

BHARTI TELESONIC LIMITED

*Long Distance Telecommunication Services*

– National Long Distance

– International Long Distance

## BHARTI TELESONIC LIMITED

## DIRECTORS' REPORT

**To Our Members,**

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

**INDUSTRY OVERVIEW**

The year under review, being the second year of operations of the Company was a watershed in the history of the India's telecom and the Company. The Company became the first company in the private sector in India to obtain the National Long Distance Licence and operate the National Long Distance services. Prices were brought down by more than 50%, ushering in an era of low-cost affordable long distance telecom services to the Indian consumer. The Company launched its mobile-to-mobile STD service on January 26, 2002, connecting all leading private cellular operators.

During the year, International Long Distance (ILD) services were also opened up for participation to private sector. The Company has already obtained the ILD license and is all set to launch the services upon receipt of requisite security clearances.

**REVIEW OF OPERATIONS**

The Company started commercial operations on January 26, 2002, and made operating profit (EBITDA) in the very first year of its operations. The Company registered a turnover of Rs. 123.78 million (net off access charges Rs. 200 Millions) and EBITDA of Rs. 36.48 million for the financial year 2001-02.

During the year, the Company has laid around 7500 km of fibre, totalling to 12000 km of lit fibre.

**DIVIDEND**

The Directors do not recommend any dividend for the year.

**MAJOR EVENTS**

In keeping with the Group's strategy to consolidate the Long Distance and Networks related businesses under the Company, the Company acquired 51% equity stake in Bharti Aquanet Limited, which is engaged in setting up a landing station at Chennai, by making it a subsidiary to this Company. Balance 49% is held SingTel i2i Pvt Limited.

The Company also acquired 100% equity stake in J. D. Projects (Private) Limited, thereby making it a 100% wholly owned subsidiary of the Company.

**DIRECTORS**

Mr. Akhil Gupta is due to retire by rotation at the Second Annual General Meeting and being eligible, has offered himself for re-appointment. The Board recommends his reappointment.

**FIXED DEPOSITS**

The Company had not accepted any deposits from the public and is therefore not required to furnish information in respect of outstanding deposits under the Non Banking Financial Companies (Reserve Bank) Directions, 1966, and Companies (Acceptance of Deposits) Rules, 1975.

**AUDITORS REPORT**

The Auditors' Report to Accounts have been duly considered by the Board and clarification, wherever necessary, is contained in the NOTES ON ACCOUNTS section.

**AUDITORS**

The Statutory Auditors, M/s. Price Waterhouse, Chartered

Accountants, will retire at the conclusion of the forthcoming Annual General Meeting. A certificate has been furnished, to the effect that the appointment, if made, would be within the limits as prescribed under section 224(I-B) of the Companies Act, 1956.

The Directors recommend their re-appointment as the Statutory Auditors.

**STATUTORY STATEMENTS**

The Company does not carry any manufacturing activity and accordingly the provision to furnish information as per Section 217(I) (e) of the Companies Act, 1956, relating to Conservation of Energy, Research and Development and Technology Absorption is not applicable.

During the period under review total Foreign Exchange Earnings were Rs. Nil. The total Foreign Exchange outgo was equivalent to Rs. 1140.40 Million as compared to Rs.182 Million in the previous year.

The information required pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is annexed hereto and forms part of the Report.

**SUBSIDIARY COMPANY**

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

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm:

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

**ACKNOWLEDGEMENT**

The Directors, on behalf of the Company, express their gratitude for the assistance, co-operation and support received from the Group Companies, Department of Telecommunications and other Government agencies / Government Departments and the Company's bankers and institutions.

The Directors wish to place on record, their sincere appreciation of the valuable contribution, unstinted efforts and the sense of purpose shown by the employees of the Company, at all levels.

On behalf of the Board

Place: New Delhi  
Date: July 1, 2002

**AKHIL GUPTA**      **BADRI AGARWAL**  
Director                      Director

**ANNEXURE TO DIRECTORS' REPORT**

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

Sl. No.	Name	Designation	Qualification(s)	Age (In yrs.)	Date of commencement of employment	Total Experience (In years)	Gross Remuneration (In Rs.)	Previous Employment / Designation
<b>(A) EMPLOYED FOR THE FULL FINANCIAL YEAR</b>								
1	N. Arjun	Chief Executive Officer	B.E. MBA	44	01.10.00	22	5,442,000	BTNL, Chief Operating Officer
2	Ramanurthy Kolluri	Chief Technical Officer	B. Tech, M. Tech	47	03.11.00	23	2,736,318	Siemens Public Communication Networks Ltd (VP-Information & Broadband)
<b>(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR</b>								
1	Atul Jain	Chief Marketing Officer	B. Tech, MBA	35	14.05.01	13	1,303,327	Pacific Convergence Corp. (VP. Marketing)
2	Chandran Ghosh	V.P. Commercial (ILD)	Diploma Electrical	43	01.03.02	22	940,978	British Telecom. Director ICS South Asia
3	Col. A.K. Dewan	Chief Executive Officer (Spl. Projects)	M.Sc., AMIE	59	01.04.01	38	1,841,507	Bharti Tele-Ventures Ltd., CEO (IFD)
4	N. Gambhir	Head Network Operations	Dip. in Electrical, IETE	52	30.04.01	32	1,630,051	VSNL, GM

**Notes**

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

## AUDITORS' REPORT

## To The Members of Bharti Telesonic Limited

1. We have audited the attached Balance Sheet of Bharti Telesonic Limited as at March 31, 2002, and also the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with 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. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon/attached thereto and the Statement on Significant Accounting Policies give in the prescribed manner the information required by 'The Companies Act, 1956,' of India (the 'Act'), and also give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
  - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.
4. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books and the aforementioned Balance Sheet and Profit and loss Account are in agreement therewith.
5. In our opinion, the Balance Sheet and Profit and Loss Account have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
6. Based on the written representations received from the Company on behalf of the Directors, as on March 31, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2002, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
7. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 dated September 7, 1988, issued by the Central Government of India in terms of Section 227 (4A) of the Act and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

- (i) (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
  - (b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which is considered reasonable by us. Pursuant to the programme, a physical verification was carried out during the year and this revealed no material discrepancies.
- (ii) The fixed assets of the Company have not been revalued during the year.
- (iii) In our opinion the terms and conditions of interest free unsecured loan taken by the Company during the year, from the holding company are prima facie not prejudicial to the interests of the Company. The Company has not taken any other loans from companies, firms or other parties listed in the register maintained under Section 301 of the Act.
- (iv) The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Act other than security deposits paid to subsidiaries towards property on lease and deposit to a fellow subsidiary towards use of fixed assets.
- (v) The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest (as applicable) in most cases. In those cases where principal amounts and/or interests are not being paid as stipulated, reasonable steps have been or are being taken by the Company for recovery of the principal and/or interest.
- (vi) In our opinion in general there is, an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of services.
- (vii) In our opinion purchase of goods and materials and sale of services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year Rs. 50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials, or services or the prices at which the transactions for similar goods or services have been made with other parties. The Company has not sold any goods and materials aggregating Rs. 50,000/- or more in value to any of the parties listed in the register maintained under Section 301 of the Act.

- (viii) The Company has not accepted any deposits from the public.
- (ix) In our opinion, the Company's present internal audit system is generally commensurate with its size and nature of business.
- (x) The Company has regularly deposited, during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
- (xi) At the last day of the financial year, there were no amounts outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- (xii) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of any such case by the management other than those payable under contractual obligations and/or accepted business practices.
- (xiii) In respect of services rendered:
  - (a) The nature of the services rendered is such that it does not involve consumption of materials.

- (b) Considering the nature of services rendered, it is not necessary to have a system of allocation of man-hours utilised to the relative jobs.
  - (c) In our opinion, there is a reasonable system of authorisation at proper levels with necessary controls on the issue of stores and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.
  - (xiv) The other clauses of the order are either not applicable or not relevant to the operations of the Company for the year, and accordingly we have not reported on matters specified in such clauses.
- Place: New Delhi  
Date: July 1, 2002

**U. RAJEEV**  
Partner  
For and on behalf of

**PRICE WATERHOUSE**  
Chartered Accountants

## BALANCE SHEET AS AT MARCH 31, 2002

	Schedule No.	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2,500,000,000	500,000,000
Reserves and Surplus	2	-	2,000,000,000
<b>Loan Funds</b>			
Unsecured Loans	3	4,809,366,916	178,536,277
<b>Total</b>		<u>7,309,366,916</u>	<u>2,678,536,277</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	1,717,332,121	5,648,950
Less: Depreciation		38,354,692	961,624
<b>Net Block</b>		<b>1,678,977,429</b>	<b>4,687,326</b>
Capital Work in Progress		4,629,970,545	594,227,881
Unamortised License Fee	5	1,241,596,639	-
Pre-operative Expenditure pending allocation	6	4,244,383	70,273,453
Investments	7	175,459,054	155,866,870
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	8	181,773,693	-
Cash and Bank Balances	9	945,964	79,699,174
Loans and Advances	10	1,621,080,497	2,108,933,277
		1,803,800,154	2,188,632,451
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	11	2,336,057,029	334,042,492
Provisions		4,114,466	1,219,752
		2,340,171,495	335,262,244
<b>Net Current Assets</b>		<b>(536,371,341)</b>	<b>(1,853,370,207)</b>
Deferred Tax Asset	20 (13) & 21 (5)	12,987,529	-
Miscellaneous Expenditure (to the extent not written off or adjusted)	12	16,030,790	110,540
<b>Profit and Loss Account</b>		<b>86,471,888</b>	<b>-</b>
<b>Total</b>		<u><b>7,309,366,916</b></u>	<u><b>2,678,536,277</b></u>
Significant Accounting Policies	20		
Notes on Accounts	21		

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

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

Place : New Delhi  
Date: July 1, 2002

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

On behalf of the Board

AKHIL GUPTA  
Director

BADRI AGARWAL  
Director

VIVEK AGARWAL  
Chief Financial Officer

NIKHIL KULSHRESHTHA  
Company Secretary

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

	Schedule No.	For the year ended March 31, 2002 Rs.
<b>INCOME</b>		
Service Revenue-Voice		322,456,076
Less : Revenue share		<u>200,894,586</u>
		121,561,490
Service Revenue-Data		1,646,782
Other Income	13	567,743
		<u>123,776,015</u>
<b>EXPENDITURE</b>		
Network Operating	14	38,016,880
Personnel	15	22,128,039
Sales and Marketing	16	4,135,696
Administrative and Others	17	23,013,459
		<u>87,294,074</u>
<b>Operating Profit before License Fee, Amortisations, Finance Expenses (net) and Depreciation</b>		<b>36,481,941</b>
License Fee to DoT - Revenue Share		18,584,473
Finance Expenses (net)	19	14,625,574
<b>Profit before Depreciation and Amortisation</b>		<b>3,271,894</b>
Amortisation	18	67,998,750
Depreciation		34,732,561
<b>Loss before Tax</b>		<b>(99,459,417)</b>
Deferred Tax	20 (13) & 21 (5)	12,987,529
<b>Loss after Tax</b>		<b>(86,471,888)</b>
<b>Loss Carried Forward to Balance Sheet</b>		<b>(86,471,888)</b>
<b>Earning per Share (Loss)</b>	21 (11)	<b>(0.35)</b>
Significant Accounting Policies	20	
Notes to Accounts	21	

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

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

Place : New Delhi  
Date: July 1, 2002

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

On behalf of the Board

AKHIL GUPTA  
Director

BADRI AGARWAL  
Director

VIVEK AGARWAL  
Chief Financial Officer

NIKHIL KULSHRESHTHA  
Company Secretary

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 Rs.	As at March 31, 2001 Rs.
<b>SCHEDULE – 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
250,000,000 Equity Shares of Rs. 10/- each (previous year 50,000,000 Equity Shares of Rs. 10/- each)	2,500,000,000	500,000,000
<b>Issued, Subscribed and Paid up</b>		
250,000,000 Equity Shares of Rs. 10/- each * (previous year 50,000,000 Equity Shares of Rs. 10/- each)	2,500,000,000	500,000,000
*of the above 175,000,000 (Previous Year 45,000,000) equity shares are held by Bharti Tele-Ventures Limited, the holding Company		
*during the period 200,000,000 shares of Rs. 10/- each have been issued as fully paid bonus shares by utilisation of the balance in share premium account		
<b>SCHEDULE – 2</b>		
<b>Reserves and Surplus</b>		
<b>Share premium account</b>		
Opening Balance	2,000,000,000	
Less : Utilized for issue of fully paid up bonus shares	2,000,000,000	2,000,000,000
		2,000,000,000
<b>SCHEDULE – 3</b>		
<b>UNSECURED LOANS</b>		
<b>Short Term</b>		
(Refer Note 12 on Schedule 21)		
– Infrastructure Leasing & Financial Services Ltd.	500,000,000	–
<b>Others</b>		
– Bharti Tele-Ventures Ltd. the holding Company	4,309,366,916	178,536,277
	4,809,366,916	178,536,277

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

## SCHEDULE – 4

(Refer Note 1 &amp; 2 on Schedule 20 and Note 4 on Schedule 21)

## FIXED ASSETS

Particulars	Gross Block		Depreciation		Net Block	
	As at April 1, 2001	Additions during the year	As at April 1, 2001	For the period	As at March 31, 2002	As at March 31, 2001
Land	297,375	–	–	–	297,375	297,375
Plant & Machinery***	22,565	1,554,787,038	420	28,098,861	1,526,710,322	22,145
Leasehold Improvements	19,500	83,430,067	19,500	2,088,612	81,341,455	–
Office Equipment	526,696	27,845,880	70,545	1,209,572	27,092,459	456,151
Computer	4,633,771	32,981,518	849,880	5,484,831	31,280,578	3,783,891
Generators	34,885	9,030,959	301	302,912	8,762,631	34,584
Furniture & Fixture	114,158	3,607,709	20,978	208,280	3,492,609	93,180
<b>Total :</b>	<b>5,648,950</b>	<b>1,711,683,171</b>	<b>961,624</b>	<b>37,393,068</b>	<b>1,678,977,429</b>	<b>4,687,326</b>
<b>Capital Work in Progress</b>	–	–	–	–	4,629,970,545	594,227,881
<b>Total</b>	<b>5,648,950</b>	<b>1,711,683,171</b>	<b>961,624</b>	<b>37,393,068</b>	<b>6,308,947,974</b>	<b>598,915,207</b>
Previous Year		5,648,950		961,624	4,687,326	

Note 1: Additions to P&amp;M during the year include Rs. 5.7 Millions being loss (Previous year Rs. Nil) on account of fluctuation in Exchange rate for purchase of fixed assets.

Note 2: CWIP as on 31.3.02. Includes Rs. 7.32 Millions being loss on account of fluctuation in exchange rates (Previous Year Rs. 0.1 millions)

Note 3: CWIP includes capital advances of Rs. 154.18 Millions (Previous Year Rs. 11.79 millions)

\*\*\*The Company owns network infrastructure jointly with a fellow subsidiary under an agreement in the proportion of 54:46, the prorate cost of such assets and related depreciation included above is as below:

<b>Cost</b>	
Opening Balance	–
Addition during the year	508,621,383
<b>Total Cost</b>	<b>508,621,383</b>
<b>Depreciation</b>	
Opening Balance	–
For the year	9,225,069
<b>Accumulated Depreciation</b>	<b>9,225,069</b>
<b>Written Down Value as on March 31, 2002</b>	<b>499,396,314</b>
<b>Written Down Value (Previous Year)</b>	<b>–</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 Rs.	As at March 31, 2001 Rs.
<b>SCHEDULE – 5</b>		
<b>UNAMORTISED LICENCE FEE</b>		
(Refer Note 6 on Schedule 20)		
– License Fee – Entry Fee National Long Distance Telephony		
Opening Balance	–	–
Add – Addition during the year	1,000,000,000	–
Less – Amortised during the year	8,403,361	–
Closing Balance	991,596,639	–
– License Fee –Entry Fee International Long Distance Telephony		
Opening Balance	–	–
Add – Addition during the year	250,000,000	–
Less – Amortised during the year	–	–
Closing Balance	250,000,000	–
	<u>1,241,596,639</u>	<u>–</u>
<b>SCHEDULE – 6</b>		
<b>Pre-operative Expenditure pending allocation</b>		
(Refer Note 11 on Schedule 20)		
Opening Balance	70,273,453	–
Add : Addition during the year		
<b>Marketing Expense</b>		
Direct Marketing & Research	950,139	–
Business promotion	75,925	169,100
Sub Total	<u>1,026,064</u>	<u>169,100</u>
<b>Administrative &amp; Network expenses</b>		
Legal & Professional	6,232,666	1,024,413
Electricity & Water	3,551,521	295,808
Rent office	479,822	6,121,904
Office expenses	3,523,405	423,360
Telephone & Fax, etc.	4,721,921	561,815
Postage Expenses	427,705	25,007
Printing & Stationery	1,658,654	500,434
Traveling – Foreign	234,828	1,159,173
Traveling – Inland	14,893,343	1,961,710
Conveyance	3,279,499	1,402,070
Conference and seminar	1,108,370	105,229
Training	4,013,870	–
Insurance	–	37,522
Brokerage	387,253	263,307
Repairs & Maintenance	934,342	174,759
Security Expenses	5,893,650	119,383
Rates, Fees and Taxes	11,408,060	2,512,967
Leased line	31,280,034	240,724
Vehicle hire charges	1,269,192	–
Depreciation	2,660,507	961,624
Rent Network	15,372,618	–
Generator Fuel	4,120,965	–
Equipment Hire Charges	1,001,347	–
House keeping	867,615	–
Miscellaneous	605,655	–
Sub Total	<u>119,926,842</u>	<u>17,891,209</u>
<b>Personnel Expenses</b>		
Salaries	69,912,042	8,806,821
Contribution to PF and other funds	4,397,670	815,673
Staff welfare expenses	2,618,690	354,617
Recruitment expenses	7,633,739	970,151
Provision for gratuity	1,287,518	141,917
Provision for leave encashment	1,719,162	77,835
Provision for superannuation	1,864,445	249,457
Employee stock option Expenditure	3,493,438	–
Sub Total	<u>92,926,704</u>	<u>11,416,471</u>

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 Rs.	As at March 31, 2001 Rs.
<b>Finance Charges</b>		
Interest on loans	5,066,869	25,192,532
Bank Guarantee charges	7,854,073	16,728,559
Other bank charges	1,015,900	178,158
Other Finance Charges	2,390,000	–
Sub Total	<u>16,326,842</u>	<u>42,099,249</u>
<b>Treasury Income</b>		
Interest on Treasury Bills – gross	–	(2,302,576)
Profit on Sale of Investment	(1,019,152)	–
Sub Total	<u>(1,019,152)</u>	<u>(2,302,576)</u>
Net Finance cost	<u>15,307,690</u>	<u>39,796,673</u>
Miscellaneous Income	(670,423)	–
Provision for taxation	–	1,000,000
Total	<u>298,790,330</u>	<u>70,273,453</u>
Less : Allocated to Fixed Assets	235,429,048	–
Less : Transferred to deferred revenue expenditure	59,116,899	–
Closing Balance	<u>4,244,383</u>	<u>70,273,453</u>
<b>SCHEDULE – 7</b>		
<b>INVESTMENTS, AT Cost</b>		
(Refer Note 5 on Schedule 20)		
<b>Current Investment – Non-Trade</b>		
Unquoted	–	–
Investment in treasury bills	–	155,866,870
<b>Long Term Investment – Trade</b>		
Unquoted	–	–
<b>Shares in Subsidiary Companies</b>		
JD Projects ( P ) Ltd. – 1,000,030 Equity Shares (Previous year Nil) of Rs.10 each, fully paid up	73,459,124	–
Bharti Aqanet Ltd. – 1,275,000 Equity Shares (Previous year Nil) of Rs.10 each, fully paid up	101,999,930	–
	<u>175,459,054</u>	<u>155,866,870</u>
Aggregate value of unquoted investments Rs. 175,459,054 (Previous year 155,866,870)		
<b>SCHEDULE – 8</b>		
<b>SUNDRY DEBTORS</b>		
(Refer Note 6(b) on Schedule 21)		
(Unsecured – considered good unless otherwise stated)		
<b>Others (Less than six months)</b>		
Considered Good	181,773,693	–
	<u>181,773,693</u>	<u>–</u>
<b>SCHEDULE – 9</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in Hand	462,452	86,399
Cheques in Hand	–	78,265,342
Bank Balances		
– With scheduled Banks –In Current Account	349,862	1,277,433
Fixed Deposits (Pledged against bank Guarantee)	133,650	70,000
	<u>945,964</u>	<u>79,699,174</u>
<b>SCHEDULE – 10</b>		
<b>LOANS AND ADVANCES</b>		
(Refer note 6 (a) on Schedule 21)		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received; considered good*	1,579,105,572	2,107,070,351
Interest accrued on Investment	–	1,862,926

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at March 31, 2002 Rs.	As at March 31, 2001 Rs.
Security Deposit with Subsidiaries	41,854,176	-
Advance Tax/ TDS Recoverable {net of provision for tax Rs.1,000,000 (Previous year Nil)}	120,749	-
	<u>1,621,080,497</u>	<u>2,108,933,277</u>
* Include Rs 80,000/- (Previous year Nil) paid as sales tax under protest to sales tax authorities		
<b>SCHEDULE – 11 CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	2,227,479,878	246,651,645
Other Liabilities	3,983,830	87,390,847
Interest accrued but not due	12,205,479	-
Book Overdraft	92,387,842	-
	<u>2,336,057,029</u>	<u>334,042,492</u>
<b>Provisions (Refer Note 8 on Schedule 20)</b>		
Gratuity	1,292,686	219,752
Leave Encashment	987,556	-
Superannuation	1,834,224	-
Provision for Tax	-	1,000,000
	<u>4,114,466</u>	<u>1,219,752</u>
	<u>2,340,171,495</u>	<u>335,262,244</u>
<b>SCHEDULE – 12 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) (Refer Note 9 and 11 on schedule 20)</b>		
- Deferred Employee compensation expenditure		
Opening Balance	-	-
Add - Addition during the year	19,892,178	-
Less - Amortised during the year	3,861,388	-
Closing Balance	<u>16,030,790</u>	-
- Deferred Revenue Expenditure		
Opening Balance	-	-
Add - Addition during the year	59,116,899	-
Less - Amortised during the year	59,116,899	-
Closing Balance	-	-
- Preliminary Expenses		
Opening Balance	110,540	-
Add - Addition during the year	-	-
Less - Amortised during the year	110,540	-
Closing Balance	-	110,540
<b>TOTAL</b>	<u>16,030,790</u>	<u>110,540</u>

Particulars	For the year ended March 31, 2002 (Rs.)
<b>SCHEDULE – 13 OTHER INCOME</b>	
Miscellaneous income	567,743
<b>Total</b>	<u>567,743</u>
<b>SCHEDULE – 14 NETWORK OPERATING EXPENDITURE</b>	
Power & Fuel	1,751,816
Rent	2,656,546
Lease Line	27,694,936

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	For the year ended March 31, 2002 Rs.
Insurance	120,000
Repair and Maintenance	2,574,756
Vehicle running & Maintenance	3,218,826
<b>Total</b>	<u>38,016,880</u>
<b>SCHEDULE – 15 PERSONNEL EXPENDITURE (Refer Note 8 on Schedule 20)</b>	
Salaries, Wages and Bonus	19,120,583
Contribution to Provident and Other Funds	1,428,603
Staff Welfare Expenses	694,662
Recruitment and Training Expenses	884,191
<b>Total</b>	<u>22,128,039</u>
<b>SCHEDULE – 16 SALES AND MARKETING EXPENDITURE</b>	
Advertising & Marketing Expenses	4,135,696
<b>Total</b>	<u>4,135,696</u>
<b>SCHEDULE – 17 ADMINISTRATIVE AND OTHER EXPENDITURE</b>	
Legal and Professional Charges	3,083,045
Rates, Fees and Taxes	702,781
Electricity and Water	3,254,207
Telephone, Telex and Postage	1,996,697
Printing and Stationery	1,437,073
Travelling and Conveyance	5,505,408
Auditors Remuneration	105,000
Rent	2,077,519
Repair and Maintenance	724,629
Insurance	80,001
Training	1,647,261
Miscellaneous Expenses	403,267
House Keeping	669,606
Watch & Ward	1,326,965
<b>Total</b>	<u>23,013,459</u>
<b>SCHEDULE – 18 AMORTISATIONS</b>	
Deferred revenue expenditure	59,116,899
License Fee - Entry Fee	8,403,361
Employee Stock options Expenses	367,950
Preliminary Expenditure	110,540
	<u>67,998,750</u>
<b>SCHEDULE – 19 FINANCE EXPENSES</b>	
<b>Expense:</b>	
Interest :	
- On Term Loan	8,781,253
Bank Guarantee Charges	5,733,111
Other Finance Charges	118,156
	<u>14,632,520</u>
<b>Less : Income</b>	
Interest Income - others	6,946
	<u>6,946</u>
<b>Total</b>	<u>14,625,574</u>

## SCHEDULE : 20

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

## 1. FIXED ASSETS

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

Capital work in progress is stated at cost.

## 2. DEPRECIATION

Depreciation is provided on straight-line method at the rates prescribed by Schedule XIV to the Companies Act, 1956, except for the following on which depreciation is provided on straight-line method to write off their cost over their estimated useful lives. The depreciation rates are as follows:

	Rate of Depreciation
Office Equipment	20%
Computer	33.33%
Furniture & Fixtures	20%
Leasehold Improvements	Period of lease

Depreciation is provided for the full value on all assets costing less than Rs. 5,000/-.  
Software up to Rs. 500 thousand is written off in the year of purchase.

## 3. REVENUE RECOGNITION

Revenue on account of provision of Voice services is recognised on completion of provision of services. Revenue on account of Bandwidth services is recognised on time proportion basis. Revenue is net of discounts and waivers.

## 4. INVENTORIES

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

## 5. INVESTMENTS

Long term Investments are valued at cost. Provision is made for diminution in value to recognise a decline, if any other than of temporary nature. Current Investments are valued at lower of cost or fair market value.

## 6. LICENSE FEES

Fixed component of License fee payable by the Company, upon grant of National Long Distance Service License and International Long Distance Service License has been capitalised as an asset and shown under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)." The entry fee so capitalised is being amortised equally over the remaining period of license from the date of commencement of respective services.

The variable license fee computed at prescribed rates is being charged to profit & loss account in the year in which the related revenue arise.

## 7. TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Transactions in Foreign Currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary items are restated at year-end foreign exchange rates. Resultant exchange differences arising on payment or conversion of liabilities are recognised as Income or Expense in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset.

## 8. RETIREMENT BENEFITS

The Company has provided for the liability on account of unavailed earned leave and gratuity, payable to its employees, as per actuarial valuation done on the basis of projected unit credit method.

## 9. EMPLOYEE STOCK OPTION SCHEME

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

## 10. 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.

## 11. MISCELLANEOUS EXPENDITURE

Expenditure incurred by the Company from the date of incorporation to the date of commencement of commercial operations not directly related to fixed assets is treated as Deferred Revenue Expenditure.

Preliminary expenses and Deferred Revenue Expenditure are charged to the Profit & Loss account on commencement of commercial operations.

## 12. EARNING PER SHARE

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

## 13. TAXATION

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

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred Tax asset to the extent it pertains to unabsorbed losses / 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.

## 14. LEASES

## As Lessee - Operating Lease

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

## 15. SEGMENT REPORTING

## (a) Primary Segment:

The Company operates only in one business segment, viz. 'National Long Distance Telephony' in the current year.

## (b) Secondary Segment:

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

## SCHEDULE - 21

## NOTES TO THE ACCOUNTS

- The Company was incorporated in August 2000, and is registered as Infrastructure Provider Category I (IP-I) The Company has been awarded license to provide National long Distance Service on November 29, 2001, and started its commercial operations on January 26, 2002.

The Company has been granted International Long Distance Service License on March 14, 2002. Expenditure directly relating to International Long Distance Service has been treated as Pre-operative expenditure pending allocation to be allocated to fixed assets / deferred revenue expenditure respectively in the year of commencement of commercial operations.

- Outstanding performance and Financial Bank Guarantee as on March 31, 2002, is Rs. 4,875,310 thousand (previous year 40,570 thousand)
  - Outstanding performance and Financial Bank Guarantee issued on behalf of the Company by the other companies as on March 31, 2002, is Rs. 92,310 thousand (previous year 94,810 thousand)
- Estimated amount of contracts remaining to be executed on the capital account and not provided for (net of advances) are Rs. 905,580 thousand (previous year Rs. 2,040,400 thousand).
- The Company is sharing a backbone network at Madhya Pradesh with a fellow subsidiary, Bharti Telenet Limited (BTNL), under test conditions for the year ended March 31, 2002. The Company had advanced an amount of Rs. 1,500,000 thousand to BTNL in the prior year.
- In view of Accounting Standard - 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the Company has started accounting for Deferred Taxes with effect from April 1, 2001, as follows:

Break-up of Deferred Tax Assets into major components of the respective the balances is as under:

	Particulars	Amount (Rupees)
(i)	Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return (Liability).	(66,510,463)
(ii)	Tax impact of difference between license fee amount of amortised in the financial statements and the income tax return (Liability).	(15,286,765)
(iii)	Tax impact of Carried forward losses in the Income Tax (Asset).	94,784,757
	Net Deferred Tax Asset	12,987,529

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

6. Amount due from the companies under the same management as defined under section 370 (1) (B) of the companies Act, 1956, as at March 2002, is as follows:

- (a) Amounts included in Loans & Advances (Refer schedule 10):

	Amount Outstanding As at March 2002 (Rs.)	Maximum Amount Outstanding during the year As at March 2002 (Rs.)	Amount Outstanding As at March 2001 (Rs.)	Maximum Amount Outstanding during the year As at March 2001 (Rs.)
Bharti Telenet Ltd.	149,96,75,769	150,00,50,291	150,00,00,000	150,00,00,000
Bharti Mobile Ltd.	-	57,82,65,342	57,82,65,342	57,82,65,342
Bharti Aquanet Ltd.	11,833,405	231,600,000	-	-
Bharti BT Internet Ltd.	450,918	1,94,09,560	-	-
J.D. Projects (P) Ltd.	30,431,876	31,854,176	-	-

- (b) Amounts included in Debtors (Refer schedule 8):

Bharti Telenet Ltd.	2,704,002	-
Bharti Mobile Ltd.	12,816,323	-
Bharti Mobinet Ltd.	4,882,954	-
Bharti Cellular Ltd.	43,613,147	-
Bharti BT Internet Ltd.	881,141	-

7. Expenditure in Foreign Currency:

	As at March 2002 (Rs.)	As at March 2001 (Rs.)
Travelling	347,719	407,924
Member ship Fee	281,670	-
Interest	974,395	-

8. CIF Value of Imports:

	As at March 2002 (Rs.)	As at March 2001 (Rs.)
Capital Goods	1,744,200,993	267,244,023

9. Auditors' Remuneration:

	As at March 2002 (Rs.)	As at March 2001 (Rs.)
Audit Fee*	100,000	100,000
Reimbursement of Expenses	17,809	-
*Exclusive of service tax		

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

Particulars	No	Rate of Interest	Face value	Purchase cost	Sales proceeds
JD Project Pvt. Ltd.	1,000,030	N.A.	10,000,300	73,459,124	N.A.
Bharti Aquanet Ltd.	1,275,000	N.A.	12,750,000	101,999,440	N.A.
Treasury Bills	1,700,000	N.A.	155,866,870	155,866,870	158,535,330
Mutual Funds	2,451,977	N.A.	24,519,770	35,500,000	35,713,321

11. Earning per share:

	Year ended March 31, 2002 (Rs.)	Year ended March 31, 2001 (Rs.)
Opening number of shares	50,000,000	N.A.
Closing number of shares	250,000,000	50,000,000
Weighted Average number of shares outstanding	250,000,000	Nil
Profit (loss) after tax (in Rupees)	(86,471,888)	N.A.
EPS (in Rupees)*	(0.35)	N.A.

\* Also refer Note 12 on Schedule 20

12. Loan amounting to Rs. 500,000 thousand (previous year Nil) from Infrastructure Leasing & Financial Services has been secured by an unconditional and irrevocable corporate guarantee of Bharti Televentures Limited, the holding company.

13. This being the first year of commercial operation, previous year figures for profit & loss account is not provided.

14. Previous years figures have been regrouped / reclassified where ever necessary.

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

### I. Registration Details

Registration No.	1 0 7 0 1 2	State Code	5 5
Balance Sheet Date	3 1 - 0 3 - 0 2	Date	Month Year

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

Public Issue		Rights Issue	
Bonus Issue	2 0 0 0 0 0 0	Private Placement	

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

Total Liabilities	7 3 0 9 3 6 7	Total Assets	7 3 0 9 3 6 7
Sources of funds	Paid-Up Capital 2 5 0 0 0 0 0	Reserves & Surplus	
Application of funds	Secured Loans Net Fixed Assets 6 3 0 8 9 4 8 Net Current Assets (-) 5 3 6 3 7 1 Accumulated Losses 8 6 4 7 2 Unamortised Licence Fee 1 2 4 1 5 9 7	Unsecured Loans	4 8 0 9 3 6 7
		Investments	1 7 5 4 5 9
		Misc. Expenditure	1 6 0 3 1
		Deferred Tax Assets	1 2 9 8 7
		Pre-Operative expenditure	4 2 4 4

### IV. Performance of the Company (Amount in thousands)

Turnover	1 2 3 7 7 6	Total Expenditure	2 2 3 2 3 5
Profit / (Loss) Before Tax	(-) 9 9 4 5 9	Profit / (Loss) After Tax	(-) 8 6 4 7 2
Earnings Per Share in Rs.	(-) 0 . 3 5		

### V. Generic Names of three principal products / services of the Company (as per monetary limit)

Item Code No. (ITC Code)	N O T A P P L I C A B L E
Product Description	N A T I O N A L L O N G D I S T A N C E C O M M U N I C A T I O N S E R V I C E

On behalf of the Board

AKHIL GUPTA  
Director

BADRI AGARWAL  
Director

Place : New Delhi  
Date: July 1, 2002

VIVEK AGARWAL  
Chief Financial Officer

NIKHIL KULSHRESHTHA  
Company Secretary

BHARTI TELESONIC LIMITED

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

1.	Name of the Subsidiary	JD Projects Private Limited	Bharti Aquanet Limited
2.	Financial year of Subsidiary ended on	31.03.2002	31.03.2002
3.	Shares of the Subsidiary held by the Company on the above dates		
	(a) Nos.	1,000,030	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		
	(a) Dealt with in the Accounts of the Company for the year ended 31.03.2002	Nil	Nil
	(b) Not dealt with the Accounts of the Company for the year ended 31.03.2002	2,161,535	2,157,268
5.	Net aggregate amount of profit/ (losses) for previous financial years of the Subsidiary, since it became a Subsidiary so far as they concern members of the Company		
	(a) Dealt with in the Accounts of the Company for the year ended 31.03.2001	Nil	Nil
	(b) Not dealt with the Accounts of the Company for the year ended 31.03.2001	Nil	Nil

On behalf of the Board

**AKHIL GUPTA**  
Director

**BADRI AGARWAL**  
Director

Place : New Delhi  
Date: July 1, 2002

**VIVEK AGARWAL**  
Chief Financial Officer

**NIKHIL KULSHRESHTHA**  
Company Secretary