32,000)	-	(128,390)	-	-	-	-	-	(38,154)	(8,486,589)	-
Funds Transferred/(Received) (net)	(32,000)	-	210,530	-	-	-	-	-	2,086	(3,352,232)	-
4. Sale of Services											
Sale of services from Group Company	1,756,528	450	13,780	778	53	934	-	900,368	4,676	747	992,291
Payment received against sale of services	(1,096,430)	(568)	(7,118)	(778)	-	-	-	(581,404)	-	(2)	(644,350)
Sale of Services to Group Companies net of payment received	660,098	(118)	6,662	-	53	934	-	318,964	4,676	745	347,941
5. Purchase of Services											
Purchase of Services from Group Company	(519,839)	(46,222)	(211)	-	(114,588)	(16)	-	(324,587)	(23,534)	(160,554)	(215,766)
Payment made to Group Company for purchase of service rendered	1,597	49,461	159	-	118,041	1,506	634,044	78,267	-	160,554	92,936
Purchase of Services from Group Companies net of payments made	(518,242)	3,239	(52)	-	3,453	1,490	634,044	(246,320)	(23,534)	-	(122,830)
6. Employee Related Transactions											
Employee related transaction incurred on behalf of Group Companies	257	-	6,319	-	-	-	-	760	1,870	-	-
Employee related transaction incurred by Group Company on behalf of us	(380)	-	-	-	-	-	-	(3,127)	(13)	(16,310)	-
Employee related transaction net of payments made	(123)	-	6,319	-	-	-	-	(2,367)	1,857	(16,310)	-

Schedules Annexed to and forming part of Accounts

Particulars	(Rs. '000)									
	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 3 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 4 below)	132,326	(134)	6,005	(639)	-	180	-	57,032	(6,334)	2,656
Purchase of Services from Group Company net of payment made	(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 and 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. Payment made to Key Management Personnel Rs.11,850 thousand.

Schedules Annexed to and forming part of Accounts

Particulars	(Rs. '000)									
	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
3. 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)
4. 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
5. 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

9. (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 sites as per the agreements and maximum obligations on long-term non-cancellable operating leases are as follows :

	Year ended March 31, 2004 (Rs. '000)	Year ended March 31, 2003 (Rs. '000)
Lease Rentals	155,918	136,299
Obligations on non-cancellable leases :		
Not later than one year	19,646	30,823
Later than one year and not later than five years	82,295	129,305
Later than five years	284,954	381,047
Total	386,895	541,175

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

(b) Operating Lease – As a Lessor

The Company has given certain VSAT Assets under 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, 2004 (Rs. '000)	Year ended March 31, 2003 (Rs. '000)
Lease Rentals	17,253	1,438
Future minimum lease payments receivable :		
Not later than one year	17,253	17,253
Later than one year and not later than five years	15,816	33,069
Total	33,069	50,322

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

	Year ended March 31, 2004 (Rs. '000)	Year ended March 31, 2003 (Rs. '000)
Expenditure :		
Technical Know-how	73,248	4,825
Interest	–	1,667
Legal and Professional	–	1,043
Travelling	4,071	3,546
Membership and Subscription	819	292
Recruitment and Training	1,657	1,460
Software	8,295	–
Bandwidth	738,016	114,244
Repairs and Maintenance	10,120	6,309
Access Charges	1,711,172	367,917
Earnings :		
Billing Revenue	4,781,196	2,136,659

11. CIF Value of Imports :

	Year ended March 31, 2004 (Rs. '000)	Year ended March 31, 2003 (Rs. '000)
Fixed Assets	953,385	1,359,817
Traded Goods	19,984	7,627

Schedules Annexed to and forming part of Accounts

12. Segmental Results

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

The following table presents the revenue, profit/(loss), assets and liabilities information relating to the respective Business Segments for the year ended March 31, 2004.

Information about business segment – Primary

2003-2004						(Rs. '000)
Reportable Segments	Basic Services	Long Distance Services	Integrated Broadband Services	Others	Eliminations	Total
Revenue						
Basic Revenue and Other Income	7,585,206	10,688,808	2,242,992	–	–	20,517,006
Inter Segment Revenue	177,211	1,430,716	–	–	(1,607,927)	–
Total Revenue	7,762,417	12,119,524	2,242,992	–	(1,607,927)	20,517,006
Results						
Segment Result, Profit/(loss)	458,521	2,694,423	1,086,989	(518,071)	–	3,721,862
Operating Profit/(Loss) before Finance Expenses	458,521	2,694,423	1,086,989	(518,071)	–	3,721,862
Finance Expenses/(Income) (net)	–	–	–	800,428	–	800,428
Net Profit/(Loss)	458,521	2,694,423	1,086,989	(1,318,499)	–	2,921,434
Tax Expense	–	–	–	222,321	–	222,321
Current	–	–	–	(706,314)	–	(706,314)
Net Profit/(Loss) after Tax	458,521	2,694,423	1,086,989	(834,506)	–	3,405,427
Other Information						
Segment Assets	14,532,686	17,459,742	2,041,789	708,046	–	34,742,263
Inter Segment Assets	1,637,619	679,575	452,553	15,728,459	(18,498,206)	–
Deferred Tax Asset	–	–	–	920,302	–	920,302
Advance Tax	–	–	–	20,579	–	20,579
Total Assets	16,170,305	18,139,317	2,494,342	17,377,386	(18,498,206)	35,683,144
Segment Liabilities	4,220,320	13,552,956	2,296,201	11,487,910	–	31,557,387
Inter Segment Liabilities	15,941,145	1,545,311	1,011,750	–	(18,498,206)	–
Total Liabilities	20,161,465	15,098,267	3,307,951	11,487,910	(18,498,206)	31,557,387
Total Capital Expenditure	3,815,396	3,010,779	552,935	231,701	–	7,610,811
Depreciation	1,152,778	1,011,400	119,885	121,622	–	2,405,685
Non-Cash Expenses other than Depreciation (Amortization)	101,522	66,690	5,642	4,842	–	178,696

Schedules Annexed to and forming part of Accounts

2002-2003 (Rs. '000)

Reportable Segments	Basic Services	Long Distance Services	Integrated Broadband Services	Others	Eliminations	Total
Revenue						
Basic 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

Notes:

1. 'Others' represents the unallocated revenue, profit/(loss), assets and liabilities of the 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:

	Year ended March 31, 2004 (Rs. '000)	Year ended March 31, 2003 (Rs. '000)
Segment Revenue from external customers based on geographical location of customers (including Other Income)		
Within India	15,735,810	8,929,956
Others	4,781,196	2,136,659
	<u>20,517,006</u>	<u>11,066,615</u>
Carrying amount of Segment Assets by geographical location		
Within India	34,330,419	27,263,493
*Others	1,352,725	1,856,227
	<u>35,683,144</u>	<u>29,119,720</u>
Cost incurred during the year to acquire Segment Assets by geographical location		
Within India	6,878,859	11,985,527
Others	731,952	623,831
	<u>7,610,811</u>	<u>12,609,358</u>

* Includes Rs. 920,302 thousand (Previous year Rs. 213,988 thousand) unallocable deferred tax asset and Rs. 30,463 thousand (Previous year Rs. 68,589 thousand) unallocable miscellaneous expenditure (to the extent not written off).

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

13. Quantitative Information

(Value in Rs. '000)

	Opening Balances April 1, 2003		Purchases* 2003-04		2002-03		2003-04		Sales/Utilisation 2002-03		As at March 31, 2004		As at March 31, 2003	
	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value	Qty. Nos.	Value
PAMA VSATs Assembly sets	145	11,319	-	-	-	-	-	-	-	-	145	11,319	145	11,319
VSAT Equipment	-	966	-	32,662	-	319	-	595	-	-	-	32,086	-	966
Broadband Interactive Terminal/Gateways	70	520	-	-	-	-	-	-	-	-	70	520	70	520
Dark Fibre	-	-	1	25,090	-	-	1	54,548	-	-	-	-	-	-
Internet Modem	21	4,350	33	1,910	151	17,428	22	4,951	-	-	32	3,330	21	4,350
Total		17,155		59,662		17,747		60,094				47,255		17,155

* Includes cost transferred from fixed assets.

Schedules Annexed to and forming part of Accounts

14. Directors' Remuneration

Particulars	Year ended March 31, 2004 (Rs. '000)
Salary and Allowances *	24,271
Contribution to PF & Other funds	1,752
Total	26,023

* Excludes expenditure for the year on ESOP granted to a Director aggregating to Rs. 2,500 thousand for which the options have not been exercised by the Director.

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.

15. Auditors Remuneration

Particulars	Year ended March 31, 2004 (Rs. '000)	Year ended March 31, 2003 (Rs. '000)
Audit Fee*	11,700	7,037
Other Services	84	74
Reimbursement of Expenses	1,058	330
Total	12,842	7,441

* Excluding Service Tax

16. Earnings Per Share

Particulars	Year ended March 31, 2004	Year ended March 31, 2003
Basic and Diluted Earnings per Share:		
a) Profit/(Loss) after tax attributable to Equity Shareholders (Rs. '000) (A)	3,405,427	(134,883)
b) Weighted Average Number of Equity Shares Outstanding during the year (B)	277,200,000	277,200,000
c) Nominal Value of Equity Shares (Rs.)	10/-	10/-
d) Basic and Diluted Earnings per Share (Rs.) (A) / (B)	12.29	(0.49)

17. Details of SSI Creditor

Creditor more than 30 Days	Amount as at March 31, 2004 (Rs. '000)	Amount as at March 31, 2003 (Rs. '000)
Riding Consulting Engineers Pvt. Ltd.	108	478
Interface Electronics Pvt. Ltd.	-	171
Rectifiers and Control	113	733
Modern Engineers Construction Coop. Society	10	-

Schedules Annexed to and forming part of Accounts

18. The net Deferred Tax Asset as on March 31, 2004 amounts to Rs. 920,302 thousand (Previous year: Rs. 213,988 thousand). The amount has been arrived at as follows:

Deferred Tax Assets arising from:	2003-2004 (Rs. '000)	2002-2003 (Rs. '000)
(i) Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act	103,050	16,057
(ii) Unabsorbed depreciation allowance and unabsorbed business loss carried forward (to the extent considered realizable)	1,331,366	1,284,477
	1,434,416	1,300,534
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.	514,114	1,086,546
Net Deferred Tax Asset/(Liability) *	920,302	213,988

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.

19. Export Obligation

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

Under the terms of the scheme, the Company is required to export goods of FOB value equivalent to, or more than, five times the CIF value of imports in respect of certain licences and eight times the duty saved in respect of licences where export obligation has been refixed by the order of Director General Foreign Trade, Ministry of Finance.

Accordingly under the revised obligation, the Company is now required to export goods of FOB value of atleast Rs. 6,515,364 thousand.

20. 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.

			8	8	7	5	6
--	--	--	---	---	---	---	---

 State Code

5	5
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Balance Sheet Date

3	1	-	0	3	-	0	4
---	---	---	---	---	---	---	---

Date Month Year

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

Public Issue	Rights Issue																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										
Bonus Issue	Private Placement																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										

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

Sources of funds	Total Assets																	
Total Liabilities	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>9</td><td>3</td><td>9</td><td>6</td><td>7</td><td>8</td><td>8</td></tr></table>	2	9	3	9	6	7	8	8									
2	9	3	9	6	7	8	8											
Paid up Capital	Reserves and Surplus																	
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>7</td><td>7</td><td>2</td><td>0</td><td>0</td><td>0</td></tr></table>		2	7	7	2	0	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>3</td><td>5</td><td>3</td><td>7</td><td>5</td><td>7</td></tr></table>		1	3	5	3	7	5	7	
	2	7	7	2	0	0	0											
	1	3	5	3	7	5	7											
Secured Loans	Unsecured Loans																	
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>6</td><td>3</td><td>5</td><td>8</td><td>0</td><td>6</td><td>7</td></tr></table>		6	3	5	8	0	6	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>8</td><td>9</td><td>1</td><td>2</td><td>9</td><td>6</td><td>4</td></tr></table>		1	8	9	1	2	9	6	4
	6	3	5	8	0	6	7											
	1	8	9	1	2	9	6	4										
Application of funds	Investments																	
Net Fixed Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>0</td><td>3</td><td>0</td><td>0</td><td>0</td></tr></table>			1	0	3	0	0	0									
		1	0	3	0	0	0											
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>8</td><td>5</td><td>3</td><td>9</td><td>7</td><td>5</td><td>8</td></tr></table>	2	8	5	3	9	7	5	8	Miscellaneous Expenditure									
2	8	5	3	9	7	5	8											
Net Current Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>3</td><td>0</td><td>4</td><td>6</td><td>3</td></tr></table>				3	0	4	6	3									
			3	0	4	6	3											
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>(</td><td>1</td><td>9</td><td>6</td><td>7</td><td>3</td><td>5</td><td>)</td></tr></table>	(1	9	6	7	3	5)										
(1	9	6	7	3	5)											
Accumulated Losses																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>-</td></tr></table>								-										
							-											

IV. Performance of the Company (Amount in thousands)

Turnover	Total Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>5</td><td>1</td><td>7</td><td>0</td><td>0</td><td>6</td></tr></table>	2	0	5	1	7	0	0	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>7</td><td>5</td><td>9</td><td>5</td><td>5</td><td>7</td><td>2</td></tr></table>	1	7	5	9	5	5	7	2
2	0	5	1	7	0	0	6										
1	7	5	9	5	5	7	2										
Profit/(Loss) Before Tax	Profit/(Loss) After Tax																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>9</td><td>2</td><td>1</td><td>4</td><td>3</td><td>4</td></tr></table>		2	9	2	1	4	3	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>4</td><td>0</td><td>5</td><td>4</td><td>2</td><td>7</td></tr></table>		3	4	0	5	4	2	7
	2	9	2	1	4	3	4										
	3	4	0	5	4	2	7										
Earning per Share in Rs.	Dividend Rate																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>2</td><td>.</td><td>2</td><td>9</td></tr></table>				1	2	.	2	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
			1	2	.	2	9										
					N	I	L										

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

Item Code No. (ITC Code)

N	O	T		A	P	P	L	I	C	A	B	L	E						
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Product Description

BASIC TELEPHONE SERVICES & LONG DISTANCE COMMUNICATIONS SERVICES
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On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

Place : New Delhi
Date : April 21, 2004

NIKHIL KULSHRESHTHA
Company Secretary

SHAMIK DAS
Chief Financial Officer

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 :	31-03-2004	31-03-2004
3. Shares of the Subsidiary held by the Company on the above dates:		
(a) Nos.	100,000	1,275,000
(b) Face Value	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 31-03-2004	Nil	Nil
(b) Not dealt with in the Accounts of the Company for the year ended 31-03-2004	3,037	12,735
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 31-03-2003	Nil	Nil
(b) Not dealt with in the Accounts of the Company for the year ended 31-03-2003	(11,037)	(4,479)

On behalf of the Board

RAJAN BHARTI MITTAL
Managing Director

BADRI AGARWAL
Director

Place : New Delhi
Date : April 21, 2004

NIKHIL KULSHRESHTHA
Company Secretary

SHAMIK DAS
Chief Financial Officer