Bharti Hexacom Limited
(Formerly Hexacom India Limited)

Directors' Report

The Directors have pleasure in presenting the Tenth Annual Report together with the Audited Accounts for the financial year ending March 31, 2005.

FINANCIAL RESULTS

Key Financials

(Rs. in Thousand)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004
Service Revenue and other income	**2,109,128**	1,367,263
Profit/(Loss) before Finance Expenses, Depreciation, Amortisation and Pre-operative Expenses	**804,232**	602,918
Finance Expenses (Net)	**(13,705)**	(10,717)
Depreciation & Amortisation	**328,516**	243,449
Pre-operative Expenses written off	**17,958**	–
Profit/(Loss) before Tax	**471,463**	369,886
Tax Expenses – Current	**36,969**	28,435
Tax Expenses – Deferred	**(36,427)**	133,900
Net Profit/(Loss) after Tax	**470,921**	207,551
Profit/(Loss) of brought forward from the earlier years	**2,958**	(204,593)
Profit/(Loss) carried to the Balance Sheet	**473,879**	2,958

Performance

Registering a growth at 54% over the previous year, the gross sales and other income of the Company has increased from Rs. 1,367,263 Thousand to Rs. 2,109,128 Thousand. The net profit of the Company has also increased from Rs. 207,551 Thousand to Rs. 470,921 Thousand during the year under review, which is 127% higher over the previous year 2003-2004.

The key performance highlights of the Company during the financial year are as follows :

- Revenue growth of 54% and Net Profit growth of 127%.
- 5 lac Subscribers base (Growth of 97% over previous year).
- Brand launch of 'Airtel' in August 2004 with 'State-of-the-Art' technology and value added services with impetus on customer care.
- Major Network roll-out and capacity enhancement (139 new towns and 262 BTS).

DIVIDEND

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

OPERATIONS

Market

Rajasthan market continues to show a high growth @ 104% over previous year. The Company continues to be the leader with 30% market share comprising of subscriber base of 5.06 lacs (Total wireless market – 17 lacs). The Competition has been intensive with total overall six players in the market.

Airtel was successfully launched with high visibility through its marketing initiatives. Sales network was strengthened and doubled with a robust distribution set-up of Airtel connects consisting of 35 Channel Partners, 64 Distributors, 80 Brand Shops and 12500 retailers.

Network roll-out

During the year, the Company expanded its network in the existing cities and rolled-out in 174 new towns and coverage is available in 230 towns. A new switch was installed and the HLR capacity was increased from 310K to 900K with an addition of 270 BTS. Seamless coverage on 5 National highways to enhance roaming revenues. 'IN' implementation with two way roaming, Value added services such as 'Ring back tones', GPRS, MMS have been launched for enhancement of 'VAS' offerings and revenues.

Customer Care

The Company commenced 'State-of-the-Art' call centre and initiated various programmes for customer benefit.

Human Resource

Post acquisition of Hexacom by Bharti, the employee transition was smooth. The employees were given empowerment and were continuously trained to harness their skills and enhance their performance.

SALE OF EQUITY SHAREHOLDING BY THE JOINT VENTURE PARTNERS

In October 2004, Bharti Tele-Ventures Limited (BTVL) who was holding 67.5% stake in the Company acquired further 1% equity stake from M/s. Fouad M. T. Al Ghanim Trading & Cont. Co. Kuwait. With the acquisition of this additional 1% stake, the total holding of Bharti Tele-Ventures Limited in the Company has increased to 68.5%.

FIXED DEPOSITS

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on Public Deposits was outstanding on the date of the Balance Sheet.

AUDIT COMMITTEE

In terms of provisions of Section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee of the Board. The Committee consists of the following members :

1. Mr. Akhil Gupta
2. Mr. Chandra Shekhar A.K.
3. Mr. Anil Nayar

AUDITORS' REPORT

The observations of the Auditors in their Report have been explained in the Notes to the Accounts as referred to in their Report.

AUDITORS

M/s. Price Waterhouse, Chartered Accountants, New Delhi, the Statutory Auditors of the Company shall retire at the conclusion of ensuing Annual General Meeting of the Company and are eligible for re-appointment. M/s. Price Waterhouse have sought the re-appointment and have confirmed that their re-appointment if made, shall be within the limits of Section 224(1B) of the Companies Act, 1956. The Board recommends the re-appointment of M/s. Price Waterhouse, Chartered Accountants as Auditors of the Company.

DIRECTORS

During the period under review, Mr. Rajan Bharti Mittal, Mr. Manoj Kohli, Mr. Ashok Juneja, Mr. Narender Gupta, Mr. V. Partha Sarathy and Mr. M. K. Basu have resigned from the directorship of the Company. The Board places on record its sincere appreciation for the services rendered by them during their tenure as Directors of the Company.

In accordance with the Articles of Association of the Company, Mr. G. D. Gaiha is due to retire by rotation at the Tenth Annual General Meeting and being eligible, has offered himself for re-appointment. Mr. G. D. Gaiha has also given a confirmation to the Company that he is, otherwise, not disqualified, in terms of Section 274 of the Companies Act, 1956. The Board recommends his re-appointment.

In compliance of the provisions of Section 269 of the Companies Act, 1956, the Board of Directors have appointed Mr. Anil Nayar as Managing Director of the Company without remuneration for a period of five years with effect from September 1, 2004.

Pursuant to the provisions of Section 262 of the Companies Act, 1956, Mr. Anil Nayar, holds office upto the date of Annual General Meeting. However, notice under Section 257 of the Companies Act, 1956 has been received from one of the shareholders proposing the appointment of Mr. Anil Nayar as Non-Rotational Director/Managing Director of the Company. Mr. Anil Nayar has also given a confirmation to the company that he is, otherwise, not disqualified, in terms of Section 274 of the Companies Act, 1956.

Mr. Anil Nayar is associated with the Bharti Group for over Nine years and has been instrumental in establishing Cellular Mobile Business as President-Mobility. Keeping in view the rich and varied experience and qualifications of Mr. Anil Nayar, it is felt that his presence on the Board would be an asset for the Company's future Growth, hence it is recommended that he may be appointed as Non-Rotational Director/Managing Director of the Company not liable to retire by rotation.

Pursuant to the provisions of Section 262 of the Companies Act, 1956, Mr. Sunil Bharti Mittal, holds office upto the date of Annual General Meeting. However, notice under Section 257 of the Companies Act, 1956 has been received from one of the shareholders proposing the appointment of Mr. Sunil Bharti Mittal as Non-Rotational Director of the Company. Mr. Sunil Bharti Mittal has also given a confirmation to the company that he is, otherwise, not disqualified, in terms of Section 274 of the Companies Act, 1956.

In view of his rich and vast experience, it is felt that his presence on the Board would be an asset for the Company's future Growth, hence it is recommended that Mr. Sunil Bharti Mittal may be appointed as Non-Rotational Director of the Company.

Pursuant to the provisions of Section 262 of the Companies Act, 1956, Mr. Akhil Gupta, holds office upto the date of Annual General Meeting. However, notice under Section 257 of the Companies Act, 1956 has been received from one of the shareholders proposing the appointment of Mr. Akhil Gupta as Director of the Company. Mr. Akhil Gupta has also given a confirmation to the company that he is, otherwise, not disqualified, in terms of Section 274 of the Companies Act, 1956.

In view of his rich and vast experience, it is felt that his presence on the Board would be an asset for the Company's future Growth, hence it is recommended that Mr. Akhil Gupta may be appointed as Director liable to retire by rotation of the Company.

INDUSTRIAL RELATIONS

The Company continues to give utmost attention to safety, health and environment. Relations with employees continued to remain cordial.

The Directors wish to place on record their appreciation for the efforts put in by the Company's employees at all levels.

CORPORATE GOVERNANCE

The Company has always followed the philosophy of conducting its business in due compliance with laws, rules, regulations and sound internal control systems and procedures.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Energy conservation measures, progress made in technology absorption and foreign exchange earnings and outgo as required by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are set out in a separate statement attached hereto and forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

ii. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2005 and of the profit and loss account of the Company for that period;

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

iv. they have prepared the annual accounts on a going concern basis.

DISCLOSURES

Details of remuneration paid to employees as required by Section 217(2A) of the Companies Act, 1956 are set out in a separate statement attached hereto and forming part of the report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record their appreciation of wholehearted support received from Rajasthan State Government, Department of Telecommunication, WPC and TRAI of Government of India, COAI, various banks and Statutory and Internal Auditors, the subscribers, Dealers, Suppliers and all other Business Associates. The Directors also wish to place on record their sense of appreciation for the devoted services of all employees of the Company.

For and on behalf of the Board

ANIL NAYAR
Managing Director

AKHIL GUPTA
Director

Place : New Delhi
Date : July 20, 2005

ANNEXURE TO DIRECTORS' REPORT

Companies Disclosure (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

a) **Conservation of Energy** : The Company is to provide cellular phone services, which are pollution free. The energy requirement is not high and the Company shall use the same efficiently.

b) **Technology Absorption** :

Form B

1) Research and Development (R & D) - N.A.

2) Technology absorption, adaptation and innovation. The Company is implementing a project to provide Cellular Phone Services based on the GSM standards. The technology shall be absorbed gradually to the extent required for the service industry.

c) **Foreign Exchange Earnings and Outgo**

(i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans: The Company being Telecom Service Provider due to its licences restrictions, could not have undertaken any activity relating to exports or development of export markets for services during the year.

(ii) Total foreign exchange used and earned :

Period ended 31.03.2005

Foreign Exchange Earnings : Rs.579.95 Lacs (Previous year Rs. Nil).

Foreign Exchange Outgo : Rs.8,355.05 Lacs (Previous year Rs. 1,316.65 Lacs).

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended March 31, 2005.

Sl. No.	Name & Designation	Remuneration Received (Rs.)	Nature of Duty	Qualification & Experience	Date of Commencement of employment	Age	Last Employment Held
(A) Employed for full year							
1.	Mr. Navaid I. Khan, CEO	49,22,670.00	General Management	BE (Hons.), Mechanical 32 Yrs.	28.03.2000	56 Yrs.	Sterling Cellular Limited, New Delhi

Notes :

1. Remuneration comprises of Salary, Allowances, Gratuity, Company's contribution to Provident Fund, variable pay and value of perquisites.
2. The above named Employee is not related to any Director of the Company.
3. The above named Employee does not hold any shares in the Share Capital of the Company.
4. The nature of Employment of the above named Employee is permanent.

Auditors' Report

TO THE MEMBERS OF BHARTI HEXACOM LIMITED (FORMERLY HEXACOM INDIA LIMITED)

1. We have audited the attached Balance Sheet of Bharti Hexacom Limited (Formerly Hexacom India Limited), as at March 31, 2005, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that :

(i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year. The Company is in the process of reconciling the book records and the physical inventory and accordingly we are unable to comment on whether there are any material discrepancies between book records and physical inventory.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

(ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

(iii) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, that need to be entered into the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the company for the current year.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services, **except for certain general information systems controls which have been strengthened subsequent to the end of the year.** Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2005 which have not been deposited on account of a dispute, are as follows:

Name of the Statute	Nature of Dues	Period to which it relates	Rs.'000	Forum where dispute is pending
Rajasthan Sales Tax Act 1994	Turnover Tax	2002-03	761	Deputy Commissioner Appeals, Sales Tax
Rajasthan Sales Tax Act 1994	Sales Tax	2002-03	174,112	Supreme Court
Finance Act 1994 (Service Tax Provisions)	Service Tax	2000-01	570	Appellate Tribunal
Finance Act 1994 (Service Tax Provisions)	Service Tax	2003-04	850	Assistant Commissioner Service Tax
Finance Act 1994 (Service Tax Provisions)	Service Tax	1998-99	170	Customs, Excise and Service Tax Appellate Tribunal
Finance Act 1994 (Service Tax Provisions)	Service Tax	2004-05	1,198	Rajasthan High Court
	Total		**177,661**	

(x) The Company has no accumulated losses as at March 31, 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

(xi) According to the records of the company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.

(xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

(xvi) The Company has not obtained any term loans.

(xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, funds amounting to Rs.682,122 thousand raised on a short-term basis (primarily representing capital creditors) have been used for long-term investment (represented by fixed assets).

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

(xix) The Company does not have any debentures issued and outstanding as at the year end. Accordingly clause (xix) of Para 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the company for the current year.

(xx) The Company has not raised any money by public issue during the year.

(xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

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

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

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

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

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

(e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

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

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;

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

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

U. RAJEEV
Partner
Membership No. F87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : New Delhi
Date : July 20, 2005

Balance Sheet as at March 31, 2005

Particulars	Schedule No.	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,792,000	1,792,000
Reserves and Surplus	2	473,880	2,958
Loan Funds			
Unsecured Loans	3	25,723	–
Deferred Tax Liability (Net) (Refer Note 11 on Schedule 20 and Note 8 on Schedule 21)		–	34,678
		2,291,603	1,829,636
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		4,110,051	2,614,589
Less: Depreciation		1,396,625	1,068,308
Net Block		2,713,426	1,546,281
Capital Work-in-Progress		232,827	2,418
		2,946,253	1,548,699
Deferred Tax Asset (Net) (Refer Note 11 on Schedule 20 and Note 8 on Schedule 21)		1,749	–
Current Assets, Loans and Advances			
Inventories	6	6,544	3,925
Sundry Debtors	7	110,256	89,114
Cash and Bank Balances	8	225,851	423,470
Other Current Assets, Loans and Advances	9	305,589	77,774
		648,240	594,283
Less : Current Liabilities and Provisions	10		
Current Liabilities		1,250,235	309,768
Provisions		54,404	3,578
		1,304,639	313,346
Net Current Assets		(656,399)	280,937
Miscellaneous Expenditure (to the extent not written off or adjusted)	11	–	–
		2,291,603	1,829,636
Statement of Significant Accounting Policies	20		
Notes to Accounts	21		

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

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

On behalf of the Board

U. RAJEEV
Partner
Membership No. F87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

ANIL NAYAR
Managing Director

AKHIL GUPTA
Director

NIKHIL KULSHRESHTHA
Company Secretary

Place : New Delhi
Date : July 20, 2005

Profit and Loss Account for the year ended March 31, 2005

Particulars	Schedule No.	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
INCOME			
Service Revenue (Refer Note 7 on Schedule 21)		**2,054,168**	1,333,982
Sale of Goods		**36,045**	27,764
Other Income	12	**18,915**	5,517
		2,109,128	1,367,263
EXPENDITURE			
Access Charges		**355,460**	207,845
Network Operating	13	**284,232**	164,328
Cost of Sales of Goods	14	**32,533**	18,830
Personnel	15	**98,832**	59,226
Sales and Marketing	16	**208,574**	64,558
Administrative and Others	17	**154,167**	90,534
Total Expenditure		**1,133,798**	605,321
Operating Profit including other Income and before Licence fee, Finance Expenses/ (Income) Net, Depreciation, Amortisation, Pre-operative Expenditure, Charity and Donation and Taxation		**975,330**	761,942
Licence fee and Spectrum charges (revenue share)		**171,098**	159,024
Profit including other income and before Finance Expenses/(Income) Net, Depreciation, Amortisation, Pre-operative expenditure, Charity and Donation and Taxation		**804,232**	602,918
Finance Expense / (Income) (Net)	18	**(13,705)**	(10,717)
Depreciation		**267,923**	181,185
Amortisation	19	**60,593**	62,264
Pre-operative Expenditure written off	5	**17,958**	–
Charity and Donation		**–**	300
Profit/(Loss) before Tax		**471,463**	369,886
Tax Expense			
- Current		**36,969**	28,435
- Deferred		**(36,427)**	133,900
(Refer Note 11 on Schedule 20 and Note 8 on Schedule 21)			
Profit/(Loss) for the year after Tax		**470,921**	207,551
Profit/(Loss) brought forward from earlier years		**2,958**	(204,593)
Profit/(Loss) carried to the Balance Sheet		**473,879**	2,958
Earnings per Share (in Rs.) (Basic and Diluted)		**2.63**	1.16
(Refer Note 17 on Schedule 20 and Note 19 on Schedule 21)			
Statement of Significant Accounting Policies	**20**		
Notes to Accounts	**21**		

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

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

On behalf of the Board

U. RAJEEV
Partner
Membership No. F87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

ANIL NAYAR
Managing Director

AKHIL GUPTA
Director

NIKHIL KULSHRESHTHA
Company Secretary

Place : New Delhi
Date : July 20, 2005

Cash Flow Statement for the year Ended March 31, 2005

Particulars	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
A. Cash flow from operating activities:		
Net (loss)/profit before tax but after exceptional/extraordinary items	471,463	369,886
Adjustments for:		
Depreciation	267,923	181,185
Interest Expense	4,256	7,620
Interest Income	(19,483)	(18,903)
(Profit)/Loss on Fixed Assets sold	548	1,546
ESOP Expenditure Amortised	48	–
Licence fee Amortised	60,545	56,878
Loan arrangement fee Amortised	–	5,386
Debts/Advances Written off	25,693	4,678
Provision for Bad and Doubtful Debts/Advances	15,720	6,004
Provision for Gratuity and Leave Encashment	3,101	6,783
Unrealised foreign exchange (gain) /loss	(118)	563
Operating profit before working capital changes	829,696	621,626
Adjustments for changes in working capital :		
– (INCREASE)/DECREASE in Sundry Debtors	(56,311)	(52,753)
– (INCREASE)/DECREASE in Other Receivables	(241,986)	–
– (INCREASE)/DECREASE in Inventories	(2,620)	(2,531)
– INCREASE/(DECREASE) in Trade and Other Payables	129,629	50,244
Cash generated from operations	658,408	616,586
– Taxes (Paid)/Received	(31,918)	(25,334)
Net cash from operating activities	626,490	591,252
B. Cash flow from investing activities:		
Adjustments for changes in :		
Purchase of fixed assets	(868,368)	(208,393)
Proceeds from Sale of fixed assets	360	665
Interest Received (Revenue)	22,432	18,903
Net cash used in investing activities	(845,576)	(188,825)
C. Cash flow from financing activities :		
Proceeds from long term borrowings		
Payments	–	(154,700)
Net Proceeds from short term borrowings	25,723	(19,451)
Interest Paid	(4,256)	(7,620)
Net cash used in financing activities	21,467	(181,771)
Net Increase/(Decrease) in Cash and Cash Equivalents	(197,619)	220,656
Opening Cash and Cash Equivalents	423,470	202,814
Cash and cash equivalents as at March 31, 2005	225,851	423,470
Cash and cash equivalents comprise		
Cash, Cheques and Drafts (in hand) and Remittances in Transit	1,745	10,242
Balance with Scheduled Banks *	224,106	413,228
* Includes Deposit Accounts as Margin Money amounting to Rs. 162,472 thousand (Previous year Rs. 84,720)		

Notes:
1. Figures in bracket indicate cash outgo.
2. Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification.

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

On behalf of the Board

U. RAJEEV
Partner
Membership No. F87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

ANIL NAYAR
Managing Director

AKHIL GUPTA
Director

NIKHIL KULSHRESHTHA
Company Secretary

Place : New Delhi
Date : July 20, 2005

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
SCHEDULE : 1		
SHARE CAPITAL		
(Refer Note 6 on Schedule 21)		
Authorised		
250,000,000 (Previous year 250,000,000) Equity Shares of Rs. 10/- each	**2,500,000**	2,500,000
Issued, Subscribed and Paid-up		
179,200,000 (Previous year 179,200,000) Equity Shares of Rs.10/- each	**1,792,000**	1,792,000
SCHEDULE : 2		
RESERVES AND SURPLUS		
Profit and Loss Account		
Balance brought forward	**2,958**	(204,594)
Add : Profit/(Loss) during the period	**470,922**	207,552
Profit/(Loss) carried to the Balance Sheet	**473,880**	2,958
SCHEDULE : 3		
UNSECURED LOANS		
Short Term		
From Banks	**2,288**	–
From Others	**23,435**	–
	25,723	–
Note : Amount repayable within one year.	**2,288**	–

SCHEDULE 4 : FIXED ASSETS

[Refer Notes 2, 3 and 7 on Schedule 20 and Note 3 Schedule 21)

(Rs. '000)

Particulars	Gross Block Value				Depreciation/Amortisation				Net Block Value	
	As at April 1, 2004	Additions during the year	Sale/Adjust-ment during the year	As at March 31, 2005	As at April 1, 2004	For the Year	Sale/Adjust-ment during the year	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
INTANGIBLE ASSETS										
Licences	1,083,169	–	–	1,083,169	387,860	60,545	–	**448,405**	**634,764**	695,309
TANGIBLE ASSETS										
Freehold Land	1,952	–	–	1,952	–	–	–	–	**1,952**	1,952
Plant & Machinery	1,448,963	1,411,161	–	2,860,124	636,226	223,553	–	**859,779**	**2,000,345**	812,737
Building	1,148	–	–	1,148	424	41	–	**465**	**683**	724
Leasehold Improvements	20,728	22,353	–	43,081	7,594	17,079	–	**24,673**	**18,408**	13,134
Office Equipment	20,582	4,779	–	25,361	12,415	7,533	–	**19,948**	**5,413**	8,167
Computer	32,642	42,468	382	74,728	19,311	17,879	52	**37,138**	**37,590**	13,331
Vehicle	1,508	–	677	831	581	296	99	**778**	**53**	927
Furniture & Fixture	3,897	15,760	–	19,657	3,897	1,542	–	**5,439**	**14,218**	–
TOTAL	**2,614,589**	**1,496,521**	**1,059**	**4,110,051**	**1,068,308**	**328,468**	**151**	**1,396,625**	**2,713,426**	**1,546,281**
Capital Work-in-Progress									**232,827**	2,418
GRAND TOTAL	**2,614,589**	**1,496,521**	**1,059**	**4,110,051**	**1,068,308**	**328,468**	**151**	**1,396,625**	**2,946,253**	**1,548,699**
Previous Year	2,396,157	222,538	4,106	2,614,589	832,140	238,063	1,895	1,068,308		

Notes :

1. Capital Work In Progress includes capital advances of Rs. 9,038 thousand (Previous year Rs. Nil) and goods in transit Rs.19,901 thousand (Previous year Rs. Nil).
2. Addition to Plant and Machinery during the year includes Rs.23,070 thousand gain (Previous year Rs.3,653 thousand gain) on account of fluctuation in exchange rates for purchase of Fixed Assets.
3. The remaining amortisation period of the Licence as on March 31, 2005 is 12 years.
4. Capital Work-in-Progress as on March 31, 2005 is net of Rs.4,083 thousand gain (Previous year Rs.Nil) on account of fluctuation in exchange rate.
5. Computers include Gross Block of assets capitalised during the year under Finance lease Rs. 29,008 thousand and depreciation charged for the year Rs. 5,648 thousand, Net Book value Rs.23,360 thousand (Also refer Note 18 on Schedule 21).

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
SCHEDULE : 5		
PRE-OPERATIVE EXPENDITURE		
(Refer Note 9 on Schedule 20)		
Opening Balance	–	–
Add : Additions during the year		
Personnel		
Salaries, Wages and Bonus	2,829	–
Staff Welfare Expenses	75	–
Recruitment and Training Expenses	1,386	–
Sub-Total	4,290	–
Selling Expenses		
Advertisement and Marketing Expenses	3,284	–
Other Selling and Distribution Expenses	519	–
Sub-Total	3,803	–
Administrative and Other Expenses		
Legal and Professional Charges	692	–
Rates and Taxes	1,841	–
Power and Fuel	469	–
Travelling and Conveyance	1,608	–
Rent Expenses	154	–
Repairs and Maintenance – Plant and Machinery	82	–
– Buildings	2,014	–
– Others	119	–
Insurance Expenses	14	–
Miscellaneous Expenses	2,837	–
Sub-Total	9,830	–
Finance Expenses		
Other Bank / Finance Charges	35	–
	17,958	–
Less : Transferred to Profit & Loss Account	17,958	–
Total Pre-operative Expenditure Pending Allocation	–	–
Total amount carried to Balance Sheet	–	–
SCHEDULE : 6		
INVENTORY		
(Refer Note 5 on Schedule 20 and Note 12 on Schedule 21)		
Simcards	6,544	3,907
Others	–	18
	6,544	3,925

Schedules Annexed to and forming part of Accounts

Particulars		As at March 31, 2005 (Rs. '000)		As at March 31, 2004 (Rs. '000)
SCHEDULE : 7				
SUNDRY DEBTORS				
(Unsecured, considered good unless otherwise stated)				
(Refer Note 4 on Schedule 20 and Note 5 on Schedule 21)				
Billing Debtors :				
Debts outstanding for a period exceeding six months				
– Considered good	**81**		1,937	
– Considered doubtful	**26,124**		45,563	
Less : Provision	**(26,124)**	**81**	(45,563)	1,937
Other debts				
– Considered good	**40,039**		40,669	
– Considered doubtful	**18,795**		2,029	
Less : Provision	**(18,795)**	**40,039**	(2,029)	40,669
Other Debtors :				
Debts outstanding for a period exceeding six months				
– Considered good	**5,754**		222	
– Considered doubtful	**12,845**		1,641	
Less : Provision	**(12,845)**	**5,754**	(1,641)	222
Other debts				
– Considered good	**64,382**		46,286	
– Considered doubtful	**1,066**		–	
Less : Provision	**(1,066)**	**64,382**	–	46,286
		110,256		89,114
SCHEDULE : 8				
CASH AND BANK BALANCES				
Cash in Hand		**1,620**		182
Cheques in Hand		**125**		10,060
Balance with Scheduled Banks				
– in Current Account		**13,714**		37,426
– in Fixed Deposits *		**210,392**		375,802
		225,851		423,470

* Includes Deposit Accounts as Margin Money amounting to Rs. 162,472 thousand (Previous year Rs. 84,720 thousand).

Particulars		As at March 31, 2005 (Rs. '000)		As at March 31, 2004 (Rs. '000)
SCHEDULE : 9				
OTHER CURRENT ASSETS, LOANS AND ADVANCES				
(Unsecured, considered good unless otherwise stated)				
Interest accrued		**5,418**		8,367
Advances recoverable in cash or in kind or for value to be received				
– Considered good	**188,179**		48,680	
– Considered doubtful	**6,123**		–	
Less : Provision	**(6,123)**	**188,179**	–	48,680
Accrued Billing Revenue		**111,321**		15,005
Advance Tax [Net of provision for tax Rs.74,388 thousand (Previous year Rs.37,419 thousand)]		**671**		5,722
		305,589		77,774

Schedules Annexed to and forming part of Accounts

Particulars		As at March 31, 2005 (Rs. '000)		As at March 31, 2004 (Rs. '000)
SCHEDULE : 10				
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
Total outstanding dues of Small Scale Industrial Undertakings* (Refer Note 13 on Schedule 21)	**180**		88	
Total outstanding dues of Creditors other than Small Scale Industrial Undertakings*	**967,101**	**967,281**	103,914	104,002
Advance Billing and Prepaid Card Revenue		**163,150**		114,045
Other Liabilities		**43,489**		13,297
Security Deposits (Refer Note 5 on Schedule 21)		**76,315**		78,424
		1,250,235		309,768

* This information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancillary undertakings on the basis of information available with the Company.

Particulars		As at March 31, 2005 (Rs. '000)		As at March 31, 2004 (Rs. '000)
Provisions (Refer Note 8 and 16 on Schedule 20)				
Gratuity		**3,193**		1,391
Leave Encashment		**3,486**		2,187
Others (Refer Note 14 on Schedule 21)		**47,725**		–
		54,404		3,578
		1,304,639		313,346
SCHEDULE : 11				
MISCELLANEOUS EXPENDITURE				
(to the extent not written off or adjusted) (Refer Note 12 on Schedule 20)				
Deferred Employee Compensation Expense				
Opening Balance :		–		–
Add : Deferred during the year		**48**		–
Less : Amortisation for the year		**48**		–
Closing Balance		–		–
Deferred Revenue Expenditure				
Opening Balance		–		5,386
Add : Addition during the year		–		–
Less : Charged off during the year		–		5,386
Closing Balance		–		–
Grand Total		–		–

Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
SCHEDULE : 12		
OTHER INCOME		
Miscellaneous Income	**18,915**	5,517
	18,915	5,517
SCHEDULE : 13		
NETWORK OPERATING EXPENDITURE		
Power and Fuel	**48,317**	17,676
Rent	**23,200**	8,225
Insurance	**280**	–
Repair & Maintenance – Plant and Machinery	**42,092**	32,191
– Others	**3,128**	–
Leased Line charges	**146,395**	89,403
Others	**20,820**	16,833
	284,232	164,328
SCHEDULE : 14		
COST OF SALES - HAND SETS AND SIM CARDS		
(Refer Note 12 on Schedule 21)		
Opening Stock	**3,925**	1,394
Add : Purchases	**37,013**	23,078
Less : Simcard Utilisation	**1,861**	1,717
Less : Closing Stock	**6,544**	3,925
	32,533	18,830
SCHEDULE : 15		
PERSONNEL EXPENDITURE		
Salaries, Wages and Bonus*	**87,868**	51,842
Contribution to Provident and Other Funds	**4,220**	2,780
Staff Welfare	**4,091**	3,595
Recruitment and Training	**2,653**	1,009
	98,832	59,226
* Excluding amortisation of deferred ESOP cost		
SCHEDULE : 16		
SALES AND MARKETING EXPENDITURE		
Advertisement and Marketing Expenses	**105,241**	45,535
Sales Commission and Incentive	**51,073**	13,212
Other Selling and Distribution Expenses	**50,399**	4,094
Simcard Utilisation	**1,861**	1,717
	208,574	64,558

Schedules Annexed to and forming part of Accounts

Particulars		For the year ended March 31, 2005 (Rs. '000)		For the year ended March 31, 2004 (Rs. '000)
SCHEDULE : 17				
ADMINISTRATIVE AND OTHER EXPENDITURE				
Legal and Professional Charges		**6,587**		7,508
Power and Fuel		**5,932**		861
Travelling and Conveyance		**14,123**		13,539
Rent		**16,413**		8,130
Repair & Maintenance – Buildings		**341**		2,362
– Plant and Machinery		**–**		4,050
– Others		**5,663**		3,592
Insurance		**1,027**		1,826
Bad debts written off		**25,693**		4,678
Provision for doubtful debts / advances	**21,539**		6,004	
Less: Provision for doubtful debts Written Back	**5,819**	**15,720**	–	6,004
Miscellaneous Expenses		**47,922**		27,207
Collection & Recovery Charges		**14,198**		9,231
Loss on sale of Assets (Net)		**548**		1,546
		154,167		90,534
SCHEDULE : 18				
FINANCE EXPENSES (Net)				
Interest Expense :				
– On Term Loan		**–**		2,833
– On Others		**1,326**		–
Other Finance Charges		**2,930**		4,787
		4,256		7,620
Less :				
Interest Income from Current Investments (Other than trade) [Gross of TDS Rs.3,922 thousands (Previous year: Rs. 3,857 thousands)]		**19,483**		18,903
Exchange Fluctuation Gain/ (Loss) (Net)		**(1,522)**		(566)
		17,961		18,337
		(13,705)		(10,717)
SCHEDULE : 19				
AMORTISATION				
(Refer Note 3 and Note 12 on Schedule 20)				
Licence Fee		**60,545**		56,878
Deferred ESOP Cost		**48**		–
Deferred Revenue Expenditure written off		**–**		5,386
		60,593		62,264

Schedules Annexed to and forming part of Accounts

SCHEDULE : 20
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

1. **BASIS OF PREPARATION**

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

2. **FIXED ASSETS**

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

   Site restoration cost obligations are capitalized when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

   The fixed component of Licence fee payable by the Company upon migration to the National Telecom Policy (NTP 1999), i.e. is entry fee has been capitalised as an asset.

3. **DEPRECIATION / AMORTISATION**

   Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on all assets, except for the following on which depreciation is provided on straight line method to write off the cost of the fixed assets over their estimated useful lives:

	Rate of Depreciation per annum
Building	5%
Office Equipment	20.00% / 50.00%
Computer / Software	33.33%
Vehicles	20.00%
Furniture and Fixtures	20.00%
Plant & Machinery	10.00% / 50.00 %
Leasehold Improvements	Period of lease or 10 years whichever is less

   Assets individually costing Rs. 5 thousand or less are fully depreciated in the month of purchase. Software up to Rs. 500 thousand is written off in the year of purchase.

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

   Entry fee is being amortised equally over the period of licence.

   The site restoration cost obligations capitalized is being depreciated over the period of the lease.

4. **REVENUE RECOGNITION AND RECEIVABLES**

   Service revenue is recognised on completion of provision of services. Service Revenue includes income on roaming commission and access charges passed on to other operators, and are net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exist regarding realisation of consideration.

   Accrued revenue represent revenues recognized in respect of cellular 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.

   Investing and other activities :
   Income on account of interest and other activities are recognised on an accrual basis.

Schedules Annexed to and forming part of Accounts

Provision for doubtful debts :

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

Provisions for doubtful debts, in case of Other Telecom Operators on account of Interconnect Usage Charges (IUC), is made for dues outstanding more than 120 days from the date of billing after considering any amount payable to that operator or in specific cases where management is of the view that the amounts are recoverable.

5. INVENTORIES

Inventories are valued at the lower of cost on a First In First Out basis or net realisable value.

6. LICENSE FEES – REVENUE SHARE

With effect from August 1, 1999 the Variable Licence fee computed at prescribed rates of revenue share is being charged to the Profit and Loss Account in the year in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the license agreement of the license area to which the licence pertains.

7. TRANSLATION OF ITEMS IN FOREIGN CURRENCY

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

8. RETIREMENT BENEFITS

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

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

9. PRE-OPERATIVE EXPENDITURE

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

10. LEASES

As Lessee – Finance Lease

Assets acquired on 'Finance Lease' which transfer risk and rewards of ownership to the Company are capitalized as an asset by the Company at the lower of fair value of the leased property and the present value of the related lease payments. Amortization of capitalised leased assets is computed on the Straight Line method over the useful life of the assets. Lease rental payable are apportioned between principal and interest using the internal rate of return method and finance charge is recognized accordingly.

As Lessee- Operating Lease

Lease Rentals in respect of assets taken on 'Operating Lease' are charged to the Profit and Loss Account on a straight-line basis over the lease term.

Initial direct costs are expensed in the Profit and Loss Account at the inception of the lease.

11. TAXATION

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

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

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

12. MISCELLANEOUS EXPENDITURE

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

13. BORROWING COST

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

14. IMPAIRMENT OF ASSETS

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

15. SEGMENTAL REPORTING

a) Primary Segment :

The Company operates in two primary business segments viz. Mobile Services and Telephone & Broadband Services.

b) Secondary Segment :

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

16. PROVISIONS

Provisions are recognised when the company has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

17. EARNINGS PER SHARE

The earning considered in ascertaining the Company's Earnings per Share ('EPS') comprises the net profit after tax. The number of shares used in computing Basic and Diluted EPS is the weighted average number of shares outstanding during the year.

Schedules Annexed to and forming part of Accounts

SCHEDULE : 21
NOTES TO ACCOUNTS

1. Bharti Hexacom Limited (Erstwhile Hexacom India Limited) ('BHL') provides Cellular Mobile Telephony Services ('CMTS') in the circles of North-East and Rajasthan, pursuant to licenses granted by the Department of Telecommunications ('DoT'), Government of India ('GoI'), on December 12,1995 and December 19,1995.

   On May 7, 2004, Bharti Tele-Ventures Limited acquired majority shareholding (67.5%) of BHL (Erstwhile Hexacom India Limited), at a consideration of Rs. 4,310,750 thousand (inclusive of Rs. 10,750 thousand towards legal costs). Further, Bharti Tele-Ventures Limited has acquired 1% shareholding from certain shareholders of BHL (Erstwhile Hexacom India Limited) in October '04 for an aggregate consideration of Rs. 20,000 thousand. The Company has submitted a request for migration of this license to UASL vide letter dated 26th July, 2004 that is pending with DoT. The Company has commenced operations in the North East Circle on March 30, 2005 and as per the agreement the Company needs to complete the first phase of roll out obligation by June 30, 2005 and completion of entire roll out obligation by June 30, 2007.

2. i) Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 248,886 thousand (Previous Year Rs. 78,899 thousand).

   ii) Bank guarantees given by the Company's bankers Rs.137,472 thousand (Previous year Rs.59,720 thousand).

   iii) Contingent Liability

   (a) Claims against the Company not acknowledged as debts as at the year end in respect of :

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
A. Taxes and Duties (under adjudication/appeal/dispute)		
– Sales Tax (see 2 (b) below)	**217,823**	205,603
– Service Tax (including 2 (c) below)	**10,390**	17,420
– Stamp Duty	**535**	–
– Registration Fee	**400**	–
B. Others - consumer cases pending adjudication	**1,475**	–
	230,623	223,023

Of the above, details of unpaid amounts together with forum where dispute is pending as at March 31, 2005 is set out below :

Name of the Statute	Nature	Amounts (Rs. '000)	Period to which it Relates	Forum where the dispute is pending
Rajasthan Sales Tax Act, 1994	Sales Tax	174,112	2002-03	Supreme Court
Rajasthan Sales Tax Act, 1994	Turnover Tax	761	2002-03	Deputy Commissioner Appeals
Finance Act 1994, (Service Tax Provisions)	Service Tax	570	2000-01	Appellate Tribunal
Finance Act 1994 (Service Tax Provisions)	Service Tax	850	2003-04	Asstt. Commissioner Service Tax
Finance Act 1994 (Service Tax Provisions)	Service Tax	170	1997-98	Central Excise Gold Appellate Tribunal
Finance Act 1994 (Service Tax Provisions)	Service Tax	1,198	2004-05	Rajasthan High Court
Total		177,661		

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

The total disputed amount of Sales Tax is currently estimated by the Company to be Rs.217,823 thousand (March 31, 2004 Rs.205,603 thousand). The amount includes demands actually received amounting to Rs. 174,112 thousand (March 31, 2004 Rs.174,112 thousand). Demands raised have been challenged before the respective high courts and the Supreme Court. The Group has obtained interim stays against enforcement of the demands.

Any proceeding initiated now shall be subject to the interim directions passed by the Hon'ble Supreme Court as stated above.

(c) Service Tax authorities have demanded Rs. 570 thousand (included in 2 (a) above) (March 31, 2004 Rs. Nil) on the Company contending that Service Tax is payable on the value/cost of sim cards given to subscribers. Appeal filed against this in the CEGAT has been dismissed and the Company has filed an appeal before the Supreme Court in which interim stay has been given. The total disputed amount of Service Tax estimated by the Company is Rs. 10,390 thousand (included in 2(a) above) (March 31, 2004 Rs.17,420).

3. The Company has revised the useful lives of fixed assets during the year and has provided depreciation on straight line basis as per the revised estimates of useful lives, resulting in a higher charge of depreciation for the year by Rs. 54,938 thousand with corresponding impact on profit and loss for the year and net assets of the Company.

4. The Company has obtained licenses under the EPCG scheme for importing capital goods at a concessional rate of customs duty against submission of bank guarantee and bonds.

   The scheme requires Company to export goods of FOB value equivalent to, or more than, eight times the duty saved on the capital goods imported, within a period of eight years from the date of respective licenses. Accordingly, the Company is required to export goods of FOB value of Rs. 741,604 thousand by the year 2012-13 being eight years from the date of respective licences (Previous year Rs. Nil).

5. Rs. 76,315 thousand (Previous Year Rs. 78,424 thousand) included under Current Liabilities, represents refundable security deposits received from subscribers on activation of connections granted thereto and are repayable on disconnection, net of outstanding, if any. Sundry debtors are secured to the extent of the amount outstanding against individual subscribers by way of Security Deposit received from them.

6. Issued, Subscribed & Paid up capital includes 122,752,000 (Previous year Nil) equity shares of Rs. 10/- each aggregating to Rs.1,227,520 thousand (Previous year Rs. Nil) held by Bharti Tele-Ventures Ltd. the holding Company.

7. Billing Revenue in the Profit and Loss Account is net of Rebates and Discounts Rs.6,795 thousand (Previous year Rs.4,752 thousand).

Schedules Annexed to and forming part of Accounts

8. The net Deferred Tax Asset/(Liability) as on March 31, 2005 amounts to Rs. 1,749 thousand (Previous Year: Rs. (34,678) thousand). The amount has been arrived at as follows:

(Rs. '000)

	2004-2005	2003-2004
Deferred Tax Assets/Liabilities arising from :		
(i) Expenses charged in the financial statements but allowable as deductions in the future years under the Income Tax Act (to the extent considered realisable)	**2,561**	12,411
(ii) Unabsorbed depreciation allowance and business loss carried forward (to the extent considered realizable)	–	43,858
(iii) Difference between depreciation as per financial statements and depreciation as per Income Tax Return.	**(812)**	(90,947)
Net Deferred Tax Asset/(Liability)	**1,749**	(34,678)

The Tax impact for the above purpose has been arrived at by applying a tax rate of 33.66 % being the prevailing tax rate for Indian companies under the Income Tax Act 1961.

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

	Year ended March 31, 2005 (Rs. '000)	Year ended March 31, 2004 (Rs. '000)
Expenditure :		
Travelling	–	2,317
Roaming Charges	**8,202**	–
Earnings :		
Roaming Revenue	**57,996**	–

10. CIF Value of Imports :

	Year ended March 31, 2005 (Rs. '000)	Year ended March 31, 2004 (Rs. '000)
Capital Goods	**827,303**	129,348
Total	**827,303**	129,348

11. Auditors' Remuneration :

	Year ended March 31, 2005 (Rs. '000)	Year ended March 31, 2004 (Rs. '000)
As Auditor :		
Audit Fee*	**800**	500
Tax Audit Fee*	–	100
Reimbursement of Expenses	**800**	60
Total	**1,600**	660

* Excluding Service Tax

12. Quantitative information- Trading Goods

	Year ended March 31, 2005 (Rs. '000)		Year ended March 31, 2004 (Rs. '000)	
Handsets	**Quantity**	**Value**	Quantity	Value
Opening Stock	**4**	**18**	55	267
Purchases	**23**	**371**	–	–
Internal Issues/Capitalisation	**27**	**389**	51	249
Closing Stock	–	–	4	18
Sim Cards				
Opening Stock	**62,359**	**3,907**	19,729	1,127
Purchases (Refer note 1)	**835,171**	**34,781**	366,000	21,361
Sales / Internal Issues (Refer note 1)	**760,188**	**36,045**	323,370	27,764
Closing Stock	**137,342**	**6,544**	62,359	3,907

Notes :

1. Includes Sim card utilisation of Rs.1,861 thousand (Previous year Rs. 1,717 thousand)
2. The quantity has been mentioned in full numbers.

13. Details of SSI Creditors having outstanding balance for more than 30 days

	Amount as on March 31, 2005 (Rs. '000)	Amount as on March 31, 2004 (Rs. '000)
Anil printers	**180**	–
Carrier Aircon, Daman	–	88

14. a) The Company uses various premises on lease to install the equipment. A provision is recognized for the costs to be incurred for the restoration of these premises at the end of the lease period. It is expected that this provision will be utilized at the end of the lease period of the respective sites as per the respective lease agreements. The Company has adopted AS-29 'Provisions, Contingent Liabilities and Contingent Assets' issued by the ICAI during the period ended March 31, 2005, which necessitates change in its Accounting policy relating to capitalization of site restoration costs. As a result of the change in Accounting policy, the profit for the period is lower by Rs.2,229 thousand on account of depreciation, fixed assets and provisions are higher by Rs.47,725 thousand with a consequential impact on net assets of the Company.

b) The movement of Provision made for Site Restoration Cost and lease encashment are given below :

i) Site Restoration Cost :

	Year ended March 31, 2005 (Rs. '000)	Year ended March 31,2004 (Rs. '000)
Opening Balance as on April 1, 2004	–	–
Addition during the year	**47,725**	–
Less: Utilised during the year	–	–
Closing Balance as on March 31, 2005	**47,725**	–

Schedules Annexed to and forming part of Accounts

ii) Leave Encashment :

	Year ended March 31, 2005 (Rs. '000)	Year ended March 31, 2004 (Rs. '000)
Opening Balance as on April 1, 2004	**2,187**	2,091
Addition during the year	**3,976**	1,500
Less: Utilised during the year	**2,677**	1,404
Closing Balance as on March 31, 2005	**3,486**	2,187

15. Information about Business Segments - Primary
For the year ended March 31, 2005

(Rs. '000)

Reportable Segments	**Mobile Services**	**Broadband & Telephone Services**	**Others**	**Total**
Revenue				
Billing Revenue/Sale of Goods and Other Income	2,109,128	–	–	2,109,128
Total Revenue	**2,109,128**	**–**	**–**	**2,109,128**
Results				
Segment Result, Profit/(Loss)	460,254	(2,496)	–	457,758
Operating Profit/(Loss) before Finance Expenses	**460,254**	**(2,496)**	**–**	**457,758**
Net Finance Expense/(Income) net	(13,705)	–	–	(13,705)
Net Profit/(Loss)	**473,959**	**(2,496)**	**–**	**471,463**
Provision for Tax	–	–	36,969	36,969
Deferred Tax Expense	–	–	(36,427)	(36,427)
Net Profit/(Loss) after Tax	**473,959**	**(2,496)**	**(542)**	**470,921**
Other Information				
Segment Assets	3,592,362	1,460	–	3,593,822
Deferred Tax Asset	–	–	1,749	1,749
Advance Tax (Net of provision for tax)	–	–	671	671
Total Assets	**3,592,362**	**1,460**	**2,420**	**3,596,242**
Segmental Liabilities	1,326,405	3,957	–	1,330,362
Total Liabilities	**1,326,405**	**3,957**	**–**	**1,330,362**
Capital Expenditure	1,496,521	–	–	1,496,521
Depreciation	267,923	–	–	267,923
Non Cash Expenses other than Depreciation (Amortisation)	60,593	–	–	60,593

Notes :

1. Capital Expenditure pertains to gross additions made to fixed assets during the year.
2. Segment Assets include Fixed Assets, Capital Work-in-Progress, Current Assets and Loans and Advances.
3. Segmental Liabilities include Unsecured Loans, Current Liabilities and Provisions.
4. Others represent the unallocated Assets and Liabilities of the Company.
5. The Company has revised the useful lives of fixed assets during the year and has accounted for Site Restoration Cost during the year, resulting in a lower charge of depreciation by Rs. 57,167 thousand in Mobile Services and Rs. Nil in Broadband Telephone Services and Others, increase in Fixed Assets and Provisions by Rs. 47,725 thousand in Mobile

Services and Rs. Nil in Broadband and Telephone services and Others with corresponding impact on profit and loss for the year and net assets of the Company.

6. The Company did not have any reportable segment for the year ended March 31, 2004.

16. Related Party Disclosures :

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

Key Management Personnel

Anil Nayar

Name of the Related Party	**Relationship**
Bharti Tele-Ventures Limited	Holding Company
Bharti Telesoft International Limited	Associate Company
Teletech Services (India) Limited	Associate Company
Telecommunication Consultants of India Limited	Entity having Significant Influence
Shyam Telecom Limited	Entity having Significant Influence
Shyam Telelink Limited	Entity having Significant Influence
Telesystem International Wireless Corporation	Entity having Significant Influence
Shyam Antenna Electronic Ltd.	Associate Company
Shyam Cellular Infrastructure Projects Limited	Entity having Significant Influence

Related Party Transactions for the year ended March 31, 2005 **(Rs. '000)**

Nature of Transaction	Bharti Tele-Ventures Limited	Bharti Telesoft Intl Limited	Teletech Services (I) Limited	Telecommunication Consultants of India Limited	Shyam Telecom Limited	Shyam Tele link Limited
Opening Balance	**1,881**	–	–	**(34)**	**(62)**	**(419)**
Fund transferred	4,835	4,160	–	2,029	4,247	–
Fund received	(16,172)	–	–	–	–	–
Sale/transfer of assets	2,774	–	–	–	–	–
Purchase of assets	(27,208)	(4,160)	–	–	(4,185)	–
Expenses incurred on behalf of Group Companies	28,330	–	–	–	–	–
Expenses incurred by Group Companies	(13,250)	–	–	–	–	–
Sale of services to Group Companies	85,951	–	–	–	–	16,228
Payment received against sale of sevices	(76,537)	–	–	–	–	(16,228)
Purchase of Services from Group Companies	(215,038)	–	(26,782)	–	–	(126,470)
Payment made to Group Companies for purchase of service rendered	193,707	–	26,782	–	–	126,360
Employee related transaction incurred by Group Companies on behalf of us	(299)	–	–	(1,995)	–	–
Closing Balance	**(31,226)**	–	–	–	–	**(529)**
Unsecured Loan	(23,435)	–	–	–	–	–
Creditors	(7,791)	–	–	–	–	(529)
Closing Balance	**(31,226)**	–	–	–	–	**(529)**

Note: The above excludes the provision for telephone services free of cost among the Group companies.

Schedules Annexed to and forming part of Accounts

Related Party Transactions for the year ended March 31, 2004 **(Rs. '000)**

Nature of Transaction	Shyam Telecom Limited	Shyam Telelink Limited	Telecommunication Consultants of India Limited	Telesystem Internationl Wireless Corporation	Shyam Antenna Electronic Limited
Opening Balance	–	(3,435)	(725)	(191)	–
Fund transferred	(7,765)	65,050	1,418	–	274
Purchase of assets	(7,827)	–	–	–	274)
Expenses incurred by Group Companies	–	(77,482)	(727)	–	–
Sale of services to Group Companies	–	15,448	–	–	–
Purchase of Services from Group Companies	–	–	–	191	–
Closing Balance	(62)	(419)	(34)	–	–
Creditors	(62)	(419	(34)	–	–
Closing Balance	(62)	(419)	(34)	–	–

17. Leases

Operating Lease

The Lease rentals amounting to Rs. 39,613 (Previous year Rs. 16,355) relating to cancellable leases for building premises and cell sites have been charged to Profit and Loss Account.

18. During the year, Bharti Tele-Ventures Limited (the Holding Company) entered into a composite IT outsourcing agreement, whereby the vendor supplied fixed assets and IT related services to the Company. Based on the risks and rewards incident to the ownership, the fixed assets received are accounted for as a finance lease transaction. Accordingly, the asset and liability are recorded at the fair value of the leased assets at the inception. These assets are depreciated over their useful lives as in the case of the Company's own assets.

The finance charge recognized as an expense during the year is Rs. 10 thousand.

Since the entire amount payable to the vendor towards the supply of fixed assets during the year is accrued, there are no minimum lease payments outstanding as at the year-end in relation to these assets and accordingly, other disclosures as per AS 19 are not applicable.

19. Earnings Per Share

a) Calculation of Weighted average number of Equity Shares of Rs.10/- each

		2004-05	2003-04
	Number of equity shares at the beginning of the year	**179,200,000**	179,200,000
	Number of equity shares outstanding at the end of the year	**179,200,000**	179,200,000
b)	Weighted average number of equity shares outstanding during the year	**179,200,000**	179,200,000
c)	Net Profit/(Loss) after tax available for equity Shareholders (Rs. Thousand)	**470,921**	207,552
d)	Basic and Diluted Earnings (in Rs.) Per Share	**2.63**	1.16

Note: The numbers of shares have been mentioned in full.

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

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	67527	**State Code**	55
Balance Sheet Date	31 - 03 - 05 (Date Month Year)		

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

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

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

	Total Liabilities	**Total Assets**
	2291603	2291603
Sources of funds	**Paid up Capital**	**Reserves & Surplus**
	1792000	473880
	Secured Loans	**Unsecured Loans**
	–	25723
Application of funds	**Net Fixed Assets**	**Investments**
	2946253	–
	Net Current Assets	**Miscellaneous Expenditure**
	(65699)	–
	Accumulated Losses	
	–	

IV. Performance of the Company (Amount in thousands)

Turnover	Total Expenditure
2109128	1637665
Profit/(Loss) Before Tax	**Profit/(Loss) After Tax**
471463	470921
Earning per Share in Rs.	**Dividend Rate**
2.63	NIL

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

Item Code No. (ITC Code)	NOT APPLICABLE
Product Description	CELLULAR TELEPHONE SERVICES

On behalf of the Board

ANIL NAYAR
Managing Director

AKHIL GUPTA
Director

NIKHIL KULSHRESHTHA
Company Secretary

Place : New Delhi
Date : July 20, 2005