Quarterly report on the results for the period of the third quarter and nine months ended December 31, 2005

Bharti Tele-Ventures Limited
(Incorporated as a public limited company on July 7, 1995 under the Companies Act, 1956)
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Most Customer Responsive Telco Award '05

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Asiamoney Best Managed Company – Large Cap

National Awards, Global Recognitions

Innovating With New Paradigms

Leading Market Growth, Building Lifetime Relationships

January 24, 2006

The financial statements included in this quarterly report fairly presents in all material respects the financial condition, results of operations, cash flows of the company as of, and for the periods presented in this report.

Sunil B Mittal Chief Executive Officer Chairman & Group Managing Director	Akhil Gupta Chief Financial Officer Joint Managing Director

Supplemental Disclosures

Safe Harbor: - Some information in this report may contain forward-looking statements. We have based these forward-looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements' and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and actual results can be material, depending on the circumstances. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as of the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, any forward-looking statement made in this report or elsewhere may or may not occur and has to be understood and read along with this supplemental disclosure.

General Risk: - Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of Bharti Tele-Ventures including the risks involved.

Convenience translation: - We publish our financial statements in Indian Rupees. All references herein to "Indian Rupees" and "Rs." are to Indian Rupees and all references herein to "US dollars" and "US$" are to United States dollars.

All translations from Indian Rupees to United States dollars were made (unless otherwise indicated) using the rate of Rs.44.95 = US $1.00, the noon buying rate as announced by the Federal Reserve Bank of New York on December 30, 2005. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupees or United States dollar amounts referred to herein could have been or could be converted into United States dollars or Indian Rupees respectively, as the case may be, at any particular rate, the above rates or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding off. Information contained on our website, www.bhartiteleventures.com and www.airtelworld.com is not part of this Quarterly Report.

Use of the Certain Non-GAAP measures: - This result announcement contains certain information on the Company's results of operations and cash flows that have been derived from amounts calculated in accordance with United States Generally Accepted Accounting Principles (US GAAP), but are not in themselves US GAAP measures. They should not be viewed in isolation as alternatives to the equivalent US GAAP measures and should be read in conjunction with the equivalent US GAAP measures. **Further, disclosures are also provided under "Use of Non - GAAP financial information" on page 19.**

Others: - In this report, the terms "we", "us", "our", "Bharti", "BTVL" or "the Company", unless otherwise specified or the context otherwise implies, refer to Bharti Tele-Ventures Limited ("Bharti Tele-Ventures") and its subsidiaries, Bharti Hexacom Limited ("Bharti Hexacom"), Bharti Comtel Limited ("Bharti Comtel"), Bharti Aquanet Limited ("Bharti Aquanet"), Satcom Broadband Equipment Limited (Satcom) and Bharti Broadband Limited (BBL).

Disclaimer: - This communication does not constitute an offer of securities for sale in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus and will contain detailed information about the Company and its management, as well as financial statements.

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SECTION 1

BHARTI TELE-VENTURES – PERFORMANCE AT A GLANCE

Particulars	UNITS	Full Year Ended March 31,			Quarter Ended		
		2003	2004	2005	June 30, 2005	Sept. 30, 2005	Dec. 31, 2005
Total Customer Base	**000's.**	**3,443**	**7,141**	**11,842**	**13,191**	**15,129**	**17,527**
Mobile Services	000's.	3,071	6,504	10,984	12,256	14,068	16,327
Broadband & Telephone Services	000's.	372	637	857	935	1,061	1,200
Consolidated financials as per US GAAP							
Total revenues	INR Mn.	24,170	48,320	80,028	25,173	27,091	30,256
EBITDA	INR Mn.	5,056	15,968	30,128	9,407	10,211	11,200
Cash profit from operations	INR Mn.	3,041	13,588	28,132	9,258	9,367	10,277
Earnings before tax	INR Mn.	(1,873)	5,976	16,604	5,980	5,796	6,386
Profit after tax	INR Mn.	(2,018)	5,076	14,978	5,099	5,209	5,453
Consolidated financials as per US GAAP							
Total revenues	US$ Mn.	509	1,113	1,835	579	617	673
EBITDA	US$ Mn.	106	368	691	216	232	249
Cash profit from operations	US$ Mn.	64	313	645	213	213	229
Earnings before tax	US$ Mn.	(39)	138	381	137	132	142
Profit after tax	US$ Mn.	(42)	117	343	117	119	121
Key Ratios							
EBITDA Margin	%	20.9%	33.0%	37.6%	37.4%	37.7%	37.0%
Net Profit Margin	%	-	10.5%	18.7%	20.3%	19.2%	18.0%
Net Debt to Total Stockholders Equity	Times	0.63	0.89	0.66	0.50	0.44	0.43
Return on Stockholders Equity	%	-	12.0%	28.5%	31.0%	30.6%	29.3%
Return on Capital Employed	%	-	9.5%	18.3%	19.6%	20.9%	21.8%

1. *All annual financial highlights for the year ended March 31, 2003, 2004 and 2005 are consolidated audited results as per United States Generally Accepted Accounting Principles (US GAAP).*
2. *Financial highlights for the quarter ended June 30, 2005, September 30, 2005 and December 31, 2005 are un-audited and are based on the consolidated results as per United States Generally Accepted Accounting Principles (US GAAP).*
3. *Exchange rate for Rupee conversion to US$ is (a) Rs. 47.53 for financial year ended March 31, 2003 (b) Rs. 43.40 for the financial year ended 2004 (c) Rs. 43.62 for the financial year ended March 31, 2005 (d) Rs. 43.51 for the quarter ended June 30, 2005 (e) Rs. 43.94 for the quarter ended September 30, 2005 (f) Rs. 44.95 for the quarter ended December 31, 2005, being the noon buying rate as announced by The Federal Reserve Bank of New York at the end of the respective periods.*

SECTION 2

AN OVERVIEW

2.1 Introduction

We are one of India's leading private sector providers of telecommunication services with an aggregate of 17,526,663 customers as of December 31, 2005, consisting of 16,327,150 GSM mobile and 1,199,513 broadband & telephone customers. We are the only private telecom company in the country to have an all India footprint with mobile operations in all the 23-telecom circles of India. We are the largest mobile service provider in the country, based on the number of customers. We also provide broadband & telephone services, long distance services and enterprise services.

As per un-audited US GAAP financial statements, for the quarter ended December 31, 2005, our Total Revenues and EBITDA were Rs. 30,256 million (US$ 673 million) and Rs. 11,200 million (US$ 249 million) respectively and for the nine months ended December 31, 2005, our Total Revenues and EBITDA were Rs. 82,520 million (US$ 1,836 million) and Rs. 30,819 million (US$ 686 million) respectively. The net profit for the quarter and nine months ended December 31, 2005, was Rs. 5,453 million (US$ 121 million) and Rs. 15,762 million (US$ 351 million) respectively. During the quarter ended December 31, 2005, mobile services contributed to 72% of our total revenues.

2.2 Business Divisions

- **Mobile Services** - We offer GSM mobile services in all the 23-telecom circles of India, thus being the only telecom operator having an all India presence. Our 16,327,150 mobile customers accounted for a market share of 21.6% of overall wireless market, as on December 31, 2005.

- **Broadband & Telephone Services** - We provide broadband (DSL) & telephone services (fixed line) in 15 telecom circles covering 79 towns. We had 1,199,513 customers as on December 31, 2005 of which 19% (~230,000) were subscribing to broadband (DSL) services.

- **Long Distance Services** – We compliment our mobile and broadband & telephone services with national and international long distance services. We have over 31,000 route kilometers of optic fibre on our national long distance network. For international connectivity to east, we have a submarine cable landing station at Chennai (owned by an associate company) between Chennai and Singapore. For international connectivity to the west, we are a member of the South East Asia-Middle East-Western Europe – 4 (SEA-ME-WE-4) consortium along with 15 other global telecom operators, and have commissioned the fourth generation cable system. SEA-ME-WE-4 supports telephone, Internet, multimedia and various other broadband and data applications.

- **Enterprise Services** – Our enterprise services group provides secure, scalable, seamless, reliable and customized integrated solutions of voice and data communications for corporate, small and medium scale enterprises. The group focuses on delivering telecommunications services as an integrated offering including mobile, broadband & telephone, national and international long distance and data connectivity services to key account corporate customers through business relationship management.

2.3 Vendors

We believe in deploying the finest technology and operating state-of-the-art networks. Equipment suppliers for our mobile networks include Ericsson and Nokia. In the case of the telephone services and long distance networks, equipment suppliers include Siemens, Nortel, Corning, among others. We have an information technology alliance with IBM for our group - wide information technology requirements. We also have a technology alliance with Nortel for call center technology requirements.

2.4 Partners

We have strong strategic alliance with SingTel, which has enabled us to further enhance and expand our telecommunications networks in India to provide quality service to our customers. The investment made by SingTel in our company is one of their largest investments made in the world outside Singapore.

We have also recently entered into a strategic alliance with Vodafone, the world's leading mobile telecommunications company with operations in 27 countries across 5 continents. The investment made by Vodafone in Bharti is one of the largest single foreign investments made in the Indian telecom sector.

SECTION 3

FINANCIAL HIGHLIGHTS

Un-audited financial results for the third quarter and nine months ended December 31, 2005 as per United States Generally Accepted Accounting Principles (US GAAP).
Detailed financial statements, analysis and other related information is attached to this report as Annexures (page 25). Also, kindly refer to Section 7 (use of Non - GAAP financial information on page 19) and Glossary (page 36) for detailed definitions.

3.1 BTVL Consolidated - Summary of Consolidated Financial Statements

3.1.1 Consolidated Summarised Statement of Operations (net of inter segment eliminations)

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Growth	Dec. 2005	Dec. 2004	Y-on-Y Growth
Total revenues	30,256	21,319	42%	82,520	56,773	45%
EBITDA	11,200	7,944	41%	30,819	21,078	46%
Cash profit from operations	10,277	7,976	29%	28,902	19,880	45%
Income / (Loss) before Income taxes	6,386	4,749	34%	18,162	11,476	58%
Current tax expense	534	277		1,455	617	
Income / (Loss) after current tax expense	5,852	4,472	31%	16,706	10,859	54%
Deferred tax expense / (income)	324	81		732	444	
Net income / (loss)	5,453	4,363	25%	15,762	10,387	52%
EBITDA / Total Revenues	37.0%	37.3%		37.3%	37.1%	

3.1.2 Consolidated Summarised Balance Sheet

Amount in Rs. Million

Particulars	As at December 31, 2005
ASSETS	
Total current assets	33,841
Total non-current assets	164,386
Total assets	**198,227**
LIABILITIES AND STOCKHOLDERS' EQUITY	
Total current liabilities	66,262
Total non-current liabilities	47,107
Total liabilities	**113,369**
Minority Interests	**910**
Total stockholders equity	**83,948**
Total liabilities and stockholders equity	**198,227**

3.2 Segment - wise Summarised Statement of Operations

3.2.1 Mobile Services - comprises of consolidated statement of operations of mobile operations.

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Growth	Dec. 2005	Dec. 2004	Y-on-Y Growth
Total revenues	21,742	14,697	48%	58,258	37,850	54%
EBITDA	7,932	4,939	61%	20,966	12,867	63%
EBIT	5,319	2,645	101%	13,550	6,999	94%
EBITDA / Total Revenues	36.5%	33.6%		36.0%	34.0%	

3.2.2 Infotel Services – comprises of the Broadband & Telephone Services, Long Distance Services and Enterprise Services.

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Growth	Dec. 2005	Dec. 2004	Y-on-Y Growth
Total revenues	12,037	9,247	30%	33,187	25,558	30%
EBITDA	3,706	3,063	21%	10,747	8,322	29%
EBIT	2,432	2,145	13%	7,423	5,828	27%
EBITDA / Total Revenues	30.8%	33.1%		32.4%	32.6%	

3.2.3 Broadband & Telephone Services

3.2.3.1 Broadband & Telephone Services Consolidated - comprises of consolidated statement of operations of broadband & telephone operations.

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Growth	Dec. 2005	Dec. 2004	Y-on-Y Growth
Total revenues	3,854	2,930	32%	10,913	8,115	34%
EBITDA	946	799	18%	2,741	2,006	37%
EBIT	256	274	-7%	995	594	68%
EBITDA / Total Revenues	24.6%	27.3%		25.1%	24.7%	

3.2.3.2 Existing Broadband & Telephone Operations – *(Refer glossary for definition)*

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Growth	Dec. 2005	Dec. 2004	Y-on-Y Growth
Total revenues	3,607	2,930	23%	10,483	8,115	29%
EBITDA	1,174	799	47%	3,314	2,006	65%
EBIT	588	302	95%	1,779	642	-
EBITDA / Total Revenues	32.6%	27.3%		31.6%	24.7%	

3.2.3.3 New Broadband & Telephone Operations - *(Refer glossary for definition)*

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Grow th	Dec. 2005	Dec. 2004	Y-on-Y Grow th
Total revenues	247	0	-	430	0	-
EBITDA	(228)	0	-	(572)	0	-
EBIT	(332)	(28)	-	(784)	(48)	-

3.2.4 Long Distance Services – comprises of the domestic, international long distance operations and landing station (at Chennai).

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Grow th	Dec. 2005	Dec. 2004	Y-on-Y Grow th
Total revenues	6,322	4,889	29%	17,094	13,548	26%
EBITDA	2,130	1,514	41%	6,020	4,300	40%
EBIT	1,626	1,163	40%	4,658	3,325	40%
EBITDA / Total Revenues	33.7%	31.0%		35.2%	31.7%	

3.2.5 Enterprise Services

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Grow th	Dec. 2005	Dec. 2004	Y-on-Y Grow th
Total revenues	1,861	1,428	30%	5,180	3,896	33%
EBITDA	630	750	-16%	1,986	2,017	-2%
EBIT	550	707	-22%	1,770	1,909	-7%
EBITDA / Total Revenues	33.8%	52.5%		38.3%	51.8%	

3.2.6 Others – comprises of the expenses of the BTVL corporate office

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Grow th	Dec. 2005	Dec. 2004	Y-on-Y Grow th
Total revenues	0	0	-	0	0	-
EBITDA	(434)	(144)	-	(887)	(379)	-
Depreciation & Others	7	(73)	-	6	(228)	-
EBIT	(441)	(71)	-	(894)	(151)	-

3.3 Segment-wise Investments and Contribution

3.3.1 Investments in projects

Amount in Rs. Million, except ratios

Segment	As at December 31, 2005	
	Rs. Million	% of Total
Mobile Services	141,555	69%
Broadband & Telephone Services	31,891	16%
Long Distance Services	25,478	12%
Enterprise Services	5,348	3%
Others	439	0%
Total	**204,712**	**100%**
Less:- Accumulated Depreciation & Amortisation	43,910	
Net Fixed Assets & Other Project Investments	**160,801**	

Note: The investment in projects comprises gross fixed assets, intangibles assets, capital work in progress, gross goodwill and one time entry fee paid.

3.3.2 Segment-wise Contribution to Revenue, EBITDA and Capex incurred during the period

Segment	Quarter Ended December 2005					
	Revenue		EBITDA		Capex	
	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total
Mobile Services	21,742	72%	7,932	71%	8,297	52%
Broadband & Telephone Services						
Existing Circles	3,607	12%	1,174	10%	3,472	22%
New Circles	247	1%	(228)	-2%	785	5%
	3,854	**13%**	**946**	**8%**	**4,257**	**27%**
Long Distance Services	6,322	21%	2,130	19%	2,533	16%
Enterprise Services	1,861	6%	630	6%	756	5%
Others	0	0%	(434)	-4%	18	0%
Sub Total	**33,778**	**112%**	**11,204**	**100%**	**15,861**	**100%**
Eliminations	(3,523)	-12%	(3)	0%		
Total	**30,256**	**100%**	**11,200**	**100%**	**15,861**	**100%**

Segment	Nine Months Ended December 2005					
	Revenue		EBITDA		Capex	
	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total
Mobile Services	58,258	71%	20,966	68%	23,920	61%
Broadband & Telephone Services						
Existing Circles	10,483	13%	3,314	11%	6,017	15%
New Circles	430	1%	(572)	-2%	2,813	7%
	10,913	**13%**	**2,741**	**9%**	**8,829**	**23%**
Long Distance Services	17,094	21%	6,020	20%	4,226	11%
Enterprise Services	5,180	6%	1,986	6%	2,130	5%
Others	0	0%	(887)	-3%	25	0%
Sub Total	**91,444**	**111%**	**30,826**	**100%**	**39,131**	**100%**
Eliminations	(8,925)	-11%	(7)	0%		
Total	**82,520**	**100%**	**30,819**	**100%**	**39,131**	**100%**

SECTION 4

OPERATING HIGHLIGHTS

The financial figures used for computing ARPU, Non Voice revenue, SMS revenue, gross revenue per employee per month are based on United States Generally Accepted Accounting Principles (US GAAP).

4.1 BTVL Consolidated

Parameters	Unit	Dec. 31, 2005	Sept. 30, 2005	Q-on-Q Growth	Dec. 31, 2004	Y-on-Y Growth
Customers on our Network						
Mobile Services	000's.	16,327	14,068	16%	9,826	66%
Broadband & Telephone Services	000's.	1,200	1,061	13%	804	49%
Total	000's.	17,527	15,129	16%	10,630	65%
Non Voice Revenue as a % of Total Revenues	%	18.1%	17.1%		15.5%	

4.2 Mobile Services

Parameters	Unit	Dec. 31, 2005	Sept. 30, 2005	Q-on-Q Growth	Dec. 31, 2004	Y-on-Y Growth
Subscriber Base						
All India Wireless Subscribers	000's.	75,423	64,587	17%	47,557	59%
Mobile Customers on Bharti's Network	000's.	16,327	14,068	16%	9,826	66%
Net Additions						
All India Wireless Subscribers	000's.	10,836	7,681	41%	4,988	117%
Mobile Customers on Bharti's Network	000's.	2,259	1,812	25%	1,124	101%
Market Share						
Bharti's Subscriber Market Share	%	21.6%	21.8%		20.7%	
Bharti's Market Share of Net Additions	%	20.8%	23.6%		22.5%	
Pre-Paid Customers						
Total Customer Base	%	79.7%	77.5%		75.0%	
Total Net Additions	%	93.2%	89.9%		67.0%	
Other Operating Information						
Average Revenue Per User (ARPU)	Rs.	470	476	-1%	514	-9%
Average Revenue Per User (ARPU)	US$	10.5	10.6	-1%	11.4	-9%
Average Minutes of Use Per User	Minutes	411	388	6%	355	16%
Total Minutes of Use	Mn Min	18,637	15,281	22%	9,840	89%
Monthly Churn						
Post-paid Voluntary Churn	%	1.4%	1.4%		1.3%	
Post-paid Company Initiated Churn	%	2.8%	2.8%		2.5%	
Prepaid	%	5.5%	5.7%		8.5%	
Non Voice Revenue						
SMS Revenue as a % of Mobile Revenues	%	6.4%	7.1%		5.8%	
Non Voice Revenue as a % of Mobile Revenues	%	9.7%	10.9%		8.6%	

4.3 Broadband & Telephone Services

Parameters	Unit	Dec. 31, 2005	Sept. 30, 2005	Q-on-Q Growth	Dec. 31, 2004	Y-on-Y Growth
Broadband & Telephony Customers	000's.	1,200	1,061	13%	804	49%
Net additions	000's.	139	126	10%	39	258%
Average Revenue Per User (ARPU)	Rs	1,136	1,203	-6%	1,235	-8%
Average Revenue Per User (ARPU)	US$	25.3	26.8	-6%	27.5	-8%

4.4 Human Resource Analysis

Parameters	Unit	Dec. 31, 2005	Sept. 30, 2005	Q-on-Q Grow th	Dec. 31, 2004	Y-on-Y Grow th
Mobile Services						
Number of Customers per employee	No.	2,913	2,606	12%	2,121	37%
Gross Revenue per employee per month	Rs.	1,293,215	1,176,480	10%	1,057,401	22%
Broadband & Telephone Services						
Number of Customers per employee	No.	403	417	-3%	554	-27%
Existing Circles	No.	542	555	-2%	554	-2%
New Circles	No.	96	71	36%	N.A.	
Gross Revenue per employee per month	Rs.	431,212	478,823	-10%	673,073	-36%
Existing Circles	Rs.	587,382	648,220	-9%	673,073	-13%
New Circles	Rs.	88,209	55,214	60%	N.A.	
Long Distance Services						
Gross Revenue per employee per month	Rs.	3,494,790	3,511,837		3,252,770	7%
Enterprise Services						
Gross Revenue per employee per month	Rs.	733,311	772,619	-5%	1,424,859	-49%

N.A. – Not Applicable

SECTION 5

MANAGEMENT DISCUSSION & ANALYSIS

5.1 Key Industry and Company Developments

5.1.1 Industry

Increase in Foreign Direct Investment (FDI) cap from 49% to 74%

On November 03, 2005, the Government of India announced enhancement of FDI ceiling from 49% to 74% in the telecom sector subject to certain preconditions. The primary among these are:

- Upto 74% foreign investment can be made directly or indirectly in the operating company or through a holding company and the remaining 26% will be owned by resident Indian citizens or an Indian company.
- The majority directors on the board including chairman, managing director and Chief Executive Officer shall be resident Indian citizens, appointed in consultation with 'Serious Indian Investors'. Serious Resident Indian Promoter shall hold at least 10 % equity of the licensee company.
- Chief Technical Officer and Chief Financial Officer shall be resident Indian citizens.
- The Company shall not transfer outside India, any accounting information relating to subscribers, any user information, any details of infrastructure/network diagram except to suppliers upon signing of non-disclosure agreement.
- No traffic from and to subscribers within India shall be hauled outside India.
- Remote access shall not be provided to any agency outside India except for catastrophic software failure subject to certain conditions.
- To maintain privacy of voice & data, monitoring shall only be upon authorization by the union home secretary/ home secretaries of states/union territories.
- For monitoring traffic, licensee shall provide blind access of their network and other facilities as well as to books of accounts to the security agencies.
- Non-compliance with the above will lead to automatic cancellation of license.
- An initial correction time of four months has been granted to existing telecom licensees for ensuring adherence to the above conditions. An unconditional compliance is to be submitted to the Department Of Telecommunications (DoT) by March 02, 2006.

Revised Terms and Conditions of Licenses

On November 11, 2005, the central government announced revised terms for certain telecom service licenses with the aim of fostering growth in the Indian telecom sector. The government also removed the requirement of prior telecom experience for acquiring telecom service license.

The primary changes are:

- Entry fee for National Long Distance (NLD) service and International Long Distance (ILD) service licenses reduced from Rs.1,000 mn and Rs.250 mn respectively to Rs.25 mn w.e.f. December 14, 2005.
- Annual license fee also reduced from 15% to 6% of Adjusted Gross Revenue (AGR) w.e.f. January 01, 2006 for both NLD and ILD license.
- NLD Operators (NLDOs) permitted to carry intra-circle traffic with agreement of originating service provider.
- Rollout obligations under NLD license stand eliminated w.e.f. December 14, 2005. No rollout obligations on ILD operators (ILDOs) except for having one switch in India.
- NLDOs and ILDOs can access subscriber directly for provision of leased Circuits/Closed User Groups (CUGs). Leased Circuit is defined as Virtual Private Network (VPN) using circuit or packet switched (IP Protocol) technology apart from point to point non-switched physical connections/ transmission bandwidth. Public network is not to be connected with leased circuit/CUGs.
- Net worth & paid up capital of NLD & ILD licensee shall be Rs. 25 million.
- Access providers can provide internet telephony, internet services and broadband services including triple play (i.e. voice, data & video).
- Internet Service Providers (ISPs) licensed with restricted internet telephony to pay annual license fee @ 6% of AGR w.e.f. Jan 01, 2006.
- No more infrastructure provider category II (IP-II) and IP-VPN licenses will be issued. Existing IP-II & IP-VPN licensees can migrate to NLD/ILD license with appropriate adjustments of fee.
- Existing IP-II licensees not interested in migrating to NLD/ILD licenses shall not be permitted to provide national/international leased line/bandwidth to individual subscribers as per existing IP-II license.
- Existing IP-VPN licensees not interested in migrating to NLD/ILD licenses shall not be permitted to carry voice traffic over VPN network.
- Annual license fee for VSAT commercial license reduced from 10% to 6% of AGR w.e.f. Jan 01, 2006.

Revised Terms and Conditions of Other Service Provider (OSP) Registration

On November 02, 2005, DoT liberalized the terms and conditions for OSPs permitting sharing of the infrastructure by domestic & international OSP. Such sharing may be through use of common operator position but separate and independent EPABX or use of a common EPABX with logical partitioning. Both the above options for infrastructure sharing shall require prior written approval of DoT and shall be subject to fulfillment of certain pre-conditions.

Draft Regulation on Intelligent Network (IN) Services

On December 02, 2005, Telecom Regulatory Authority of India (TRAI) published a draft regulation on IN services in a multi-operator multi-service scenario to cover the commercial and technical arrangements under which licensed access providers shall connect their equipment, networks and services to enable customers to have access to the IN services of all operators.

Next Generation Networks (NGN)

On October 31, 2005, TRAI initiated a study of regulatory, technical and economic issues pertaining to NGN by issuing a questionnaire to seek views of all concerned on how relevant NGN are in the Indian context.

On the basis of the responses received by it, TRAI issued a consultation paper on 'Issues pertaining to NGN' dated January 12, 2006. The paper discusses various technical and regulatory issues with a view to facilitate the migration to NGN in case industry decides to adopt this technology, within the existing legal framework. Comments are to be submitted by February 03, 2006.

Implementation of Carrier Selection

On July 24, 2002, TRAI had directed all access providers, NLDOs and ILDOs to upgrade their systems to implement 'call-by-call' carrier selection and carrier pre-selection within a stipulated time frame to give the end customer the choice of NLDO/ILDO. At that time, BSNL did not have Call Data Record (CDR) based billing capability and it obtained 12 months extension from DoT for implementation of carrier selection in its basic service network. As a result, the matter was put on the back burner. Now as BSNL's CDR based billing system is in final stages of implementation, TRAI decided to review the readiness of all operators' networks to implement carrier selection, to decide the further course of action. Accordingly, in November 2005, TRAI sought detailed action plan for implementation of carrier selection from all operators. Subsequently, TRAI held meetings with all operators to discuss the feasibility of implementing carrier selection. The matter is now under the Authority's consideration.

Ceiling Tariffs for International Private Leased Circuits (IPLCs)

In March 2005, TRAI had issued the 34th amendment to the Telecommunications Tariff Order 1999 fixing ceiling tariffs for IPLCs. These were challenged by VSNL and therefore put in abeyance. The matter was finally decided by Telecom Disputes Settlement and Appellate Tribunal (TDSAT) and the original ceilings prescribed by TRAI have been implemented vide 41st amendment w.e.f. November 29, 2005.

Thus, the current ceiling tariffs for IPLC (Half Circuit) are Rs.1.3 million p.a. for E1, Rs.10.4 million p.a. for DS-3 and Rs.29.9 million p.a. for STM-1.

Promotion of Competition in IPLC

On December 16, 2005, TRAI published its recommendations to the DoT on "Measures to promote competition in IPLC in India". These recommendations are based on the analysis of stakeholders' feedback during the consultative exercise and the best international practices governing IPLC segment.

TRAI's recommendations on the four main issues raised in the consultation paper are as under:

- Entry fee & annual license fee: In light of the recent reduction in Entry Fee to Rs. 25 million and license fee to 6% of AGR w.e.f January 01, 2006, TRAI has not made any recommendation in this regard.

- Introduction of reselling: Reselling in the IPLC segment may be introduced after February 2007. The terms and conditions applicable to resellers will be recommended by TRAI based on a consultation process.

- Access to essential facilities at cable landing stations: There should be equal access to bottleneck facility at the cable landing stations including landing facilities for submarine cables by licensed operators on the basis of non-discrimination. The ILDO owning the cable landing station should also be mandated to publish, with prior approval of TRAI, terms and conditions for such access.

- Licensing of Non-ILDO International Cable Carriers: TRAI has recommended that any international cable carrier who does not hold an ILD license in India should be licensed under a new category of infrastructure providers named as International Infrastructure Providers (IIP). IIPs should be subject to nil Entry Fee, nominal annual license fee (say Re.1) and 100% FDI should be permitted for such entities.

TDSAT Order on Pulse Petition

On November 11, 2005, TDSAT passed its judgement on the pulse petition filed by CMSPs/COAI against BSNL/MTNL. Pursuant to the judgement, TRAI has also issued a Directive, dated November 16, 2005, directing BSNL/MTNL to maintain reciprocity in billing by adopting the same methodology for both receiving and making payments.

The Order granted the following reliefs to CMSPs:

- Reciprocity in Billing: TDSAT directed BSNL and MTNL to implement CDR based billing system in their network within a period of 90 days from the date of the order. Till such time, reciprocity should be maintained in the billing between BSNL and MTNL and private cellular operators by adopting the same basis for both charging and receiving payments. However, TDSAT did not order any refunds to be made by BSNL/MTNL for the past period.

- Carriage Charges: In accordance with the IUC Regulation dated October 29, 2003, BSNL may recover from CMSPs a Carriage Charge of Rs.0.20 per minute for intra-circle calls handed over at the Level – II TAX PoIs and not distance based carriage charges. However, TDSAT did not order any refunds to be made by BSNL for the past period for which CMSPs have actually paid BSNL distance based carriage charges.

- Access Deficit Charges Refund: TDSAT ordered BSNL to make refunds on the ADC collected on WLL(M) calls for which ADC was not due under the IUC Regulation, within a period of 3 months on monthly basis from the date of collection.

- Reciprocity in Interest: BSNL levies penal interest for delayed payments to it but does not pay any interest for similar delays on its part. TDSAT directed BSNL to enter into agreement with petitioners regarding the rate of interest, which will be applicable for both the parties on reciprocal basis.

Consultation Papers

The following Consultation Papers have been issued by TRAI:

- 'Tariff Plans with Lifetime Validity' dated January 16, 2006. In view of the recent upsurge in tariff schemes for mobile services promising lifetime validity with free incoming calls, TRAI has issued a consultation paper to discuss various aspects of such schemes and its impact on consumers. Comments are to be submitted by January 31, 2006.
- 'Differential Tariff for On-Network calls' dated January 13, 2006. The paper discusses the interpretation of the term 'on-network' with a view to formulate regulatory policy on the principle of non-discrimination in tariff for voice calls. Comments are to be submitted by January 25, 2006.
- 'Convergence and Competition in Broadcasting and Telecommunications' dated January 02, 2006. The paper discusses various issues such as the need to bring about convergence of regulations governing broadcasting and telecommunication industries, impact of convergence on consumers and markets, international developments etc. Comments are to be submitted by January 30, 2006.

Status Update on Last Quarter

Treatment of Fixed Wireless Services

In March 2005, TRAI had directed all operators providing fixed wireless services to ensure that the terminal used for such services is strictly confined to the premises of the subscriber. In addition to the above, Department of Telecommunication (DoT) had directed access providers to identify a separate level within the allocated fixed line numbering, to be used for fixed wireless services. DoT had also clarified that wherever such restriction cannot be imposed, the service shall be treated as limited mobility for all purposes including numbering plan, Interconnection Usage Charges (IUC), interconnection arrangements etc.

BSNL raised invoices on Tata for Access Deficit Charges (ADC) by treating the fixed wireless service of Tata (sold under the brand name 'Walky') as limited mobility. Tata filed a petition in Telecom Disputes Settlement Appellate Tribunal (TDSAT) challenging these ADC claims. On September 09, 2005, TDSAT dismissed the petition of Tata holding that Walky is a limited mobility service. Pursuant to the order, BSNL resumed recovery of past ADC dues from Tata and Reliance.

In the meanwhile, Reliance filed a petition in TDSAT against BSNL and Tata filed an appeal in Supreme Court challenging the TDSAT judgement. The Reliance matter in TDSAT is reserved for Orders. Tata's application for stay of the TDSAT order is to be heard by the Supreme Court in February 2006.

In the interim, both TDSAT and Supreme Court have restrained BSNL from taking any precipitative action against these operators such as encashment of Bank Guarantee for non-payment of invoices or disconnection of PoIs.

Measures to promote Local Loop Unbundling

On April 29, 2004, TRAI had published its recommendations to the DoT on measures to accelerate growth of Internet and Broadband Penetration in India. Subsequently, the DoT had framed the Broadband Policy 2004 wherein some of the recommendations were not accepted viz.

- Recommendations pertaining to local loop unbundling
- Fiscal measures like tax concessions for broadband equipments & services.

On November 03, 2005, TRAI has requested DoT to reconsider its recommendations pertaining to local loop unbundling and fiscal incentives for broadband as several service providers have complained to TRAI that it would be difficult to achieve the broadband policy targets unless local loop unbundling by incumbents is mandated by Government and that there was an urgent need for tax incentives for broadband equipments & services.

5.1.2 COMPANY

Key developments

- **South East Asia, Middle East and Western Europe 4 (SEA-ME-WE-4),** the next generation undersea cable system developed & owned by a consortium of 16 international telecommunications companies including Bharti Tele-Ventures Ltd, **was launched & successfully commissioned** on December 13, 2005.

- Bharti Tele-Ventures was awarded with **"Avaya Global Connect Customer Responsiveness Awards, 2005"** for Best Customer Service in the telecom sector on December 16, 2005.

- Mr. Sunil Bharti Mittal, Chairman & Group Managing Director of Bharti Tele-Ventures Limited was adjudged as **"The Best CEO, Telecommunications, Asia"** in the best CEO in the region category and **"Best CEO, India"** in the best CEO in the country category in the sell side view in a survey conducted by Institutional Investor on November 02, 2005. The company has also been conferred with **1st place in the telecommunications sector by sell side for Investor Relations**.

- Bharti Tele-Ventures was awarded with **"Best Managed Company Award 2005 in the large cap category** by Asia Money.

- Airtel, introduced India's first **Rs. 999 Lifetime prepaid card with a life time validity** with which a mobile user can continue to receive calls for a lifetime without having to recharge or worry about the validity period of the card or coupon on December 23, 2005. The Lifetime prepaid card also offers the user full talk time on every future recharge of any denomination.

- **Vodafone acquired 10% economic interest in Bharti Tele-Ventures** on October 28, 2005. Further to the announcement of October 28, 2005 Vodafone subscribed for convertible debentures in Bharti Enterprises Private Limited representing a 4.39% indirect economic interest in Bharti Tele-Ventures Limited ("BTVL") and completed the acquisition of the 5.61% direct interest in BTVL from Warburg Pincus LLC on November 18, 2005.

Bharti Mobile - Punjab Litigation

The arbitration proceedings for a claim for the refund of license fee and interest paid to the DoT were decided against Bharti Mobile, the licensee of the Punjab mobile circle. The company has already paid the license fees and interest thereon before the commencement of arbitration proceedings. The company challenged the award before the Hon'ble Delhi High Court and the matter is now listed for hearing before the Hon'ble Delhi High Court on January 31, 2006.

5.2 Results of Operations

The company has reported its un-audited financial statements and operational results for the quarter and nine months ended December 31, 2005. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles US GAAP).

Key Highlights - *For the quarter ended December 31, 2005*

- **Total Revenues of Rs. 30.3 billion (up 42% Y-o-Y).**
- **EBITDA of Rs. 11.2 billion (up 41% Y-o-Y).**
- **Cash profit from operations of Rs. 10.3 billion (up 29% Y-o-Y).**
- **Highest ever-net addition of 2.4 million of total customers on its network.**
- **Market leader with a market share of all India wireless subscribers at 21.6%.**

BTVL Consolidated

Customer Base

As on December 31, 2005, the company had an aggregate of 17,526,663 customers, consisting of 16,327,150 GSM mobile and 1,199,513 broadband & telephone customers. Its total customer base as on December 31, 2005 increased by 65% compared to the customer base as on December 31, 2004.

Revenues/Turnover

During the quarter ended December 31, 2005, the company had revenues of Rs. 30,256 million; a growth of 42% compared to the quarter ended December 31, 2004. Revenues from mobile services represented 72% of the total revenues for the quarter ended December 31, 2005. Non-voice revenue contributed to approximately 18.1% of the total revenues for the quarter.

Operating Expenses (ex-revenue share license and spectrum fee)

During the quarter ended December 31, 2005, the company incurred an opex of Rs. 10,475 million representing 34.6% of the total revenues. The operating expense comprises of

- Rs. 3,080 million towards network operations costs (~10.2% of turnover)
- Rs. 1,930 million towards employee costs, (~6.4% of turnover)
- Rs. 277 million towards equipments costs, and
- Rs. 5,189 million towards selling general and administrative costs (~17.1% of turnover)

The operating expenses grew by 54% compared to the quarter ended December 31, 2004. The increase in the operating expenses is associated to the costs pertaining to the expansion of operations.

EBITDA, Finance Cost and Cash Profit from Operations

During the quarter ended December 31, 2005, the company had an EBITDA of Rs. 11,200 million; a growth of 41% compared to the quarter ended December 31, 2004. The EBITDA margin for the quarter was 37.0%.

The net finance cost for the quarter ended December 31, 2005 was Rs. 924 million. The interest on borrowings during the quarter was Rs. 577 million and the finance income (primarily related to income on marketable securities) was Rs. 131 million. The balance amount was other finance costs, effect of exchange fluctuation and the effect of derivative accounting.

The cash profit from operations for the quarter was Rs. 10,277 million, an increase of 29%, as compared to the quarter ended December 31, 2004.

During the quarter ended December 31, 2005, the company had depreciation & amortisation expenses of Rs. 4,026 million.

Income Before Income Taxes (PBT)

The income before income tax for the quarter was Rs. 6,386 million, an increase of 34%, as compared to the quarter ended December 31, 2004.

The current tax for the quarter ended December 31, 2005 was Rs. 534 million and deferred tax expense of Rs. 324 million.

Net profit

The net profit for the quarter ended December 31, 2005, was Rs 5,453 million.

Balance Sheet

As on December 31, 2005, the company had total assets of Rs. 198 billion and total liabilities of Rs. 113 billion respectively. The difference of Rs. 85 million was on account of stockholder equity and minority interest.

The company had a net debt of Rs. 36,263 million (US$ 807 million) as on December 31, 2005, resulting in a net debt to EBITDA (LTM) of 0.91 times.

Capital Expenditure

During the quarter ended December 31, 2005, the company incurred capital expenditure of Rs. 15,861 million (US$ 353 million).

Human Resources

As on December 31, 2005, the company had a total of 10,255 employees consisting of 5,604 in mobile services, 4,428 in Infotel services and 223 in corporate office (as common pool).

Mobile Services

Customer Base, Churn, ARPU and MoU

As at the end of the quarter the company had 16,327,150 GSM mobile customers on its network, which accounted for a market share 21.6% of the All India wireless market.

Of its 16,327,150 GSM mobile customers as of December 31, 2005, postpaid customer contributed 20.3% to the overall customer base while pre-paid customers contributed the balance 79.7%. During the quarter, its share of 2,259,234 net additions was 20.8% of All India wireless subscriber net additions.

The monthly churn for the quarter ended December 31, 2005 was 4.2% (1.4% voluntary churn and 2.8% company initiated churn) for its post-paid segment, and 5.5% for the pre-paid segment.

During the quarter, its blended ARPU of Rs. 470 (US$ 10.5) per month was lower by 1% as compared to the quarter ended September 30, 2005. The blended monthly usage per customer, during the quarter, was at 411 minutes, an increase of 6% over the quarter ended September 30, 2005. The non-voice revenue, which includes Short Messaging Service

(SMS), voice mail service, call management and other value added services like Hello Tunes and Airtel Live contributed to approximately 9.7% of the total revenues of the segment. The Short Messaging Services (SMS) revenue, which is primarily text messaging accounted for 6.4% of the total revenue of the segment, for the quarter ended December 31, 2005.

Revenues, EBITDA and EBIT

The revenues for the quarter ended December 31, 2005 for mobile services stood at Rs 21,742 million, an increase of 48% over last year. The revenue from this segment contributed to 72% of its total consolidated revenues. The EBITDA during the quarter ended December 31, 2005 was Rs 7,932 million representing growth of 61% over the quarter ended December 31, 2004. The EBITDA margin for the quarter ended December 31, 2005 was 36.5%. The EBIT for the quarter ended December 31, 2005 was Rs 5,319 million as compared to Rs 2,645 million for the quarter ended December 31, 2004, an improvement of 101%.

Capital Expenditure

During the quarter ended December 31, 2005, the company incurred a capital expenditure of Rs 8,297 million (US$ 185 million) on its mobile services.

Human Resources

As on December 31, 2005 the company had 2,913 customers per employee, an increase of 12% on a quarter on quarter basis. During the quarter, gross revenue per employee was Rs. 1.29 million compared to Rs. 1.18 million for the quarter ended September 30, 2005, representing an improvement of 10%.

Broadband & Telephone Services (B&T)

Customer Base and ARPU

At the end of the quarter ended December 31, 2005, the company had its broadband & telephone operations in 15 telecom circles covering 79 towns. During the quarter, the company added 138,843 customers on its broadband & telephone networks with 1,199,513 customers as on December 31, 2005. The company had approximately 230,000 customers (~19% of the total customer base) subscribing to broadband (DSL) services.

The ARPU for the quarter was Rs. 1,136 (US$ 25.3) per month.

Revenues, EBITDA and EBIT

For the quarter ended December 31, 2005, the revenues from its broadband & telephone operations of Rs 3,854 million, represented a growth of 32% on year-on-year basis. The EBITDA for the quarter was Rs. 946 million compared to Rs. 799 million in the corresponding prior year quarter, an increase of 18% respectively. The EBITDA margin for this segment was 24.6% for the quarter ended December 31, 2005. The EBIT for the quarter ended December 31, 2005 was Rs 256 million.

The revenues for the quarter ended December 31, 2005 from its existing broadband & telephone operations of Rs. 3,607 million grew by 23%, EBITDA of Rs. 1,174 million grew by 47% and EBIT of Rs. 588 million grew by 95%. The EBITDA margin for its existing broadband & telephone operations was 32.6%.

The revenue for the quarter ended December 31, 2005 from its new operations was Rs. 247 million. The company's new broadband & telephone operations had a negative EBITDA of Rs 228 million for the quarter ended December 31, 2005.

Capital Expenditure

During the quarter ended December 31, 2005, the company incurred a capital expenditure of Rs. 4,257 million (US$ 95 million) on its B&T services.

Human Resources

As on December 31, 2005 the company had 403 customers per employee, a decline of 3% on a quarter on quarter basis. During the quarter, gross revenue per employee was Rs. 431,212.

Long Distance Services

Revenues, EBITDA and EBIT

For the quarter ended December 31, 2005, the revenues from its long distance services was Rs. 6,322 million representing a growth of 29% over the corresponding quarter last year. The EBITDA from this segment during the quarter was Rs 2,130 million, a growth of 41% over the corresponding quarter last year. The EBITDA margin for the quarter, was 33.7%. The EBIT of this segment was Rs. 1,626 million representing a growth of 40% over the corresponding quarter last year.

Enterprise Services

Revenues, EBITDA and EBIT

For the quarter ended December 31, 2005, the revenue from this segment was Rs. 1,861 million, a growth of 30% over the corresponding quarter last year. The EBITDA for this segment for the quarter ended December 31, 2005 was Rs. 630 million. The EBITDA margin for this segment in the quarter ended December 31, 2005 was 33.8%.

Human Resources

During the quarter, gross revenue per employee was Rs. 733,311.

SECTION 6

Stock Market Highlights

6.1 General Information

Shareholding & Financial Data	Unit	
No. of Shares Outstanding December 31, 2005)	Million Nos.	1,890
Closing Market Price - BSE January 20, 2006)	Rs./Share	342.20
Market Capitalisation	Rs. Million	646,779
Book Value Per Share	Rs.	44.42
Market Price/Book Value	Times	7.70
Net Debt to EBITDA (LTM)	Times	0.91
Enterprise Value	Rs. Million	683,042
Enterprise Value/Annualised Q3 Revenue	Times	5.64
Enterprise Value/Annualised Q3 EBITDA	Times	15.25

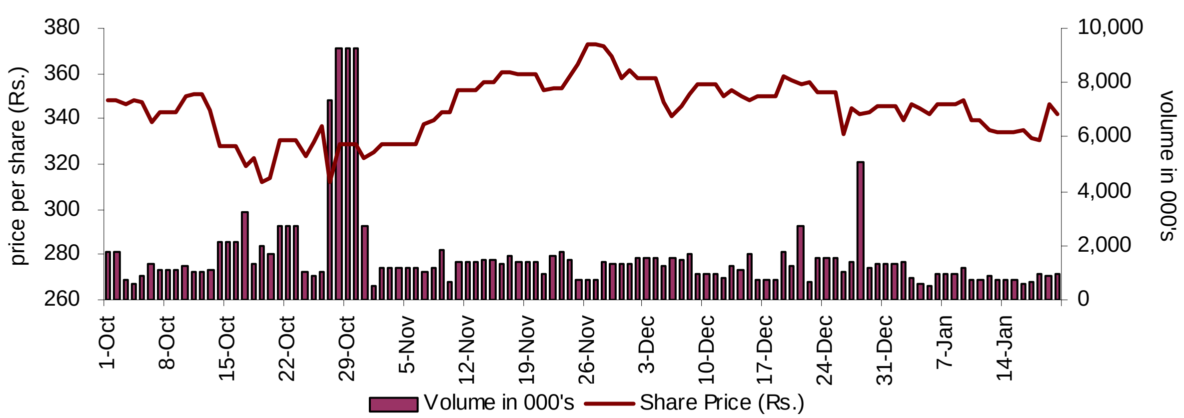
Stock Data	
Code/Exchange	532454/BSE
Bloomberg/Reuters	BHARTI IN/BRTI.BO
Shareholding Pattern	As on Dec. 31, 2005
Promoters Holding	45.57%
Singtel (Pastel Ltd)	15.64%
Vodafone	5.63%
Employee Welfare Trusts/ESOPs	0.25%
Free Float	32.90%
Total	**100.00%**
Combined Volume (October 01, 2005 - January 20, 2006)	1.58 million per day

6.2 Summarised Shareholding pattern as of December 31, 2005

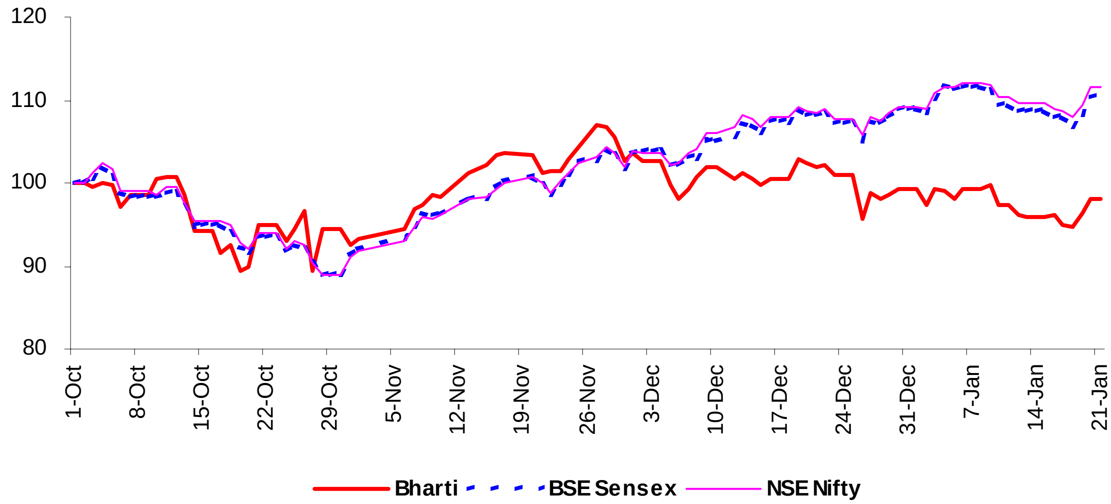
Category	%
Indian Holding	
Promoters	45.57%
Banks/ Mutual Funds/ Indian Financial Institutions	3.69%
Indian Residents/ Bodies Corporate/ Others	2.80%
Total - Indian	**52.06%**
Foreign Holding	
Foreign Companies	21.65%
Foreign Institutional Investors	25.46%
Non-Resident Indians and Overseas Corporate Bodies	0.82%
Total - Foreign	**47.94%**
Total	**100.00%**

For detailed shareholding pattern of the company Kindly refer http://www.bhartiteleventures.com

6.3 Bharti Tele-Ventures Daily Stock Price` (BSE) & Volume (combined of BSE and NSE) Movement



6.4 Comparison of Bharti's stock with BSE Sensex and NSE Nifty



SECTION 7

Use of Non - GAAP Financial Information

In presenting and discussing the Company's reported financial position, operating results and cash flows, certain information is derived from amounts calculated in accordance with US GAAP, but this information is not in itself an expressly permitted GAAP measure. Such non - GAAP measures should not be viewed in isolation as alternatives to the equivalent GAAP measures.

A summary of certain of the non - GAAP measures included in this report, together with details where additional information and reconciliation to the nearest equivalent GAAP measure can be found, is shown below.

Non - GAAP measure	Equivalent GAAP measure for USGAAP	Location in this results announcement of reconciliation and further information
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	Operating Income	BTVL Consolidated Page 20, Mobile Services: - Page 21, Infotel Services: - Page 22, Broadband & Telephone Services: - Page 22, Long Distance Services: - Page 22, Enterprise Services: - Page 23, Others: - Page 23.
Cash Profit from Operations	Operating Income	Page 20
Income/(loss) after current tax expenses	Earnings/(loss) before taxation	Page 20
Net Debt	N.A	Page 20
Net Revenues	Total revenues	Page 20
Earnings before Interest & Taxes [for Infotel]	N.A.	Page 22
Total Revenues [for Infotel]	N.A.	Page 22
Total Non Current Assets	N.A	Page 21
Total Non Current Liabilities	N.A	Page 21
Schedule of cost of services	N.A	Page 24
Schedule of depreciation and amortization	N.A	Page 24
Schedule of finance cost	N.A	Page 24
Schedule of Income tax	N.A	Page 24

N.A. – Not Applicable

7.1 Reconciliation of Non-GAAP financial information based on US GAAP

7.1.1 BTVL Consolidated

Amount in Rs million

Particulars	Quarter Ended December 2005	Nine Months Ended December 2005
Operating Income To EBITDA		
Operating Income	**7,167**	**19,668**
Depreciation & Amortisation	4,026	11,131
Pre-operating cost	8	20
EBITDA	**11,200**	**30,819**
Operating Income to Cash Profit from Operations		
Operating Income	**7,167**	**19,668**
Depreciation & Amortisation	4,026	11,131
Pre-operative costs	8	20
Interest income	510	893
Interest expense	(1,433)	(2,810)
Cash Profit from Operations	**10,277**	**28,902**
Net Debt		
Long term debt, net of current portion	35,363	35,363
Short-term borrowings and current portion of long-term debt	9,042	9,042
Less:		
Cash and cash equivalents	3,011	3,011
Restricted cash	230	230
Restricted cash, non-current	74	74
Short term investments	4,325	4,325
Investments	502	502
Net Debt	**36,263**	**36,263**
Total Revenue to Net Revenue		
Total Revenue	**30,256**	**82,520**
Less:-		
Access charges	5,571	15,348
Net Revenue	**24,685**	**67,172**
Operating Expenses		
Network operations costs	3,080	8,296
Equipment costs	277	869
Employee costs	1,930	5,637
Selling general and administrative costs	5,189	13,383
Operating Expenses (Opex)	**10,475**	**28,185**
Income / (Loss) before Income taxes to Income / (Loss) after current tax expense		
Income / (Loss) before Income taxes	6,386	18,162
Less:-		
Current tax expense	534	1,455
Income / (Loss) after current tax expense	**5,852**	**16,706**

7.1.1 BTVL Consolidated {cont}

Amount in Rs million

Particulars	Quarter Ended December 2005	Nine Months Ended December 2005
Property and equipment, net	122,180	122,180
Acquired intangible assets, net	15,116	15,116
Goodw ill	23,313	23,313
Investment in associates and joint ventures	192	192
Investments	502	502
Restricted cash, non-current	74	74
Other assets	3,009	3,009
Total Non Current Assets	**164,386**	**164,386**

Amount in Rs million

Particulars	Quarter Ended December 2005	Nine Months Ended December 2005
Long-term debt, net of current portion	35,363	35,363
Deferred taxes on income	3,931	3,931
Unearned income- Indefeasible right to use sales	4,218	4,218
Other liabilities	3,596	3,596
Total Non Current Liabilities	**47,107**	**47,107**

7.1.2 Mobile Services

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Operating Income To EBITDA		
Operating Income	**5,217**	**13,293**
Depreciation & Amortisation	2,715	7,673
EBITDA	**7,932**	**20,966**

7.1.3 Infotel Services

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Revenues For Infotel		
Revenues from Broadband & Telephone Services	3,854	10,913
Revenues from Long Distance Services	6,322	17,094
Revenues from Enterprise Services	1,861	5,180
Revenues For Infotel	**12,037**	**33,187**
EBITDA For Infotel		
EBITDA from Broadband & Telephone Services	946	2,741
EBITDA from Long Distance Services	2,130	6,020
EBITDA from Enterprise Services	630	1,986
EBITDA For Infotel	**3,706**	**10,747**
EBIT For Infotel		
EBIT from Broadband & Telephone Services	256	995
EBIT from Long Distance Services	1,626	4,658
EBIT from Enterprise Services	550	1,770
EBIT For Infotel	**2,432**	**7,423**

7.1.4 Broadband & Telephone Services

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Operating Income To EBITDA		
Operating Income	**243**	**957**
Depreciation & Amortisation	695	1,764
Pre-operating cost	8	20
EBITDA	**946**	**2,741**

7.1.5 Long Distance Services

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Operating Income To EBITDA		
Operating Income	**1,618**	**4,624**
Depreciation & Amortisation	512	1,396
EBITDA	**2,130**	**6,020**

7.1.6 Enterprise Services

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Operating Income To EBITDA		
Operating Income	**550**	**1,744**
Depreciation & Amortisation	79	242
EBITDA	**630**	**1,986**

7.1.7 Others

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Operating Income To EBITDA		
Operating Income	**(462)**	**(951)**
Depreciation & Amortisation	27	64
EBITDA	**(434)**	**(887)**

7.2 Schedule to financial statements

7.2.1 Schedule of Cost of Services

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Access charges	5,571	15,348
Licence fees, revenue share & spectrum charges	3,010	8,168
Network operations costs	3,080	8,296
Employee costs	1,930	5,637
Depreciation & amortisation	3,909	10,860
Cost of Services	**17,500**	**48,308**

7.2.2 Schedule of Depreciation and Amortisation

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Fixed Assets	3,616	10,001
Licence Fees	165	462
ESOP	64	82
Intangibles	182	586
Depreciation and Amortisation	**4,026**	**11,131**

7.2.3 Schedule of Finance Cost (net)

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Interest on borrowings	577	1,608
Finance charges	130	493
Finance income	(131)	(403)
Derivatives & Exchange Fluctuation	348	219
Finance cost (net)	**924**	**1,917**

7.2.4 Schedule of Income Tax

Amount in Rs million

Particulars	Quarter Ended	Nine Months Ended
	December 2005	December 2005
Current tax expense	534	1,455
Deferred tax expense / (income)	324	732
Income tax expense / (Income)	**858**	**2,187**

ANNEXURES – DETAILED FINANCIAL AND RELATED INFORMATION

A.1 FINANCIAL STATEMENTS AS PER UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP)

A.1.1 Consolidated Statement of Operations (as per US GAAP)

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Nine Months Ended		
	Dec. 2005	Dec. 2004	Y-on-Y Growth	Dec. 2005	Dec. 2004	Y-on-Y Growth
Revenues						
Services	29,851	20,944	43%	81,296	55,780	46%
Indefeasible right ot use sales	108	81	33%	324	193	68%
Equipment	298	294	1%	900	800	12%
Total Revenues	**30,256**	**21,319**	**42%**	**82,520**	**56,773**	**45%**
Operating Expenses						
Cost of services	(17,500)	(12,616)	39%	(48,308)	(33,557)	44%
(Inclusive of depreciation and amortisation)						
Costs of equipment sales	(277)	(292)	-5%	(869)	(802)	8%
Selling, general & administrative expenses	(5,305)	(3,629)	46%	(13,654)	(9,470)	44%
(Inclusive of depreciation and amortisation)						
Pre-operating cost	(8)	(191)		(20)	(414)	
Total Operating Expense	**(23,089)**	**(16,728)**	**38%**	**(62,852)**	**(44,243)**	**42%**
Operating Income / (Loss)	**7,167**	**4,592**	**56%**	**19,668**	**12,530**	**57%**
Interest expense	(1,433)	936		(2,810)	(2,349)	
Interest income	509	(904)		893	1,152	
Share of profits in associates / joint ventures	(1)	1		(3)	(41)	
Other income	152	134		424	203	
Non operating expenses	(8)	(10)		(10)	(19)	
Income / (Loss) before income Taxes	**6,386**	**4,749**	**34%**	**18,162**	**11,476**	**58%**
Income tax (expense) / benefit	(858)	(358)		(2,187)	(1,061)	
(Profit) / loss to minority shareholders	(75)	(27)		(212)	(27)	
Net income / (loss)	**5,453**	**4,363**	**25%**	**15,762**	**10,387**	**52%**
Earnings / (loss) per share for profit attributable to common shareholders						
Basic	2.90	2.37		8.43	5.63	
Diluted	2.90	2.30		8.39	5.52	
Weighted average number of shares used in computing earnings / (loss) per share						
Weighted average number of common shares (in millions)	1,884	1,844		1,870	1,844	
Weighted average number of diluted shares (in millions)	1,884	1,879		1,889	1,879	

A.1.2 Consolidated Balance Sheet (as per US GAAP)

Amount in Rs. Million

Particulars	As at December 31, 2005
ASSETS	
Cash and cash equivalents	3,011
Accounts receivable, net of allowances for doubtful debts	10,850
Unbilled receivables	3,153
Inventories	482
Short term investments	4,325
Deferred taxes on income	2,034
Derivative financial instruments	862
Restricted cash	230
Prepaid expenses and other current assets	8,782
Due from related parties	112
Total Current Assets	**33,841**
Property and equipment, net	122,180
Acquired intangible assets, net	15,116
Goodwill	23,313
Investment in associates and joint ventures	192
Investments	502
Restricted cash, non-current	74
Other assets	3,009
Total Assets	**198,227**
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Short-term borrowings and current portion of long-term debt	9,042
Trade payables	14,410
Equipment supply payables	19,297
Accrued expenses	7,971
Unearned income	10,040
Unearned income- Indefeasible right to use sales	327
Derivative financial instruments	1,436
Due to related parties	295
Other current liabilites	3,443
Total current liabilities	**66,262**
Long-term debt, net of current portion	35,363
Deferred taxes on income	3,931
Unearned income- Indefeasible right to use sales	4,218
Other liabilities	3,596
Total liabilities	**113,369**
Minority interest	910
Stockholders' equity	
Common stock, par value Rs.10 per share	18,901
Additional paid in capital	54,935
Deferred stock based compensation	(347)
Treasury stock	(246)
Retained earnings / (deficit)	10,706
Total stockholders' equity	**83,948**
Total liabilities and stockholders' equity	**198,227**

A.1.3 Consolidated Statement of Cash Flows (as per US GAAP)

Amount in Rs. Million

Particulars		Quarter ended December 31, 2005	Nine Months Ended December 31, 2005
Cash flows from operating activities			
Net profit/(loss)	**a**	**5,453**	**15,762**
Add: Non Cash items	**b**		
Depreciation and amortisation		4,026	11,131
Tax expense / (income)		858	2,187
Impact of fair valuation of financial instruments		931	1,063
Cash generated from operations before working capital changes	**c=a+b**	**11,268**	**30,144**
(Increase)/decrease in working capital		2,608	9,124
(Increase)/decrease in non-current assets		(1,835)	(3,598)
Increase/(decrease) in non-current liabilities		660	1,224
Net cash provided/(used) by/in operating activities	**d**	**1,433**	**6,750**
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,861)	(39,131)
Investment / loss in associate		(24)	(32)
Net cash provided/(used) by/in investing activities	**e**	**(15,885)**	**(39,163)**
Cash flows from financing activities			
Increase/(decrease) in borrowings		3	(5,698)
Shareholders Equity		1,577	7,282
Net cash provided/(used) by/in financing activities	**f**	**1,579**	**1,584**
Cash and cash equivalents*			
Beginning of the period	**g**	9,747	8,828
End of the period	**h=c+d+e+f+g**	8,142	8,142

**Includes short-term investments, restricted cash, restricted cash - non-current and investments.*

A.2 Trend and Ratio Analysis

A.2.1 Based on Statement of Operations

The figures as given below are as per the results published by the company for the relevant periods.

Amount in Rs. Million, except ratios

	For the Quarter Ended				
	Dec-05	Sep-05	Jun-05	Mar-05	Dec-04
Total Revenues	30,256	27,091	25,173	23,255	21,319
Access and interconnection charges	5,571	4,928	4,850	4,529	4,538
Operating Expenses	10,475	9,236	8,474	7,368	6,820
Licence Fee	3,010	2,716	2,442	2,309	2,017
EBITDA	11,200	10,211	9,407	9,050	7,944
Cash profit from operations	10,277	9,367	9,258	8,252	7,976
Earnings / (Loss) before taxation	6,386	5,796	5,980	5,128	4,749
Current tax expense	534	410	511	328	277
Deferred tax expense / (income)	324	104	304	139	81
Net profit	5,453	5,209	5,099	4,591	4,363

	Dec-05	Sep-05	Jun-05	Mar-05	Dec-04
As a % of Total Revenues					
Access and Interconnect charge	18.4%	18.2%	19.3%	19.5%	21.3%
Operating Expenses	34.6%	34.1%	33.7%	31.7%	32.0%
Licence fee	9.9%	10.0%	9.7%	9.9%	9.5%
EBITDA	37.0%	37.7%	37.4%	38.9%	37.3%
Cash profit from operation	34.0%	34.6%	36.8%	35.5%	37.4%
Earning (loss) before taxation	21.1%	21.4%	23.8%	22.1%	22.3%
Curent tax rate	8.4%	7.1%	8.5%	6.4%	5.8%
Deferred tax rate	5.1%	1.8%	5.1%	2.7%	1.7%
Effective tax rate	13.4%	8.9%	13.6%	9.1%	7.5%
Net Profit	18.0%	19.2%	20.3%	19.7%	20.5%

A.2.2 Based on Balance Sheet

Kindly refer to glossary for detailed definitions of the ratios given below.

Amount in Rs. Million, except ratios

	As at				
	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005	Mar. 31, 2005	Dec. 31, 2004
Stockholders Equity	83,948	76,993	69,975	61,065	56,428
Net Debt	36,263	33,724	34,715	40,212	38,375
Capital Employed = Stockholder's equity + Net Debt	120,211	110,717	104,690	101,277	94,803

	Dec-05	Sep-05	Jun-05	Mar-05	Dec-04
Return on Stockholder's equity (LTM)	29.3%	30.6%	31.0%	28.5%	26.2%
Return on Capital Employed (LTM)	21.8%	20.9%	19.6%	18.3%	16.1%
Net Debt to EBITDA (LTM)	0.91	0.92	1.04	1.33	1.46
Assets turnover ratio (LTM)	90.2%	87.2%	83.5%	79.6%	75.6%
Interest Coverage ratio (times)	19.40	20.11	18.00	13.24	13.03
Book Value Per Equity Share (in Rs)	44.4	40.9	37.3	32.9	30.4
Net debt to Stockholders' Equity (Times)	0.43	0.44	0.50	0.66	0.68
Per share data (for the period)					
Net profit per common share (in Rs)	2.90	2.79	2.74	2.49	2.37
Net profit per diluted share (in Rs)	2.90	2.79	2.70	2.44	2.30

A.2.3 Bharti's Three Line Graph

The company tracks its performance on a three-line graph.

The parameters considered for the three-line graph are:

1. Gross Revenues i.e. absolute turnover/sales

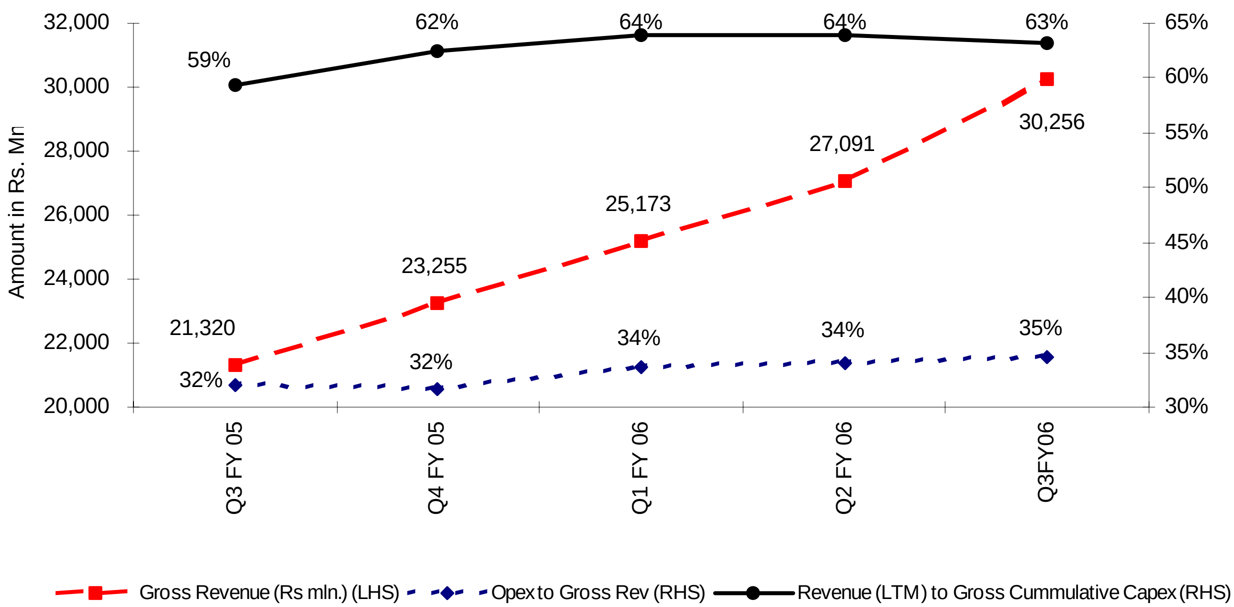
2. Opex Productivity – operating expenses divided by the gross revenues for the respective period. Operating expenses is the sum of (i) equipment costs (ii) employee costs (iii) network operations costs & (iv) selling general and administrative costs. This ratio depicts the operational efficiencies in a company.

3. Capital Productivity – this is computed by dividing gross revenues (last twelve months) by gross fixed assets, capital work in progress and intangibles till date i.e. the physical investments made in the assets creation of the company.

   This ratio depicts the productivity of assets of the company.

The company believes that as far as the absolute revenues keeps increasing periodically, the ratio of operating expenses to gross revenues stabilizes or keeps coming down and the revenue (LTM) to gross cumulative capex keeps improving, the company's overall financial health can be tracked.

Given below is the graph for the last five quarters of the company:



A.2.4 Operational Performance

The financial figures used for computing ARPU is based on United States Generally Accepted Accounting Principles (US GAAP).

Parameters	Unit	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005	March 31, 2005	Dec. 31, 2004
BTVL Consolidated						
Customers	000's	17,527	15,129	13,191	11,842	10,630
Employees	No.	10,255	9,420	8,739	7,827	7,123
Mobile services						
Customers	000's	16,327	14,068	12,256	10,984	9,826
Prepaid customers as a % of total customers	%	79.7%	77.5%	75.6%	75.6%	75.0%
Postpaid customers as a % of total customers	%	20.3%	22.5%	24.4%	24.4%	25.0%
Bharti's wireless subscribers market share	%	21.6%	21.8%	21.5%	21.2%	20.7%
Average Revenue Per User (ARPU)	Rs.	470	476	491	505	514
Average Minutes of Use Per User	Minutes	411	388	383	370	355
Total Minutes of Use	Mn Min	18,637	15,281	13,321	11,575	9,840
Post-paid Voluntary Churn	%	1.4%	1.4%	1.1%	1.1%	1.3%
Post-paid Company Initiated Churn	%	2.8%	2.8%	2.8%	3.2%	2.5%
Prepaid Churn	%	5.5%	5.7%	6.7%	6.7%	8.5%
SMS Revenue as a % of Total Mobile Revenues	%	6.4%	7.1%	6.8%	6.3%	5.8%
Employees	No.	5,604	5,398	5,081	4,823	4,633
Infotel Services						
Broadband & Telephony (B&T) Customers	000's	1,200	1,061	935	857	804
Average Revenue Per User (ARPU) - B&T	Rs.	1,136	1,203	1,256	1,229	1,235
Employees	No.	4,428	3,810	3,450	2,807	2,294
Others (Corporate Office)						
Employees	No.	223	212	208	197	196

A.3 Key Accounting Policies as per US GAAP

1. Joint Ventures

The Group's interest in Joint ventures in which the Group has a majority interest, but does not control due to significant participatory rights of the minority stockholders are accounted for under the equity method of accounting and is initially recognized at cost. Under this method, the Group's share of the post-acquisition profits or losses of the joint venture is recognized in the income statement and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in joint venture includes goodwill identified on acquisition.

The Group's interest in jointly controlled entities is accounted for by the equity method of accounting and is initially recognized at cost.

2. Property and equipment

Property and equipment are stated at historical cost, net of accumulated depreciation. All direct costs relating to the acquisition and installation of property and equipment are capitalized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, with the exception of leasehold improvements and assets acquired through capital leases, which are depreciated over the lesser of the estimated useful lives of the asset or the term of the lease.

Assets	Years
Building	20
Network Equipment	10-15
Computer equipment	3
Office, furniture and equipment	5
Vehicles	5
Leasehold improvements	Period of Lease or 10 years whichever is less

Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses arising from retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income on the date of retirement and disposal.

3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is disclosed separately. Goodwill arising on accounting for jointly controlled entities or entities in which we exercise significant influence is included in investments in associates/jointly controlled entities. Goodwill is stated at cost less accumulated amortization and impairment losses, if any.

Effective April 1, 2002, the Group adopted provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS 142 requires that goodwill and indefinite-lived intangible assets be allocated to the reporting unit level, which the Group defines as each fixed line or mobility circle. SFAS 142 also prohibits the amortization of goodwill and indefinite-lived intangible assets upon adoption, but requires that they be tested for impairment at least annually, or more frequently as warranted, at the reporting unit level.

The goodwill impairment test under SFAS 142 is performed in two phases. The first step of the impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill of the reporting unit is considered impaired, and step two of the impairment test must be performed. The second step of the impairment test quantifies the amount of the impairment loss by comparing the carrying amount of goodwill to the implied fair value. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its implied fair value.

4. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency Indian Rupees at the rates of exchange in effect at the balance sheet date. Transactions in foreign currencies are recorded at rates ruling on the transaction dates. Gains or losses resulting from foreign currency transactions are included in the statement of operations.

5. Capital leases

Lessee accounting

Assets leased to others under capital leases are stated at the lower of fair value and present value of minimum lease payments. They are amortized over the useful lives of the assets or the lease term, whichever is shorter. Amortization charge for capital leases is included in depreciation expense for the year.

Assets acquired under capital lease are capitalized as assets by the Group at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets. Amortization of leased assets is computed on straight line basis over the useful life of the assets.

Lessor accounting

Assets leased to others given under capital leases are recognized as receivables at an amount equal to the net investment in the leased assets. The finance income is recognized based on periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.

6. Impairment of long – lived assets and intangible assets

The Group reviews its long-lived assets, including identifiable intangibles with finite lives, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic climate. For assets that the Group intends to hold for use, if the total of the expected future undiscounted cash flows produced by the asset or asset Group is less than the carrying amount of the assets, a loss is recognized for the difference between the fair value and carrying value of the assets. For assets the Group intends to dispose of by sale, a loss is recognized for the amount by which the estimated fair value, less cost to sell, is less than the carrying value of the assets. Fair value is determined based on quoted market prices, if available, or other valuation techniques including discounted future net cash flows.

7. Revenue recognition

(i) Service revenues

Service revenues include amounts invoiced for airtime charges, call revenue, fixed monthly subscription charges and VSAT/ internet usage charges, roaming charges, activation fees, and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network of the incumbent fixed line service operator for local, domestic long distance and international calls.

Service revenues are recognized as the services are rendered and are stated net of discounts and taxes. Revenues from pre-paid cards are recognized based on actual usage. Activation revenue and related activation costs, not exceeding the activation revenue, are deferred and amortized over their estimated useful life of 29 to 50 months for the year ended March 31, 2005 (2004 – 32 to 60 months), which is consistent with the estimated churn of customers. Excess of activation costs over activation revenue, if any, is expensed as incurred. On introduction of new prepaid products processing fee on recharge coupon is being recognized over the estimated customer relationship period or coupon validity period as applicable. Subscriber acquisition costs are expensed as incurred.

Service revenues from the internet and VSAT business comprise revenues from registration, installation and provision of internet and satellite services. Registration fee and installation charges are deferred and amortized over the expected customer relationship period. Service revenue is recognized 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 recognized on the actual usage basis and is net of sales returns and discounts.

Revenues from national long distance operations comprise revenue from provision of voice services, which are recognized on completion of services while revenue from provision of bandwidth services is recognized over the period of use. Revenue is stated net of discounts and waivers.

Revenue from international long-distance operations comprises revenue from provision of voice services, which is recognized on completion of services.

Unbilled receivables represent revenues recognized in respect of mobile, fixed line and national 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.

Unearned revenue include unused amounts of revenue billed in respect of pre-paid cards and monthly rentals received in advance. The related services/billings are expected to be performed within the next operating cycle.

(ii) Equipment sales

Equipment sales consist primarily of revenues from sale of VSAT and internet equipment (hardware) and sim cards, fixed line service handsets and related accessories to subscribers. Equipment sales are treated as activation revenue and are deferred and amortized over the customer relationship period.

(iii) Multiple element arrangements

The Company enters into transactions that include multiple element arrangements, which may include a combination of network assets, bandwidth and services including maintenance. When some elements are delivered prior to others in an arrangement, revenue is deferred until the delivery of the last element unless all of the following conditions are met:

- Vendor-specific objective evidence of fair value (VSOE) of the undelivered elements.
- The functionality of the delivered elements is not dependent on the undelivered elements.
- Delivery of the delivered element represents the culmination of the earnings process.
- VSOE is the price charged by the Company to an external customer for the same element when such element is sold separately or reflects fair value of the element.

8. License fees

Licenses signed prior to New Telecom Policy – 1999 (NTP - 99) regime

Annual license fees incurred by the Group under the old license fee regime until the date of migration to the NTP - 99, i.e. July 31, 1999 and revenue-share fees from the date of migration to NTP – 99 are expensed as incurred. However, the Group's share of licenses acquired under business combinations during the old license regime, prior to July 31, 1999, have been accounted for at their respective fair values as at the date of acquisition and are amortized on a straight-line basis over the remaining period of the license from the date of acquisition of respective circles. Upon the migration to the NTP - 99, the remaining unamortized cost of such licenses acquired is carried over and forms a part of the new cost basis for the license signed under NTP - 99. Amortization of licenses is disclosed as part of “Depreciation and Amortization” in the Statement of operations.

Licenses signed under NTP - 99

License agreements signed/awarded under NTP - 99 stipulate the payment of one time fee termed as ‘license entry fee’ to obtain the right to operate services and annual usage charge on the basis of the percentage of revenues i.e. ‘revenue share’.

License entry fees have been recognized as an intangible asset and are measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any other impairment losses. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles. The Group’s share of licenses acquired under business combinations arising after the ‘applicability’ of NTP - 99 have been accounted for at their respective fair values as at the date of acquisition and are amortized on a straight line basis over the remaining period of the license. Amortization of license entry fees is disclosed as part of “Depreciation and Amortization” in the statement of operations. The revenue-share fee is computed on the basis of Adjusted Gross Revenue (‘AGR’) and is expensed as incurred.

UASL Licenses & license fees

The Group has migrated its cellular mobile licenses in 15 circles to Unified Access Service Licenses (UASL) after obtaining the necessary approvals from DoT. UASL permits the licensee to provide basic and / or cellular services using any technology in a defined service area.

UASL entry fees have been recognized as an intangible asset and are measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any other impairment losses. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles.

9. Other intangible assets

Other intangible assets comprising of enterprise resource planning software, bandwidth capacities, brands, customer relationships, distribution networks and licenses, are capitalized at the Group’s share of respective fair values on the date of acquisition. The methodology used for valuation of these intangibles is as follows:

- Software is capitalized at the amounts paid for acquiring the license for use and are amortized over the period of such license, not exceeding three years.
- Bandwidth capacities are capitalized at the amounts paid for acquiring the capacities and are amortized over the period of the agreement.
- Brands are valued using the Royalty Relief approach and are amortized on a straight-line basis over the period of expected benefit, not exceeding the life of the licenses and are written off in their entirety when no longer in use.
- Customer relationships reflect the estimated fair value of the customer accounts acquired from which the Group can expect to derive future benefits over the estimated life.
- Distribution networks reflect the fair value of the estimated benefit and are amortized over an estimated useful life of three years.
- The fair value of licenses are valued using the Market Value Approach. The licenses are amortized over the remaining license period

Amortization of intangible assets is disclosed as part of cost of services and selling, general and administrative expenses in the consolidated statement of operations.

10. Income-taxes

In accordance with the provisions of SFAS 109, Accounting for Income Taxes, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period in which such change is enacted. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

11. Pre operating costs

Pre operating costs represent certain marketing and administrative expenses incurred prior to the commencement of commercial operations of the new circles. These costs are expensed as incurred.

12. Derivative financial instruments

The Group enters into derivative instruments, including interest rate swaps and foreign currency forward contracts, to manage interest rate movements of its debt obligations and foreign currency exposures related to the import of equipment used in operations and its foreign currency denominated debt instruments.

Statement of Financial Accounting Standards No. 133, ‘‘Accounting for Derivative Instruments and Hedging Activities’’ (‘‘SFAS No. 133’’), requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship.

13. Asset Retirement Obligations

In July 2001, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations. This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

14. Indefeasible right to use (IRU)

Fibre and duct are sold as part of the operations of Company's Infrastructure Provider business. The Company has decided to view these as integral equipment. Under the agreements, title was not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. Direct expenditures incurred in connection with agreements are capitalized and written off over the term of the agreement. The contracted sales price is chiefly paid in advance and is recognized as revenue during the period of the agreement. Sales not recognized in income, net of amount recognizable within one year is recorded as non-current liability and amount recognizable within one year is recorded as unearned income.

A.4 Summarised Profit & Loss Statement as per Indian GAAP

Amount in Rs million

Particulars	Quarter ended December 31, 2005 Audited	Nine Months Ended December 31, 2005 Audited
Service Revenue	29,947	81,714
Sales of Goods	320	970
Other Income	184	469
Total Income	**30,452**	**83,153**
Profit including Other Income and before Finance Expenses /(Income) (Net), Depreciation, Amortisation, Pre-operative Expenditure,Charity and Donation and Taxation	**11,347**	**31,212**
Finance expenses (net)	721	1,873
Depreciation	3,798	10,433
Amortisation	431	1,166
Preoperative Expenditure Written off	8	20
Charity & Donation	8	10
Profit Before Tax	**6,382**	**17,710**
Tax Expenses/ (Income)		
-Current Tax	485	1,330
-Fringe Benefit Tax	50	128
-Deferred Tax	345	834
Profit After Tax	**5,501**	**15,418**
Minority Interest	66	206
Profit for the period	**5,435**	**15,212**

A.5 Summary of differences in Net Profit/(loss) between US GAAP (un-audited) and Indian GAAP (audited)

Amount in Rs million

Particulars	Quarter ended December 31, 2005	Nine Months Ended December 31, 2005
Net profit / (loss) as per US GAAP	**5,453**	**15,762**
Add: Differences on account of:		
Minority Interest and loss of Joint Venture	9	8
Differences in accounting for finance charges	170	38
Remeasurement of financial instruments not applicable in IGAAP	36	6
Differential depreciation provided in IGAAP due to forex fluctuations not considered in US GAAP.	21	156
Less: Differences on account of:		
Being difference in revenue recognition	20	13
Deferred Tax expense	21	101
Amortisation of Goodwill/ Intangibles	68	202
License fee amortisation	145	442
Consolidation of ESOP Trust	0	0
Net profit/(loss) as per Indian GAAP	**5,435**	**15,212**

GLOSSARY

Technical and Industry Terms

Company Related	
ARPU (for Mobile and Broadband & Telephone services)	Average revenue per customer per month is computed by: dividing the total revenues, excluding equipment sales and the connection fees, during the relevant period by the average customers; and dividing the result by the number of months in the relevant period.
Asset Turnover	Asset Turnover is defined as total revenues, for the preceding (last) 12 months from the end of the relevant period, divided by average assets. Asset is defined as the sum of non current assets and net current assets. Net current assets means current assets minus current liabilities. Average assets is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.
Access and Interconnect Charges / Total Revenues	Access and interconnect charges for the relevant period divided by total revenues for the relevant period.
Average Customers	Average customers are derived by computing the average of the monthly average customers for the relevant period.
Book Value Per Equity Share	Total stockholder's equity as at the end of the relevant period divided by issued and outstanding equity shares as at the end of the relevant period.
Capital Employed	Capital Employed is defined as sum of stockholder's equity and net debt.
Cash Profit From Operations	It is not a US GAAP measure and is defined as operating income adjusted for depreciation & amortization, pre-operating costs, interest expense and interest income.
Cash Profit From Operations / Total revenues	It is computed by dividing cash profit from operations for the relevant period by total revenues for the relevant period.
Churn	Churn is calculated by dividing the total number of disconnections during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. Postpaid churn has been subdivided into: a) Voluntary: indicating the number of subscribers who opt out of the network at their own behest. b) Company initiated churn: indicating the number of subscribers whose churn is initiated by the company due to non-payment.
Earnings (Loss) Before Taxation / Total Revenues	It is computed by dividing earnings/ (loss) before taxation for the relevant period by total revenues for the relevant period.
EBITDA	Earnings/(loss) before interest, taxation, depreciation and amortization. It is not a US GAAP measure and is defined as operating income adjusted for depreciation & amortization and pre-operating costs.
EBITDA Margin or EBITDA / Total Revenues	It is computed by dividing EBITDA for the relevant period by total revenues for the relevant period.
EBIT	Earnings / (Loss) before interest and taxation for the relevant period. It is equivalent to Income/(loss) before interest income, interest expense & taxes.
Existing Broadband & Telephone Operations	Existing broadband & telephone operations comprises of circles operational as on December 31, 2004. The circles include Delhi, Haryana, Madhya Pradesh & Chattisgarh, Tamil Nadu, Chennai and Karnataka.
Broadband & Telephony Customers Per Employee	Number of Broadband & Telephony customers on our networks as at end of the relevant period divided by number of employees in the Broadband & Telephone segment as at end of the relevant period.
Income/(loss) after current tax expense	It is not a US GAAP measure and is defined as Income/(loss) before taxation adjusted for current tax expense.
Interest Coverage Ratio	EBITDA for the relevant period divided by interest on borrowing for the relevant period.
License Fee / Total Revenues	License fee for the relevant period divided by total revenues for the relevant period.
Market Capitalization	Number of issued and outstanding shares as at end of December 31, 2005 multiplied by closing market price (BSE) as at end of January 20, 2006.
MoU/Sub/Month	Minutes of Usage. Duration in minutes for which a customer uses the network. It is typically expressed over a period of one month. Average minutes of usage per subscriber per month is calculated by: dividing the total minutes of usage

	(incoming, outgoing and in-roaming) on our network during the relevant period by the average customers; and dividing the result by the number of months in the relevant period.
Mobile Customers Per Employee	Number of mobile customers on our networks as at end of the relevant period divided by number of employees in the mobile segment as at end of the relevant period.
Net Debt	It is not a US GAAP measure and is defined as the long-term debt, net of current portion plus short-term borrowings and current portion of long-term debt minus cash and cash equivalents, restricted cash, restricted cash non-current , short-term investments and investments as at the end of the relevant period.
Net Debt to EBITDA	It is computed by dividing net debt as at the end of the relevant period by EBITDA for preceding (last) 12 months from the end of the relevant period.
Net Debt to Stockholder's Equity	It is computed by dividing net debt as at the end of the relevant period by stockholder's equity as at the end of the relevant period.
Net Profit / (Loss) / Total Revenues	It is computed by dividing net profit / (loss) for the relevant period by total revenues for the relevant period.
Net Profit/ (Loss) Per Common Share	It is computed by dividing net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.
Net Profit/ (Loss) Per Diluted Share	The calculation of Net Profit/ (loss) per diluted share adjusts net profit or loss and the weighted average number of ordinary shares outstanding, to give effect to all dilutive potential ordinary shares that were outstanding during the year. Net profit or loss attributable to ordinary shareholders is adjusted for the after-tax effect of the following: (1) dividends on potential ordinary shares (for example, dilutive convertible preferred shares); (2) interest recognised on potential ordinary shares (for example, dilutive convertible debt); and (3) any other changes in income or expense resulting from the conversion of dilutive potential ordinary shares (e.g., an entity's contribution to its non-discretionary employee profit-sharing plan may be revised based on changes in net profit due to the effects of items discussed above).
Net Revenues	It is not a US GAAP measure and is defined as total revenues adjusted for access charges for the relevant period.
Non Voice Revenue as a % of consolidated revenue	It is computed by dividing the total non-voice revenue of the company (BTVL consolidated) by the total revenues for the relevant period. Non-voice revenues include VAS Revenues for Mobile, VAS and Internet Revenues for Broadband & Telephone Services, Bandwidth Revenue for Long Distance Services, and Bandwidth and Internet Revenues for Enterprise Services.
Non Voice Revenue as a % of Mobile Revenue	It is computed by dividing the total non-voice revenue of mobile services by the total revenues of mobile services for the relevant period. Non-voice revenue for mobile services includes revenues from value added services (including SMS, GPRS, MMS Ring Back Tones etc.).
New Broadband & Telephone Operations	New broadband & telephone operations/circles comprises of circles launched after December 31, 2004. The circles include Kerala, Kolkata, Maharashtra, Mumbai, Andhra Pradesh, Punjab, Uttar Pradesh (East), Uttar Pradesh (West) and Gujarat.
Post-Paid Services	The provision of mobile services, wherein the subscribers pay for usage including airtime, rental value added services, access and interconnection charges and any other applicable charges at the end of the billing period.
Pre-Paid Services	The provision of mobile services wherein subscribers pay a fixed amount, which is valid for a certain period, for usage including airtime, value added services, access and interconnection charges and any other applicable charges prior to commencement of service.
Return On Capital Employed	It is computed by dividing the sum of net profit / (loss) & finance cost (net) for the preceding (last) 12 months from the end of the relevant period by average capital employed. Average capital employed is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.
Return On Stockholder's Equity	It is computed by dividing net profit / (loss) for preceding the (last) 12 months from the end of the relevant period by the average Stockholder's equity for the preceding (last) 12 months. Average Stockholder's equity is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.
Total Operating Expenses / Total Revenues	Total operative expenses for the relevant period divided by total revenues for the relevant period.
Total Operating Expenses	It is defined as sum of equipment costs, employee costs, network operations costs and selling general & administrative cost for the relevant period.

Regulatory	
ADC	Access Deficit Charges
AGR	Adjusted Gross Revenues. Used for computing the License Fees and WPC charges payable by an Access Provider and have been provisionally defined as gross revenue of the Access Provider net of access charges actually paid to other telecom service providers, roaming revenues passed on to other telecom service providers and service tax and sales tax actually paid to the Government, if the same had been included in the Gross Income.
AUSPI	Association of Unified Telecom Service Providers of India. It is the representative industry body for private Basic Service Operators which interacts on policy and regulatory issues with various Government bodies such as Department of Telecommunications (DoT), Telecom Regulatory Authority of India (TRAI), apex industry organizations like ASSOCHAM, Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce & Industry (FICCI), analysts and other institutions of world repute.
COAI	The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non - profit, non - governmental society dedicated to the advancement of communication in India, in particular of modern communication through Cellular Mobile Telephone Services. The main objective of the COAI is to protect, promote and upgrade cellular operations in India and also to look after the common and collective interests of its members.
CMSP	Cellular Mobile Service Provider. CMSP is another term for Cellular Operators or Cellular Mobile Telephone Service Licensees.
DoT	Department of Telecommunications. The DoT is a department under the Ministry of Telecommunications, Government of India. The Department of Telecommunications is responsible for the policy formulation, licensing, wireless spectrum management etc. The department allocates frequency and manages radio communications in close coordination with the International bodies and is responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country.
TDSAT	Telecom Disputes Settlement & Appellate Tribunal. TDSAT has been set up under Section 14 of the Telecom Regulatory Authority of India Act, 1997 by TRAI (Amendment) Act, 2000 to adjudicate disputes and dispose of appeals with a view to protect the interests of service providers and consumers of the telecom sector and to promote and ensure orderly growth of the telecom sector.
TRAI	Telecom Regulatory Authority of India. TRAI is a statutory body established under the Telecom Regulatory Authority of India Act, 1997 in January 1997, as an autonomous body with quasi-judicial powers to regulate telecommunication services in India.

Others (Industry)	
BSE	The Stock Exchange, Mumbai
GSM	Global System for Mobile Communications. This is a second generation digital technology originally developed for Europe. Initially developed in the 900 MHz band and subsequently modified for the 850, 1800 and 1900MHz bands. Originally stood for Groupe Speciale Mobile. It is an open and non-proprietary system with one of its great strength being the international roaming capability.
IGAAP	Generally Accepted Accounting Principles in India.
NSE	The National Stock Exchange of India Limited.
Sensex	Sensex is a stock index introduced by The Stock Exchange, Mumbai in 1986. It is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The base year of Sensex is 1978-79 and the base value is 100. The index is widely reported in national and international markets through print as well as electronic media.
SMS	Short Messaging Service. It is a text message service, which enables the user to send short messages to other users.
US GAAP	United States Generally Accepted Accounting Principles.

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