Bharti Tele-Ventures Limited

(Incorporated as a public limited company on July 7, 1995 under the Companies Act, 1956)
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QUARTERLY REPORT OF UNAUDITED RESULTS

FIRST QUARTER - ENDED JUNE 30, 2003

DATED – JULY 23, 2003

The financial statements, and the other information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the company, for the periods presented in this quarterly report. The quarterly report does not contain any untrue statement of a material fact or omit to state a material fact.

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

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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. Investors are advised to read the risk factors in the Companies Prospectus dated February 7, 2002, carefully before taking an investment decision in this Company. For taking an investment decision, investors must rely on their own examination of Bharti Tele-Ventures including the risks involved.

BHARTI TELE-VENTURES – A SNAPSHOT

	UNITS	Full Year Ended March 31,					Quarter Ended	
		1999	2000	2001	2002	2003	Mar 31. 2003	June 30. 2003
Total Customer Base	**Nos (000's)**	**134**	**350**	**702**	**1,515**	**3,443**	**3,443**	**4,175**
Mobile								
Number of circles operational	Nos	2	4	5	7	15	15	15
Number of customers	Nos (000's)	122	283	595	1,351	3,071	3,071	3,751
Total market share of all India customers	%	10.0%	15.0%	17.0%	21.0%	24.2%	24.2%	24.8%
Percentage of all India population covered in licensed areas	%	2%	14%	15%	58%	58%	58%	58%
Percentage of all India area covered in licensed areas	%	2%	16%	16%	56%	56%	56%	56%
Percentage of all India mobile customers in licensed areas	%	18%	30%	31%	93%	91%	91%	91%
Fixed line								
Number of circles operational	Nos	1	1	1	3	6 #	6 #	6 #
Number of customers	Nos (000's)	12	67	107	164	372	372	424
Consolidated financials as per IAS								
Revenue	INR Mn.	2,449	4,481	8,481	14,862	30,500	10,068	10,360
EBITDA	INR Mn.	35	856	1,930	3,993	7,593	2,600	2,889
Cash profit from operations	INR Mn.	(135)	224	971	3,088	4,929	2,082	2,258
Profit after tax (before unusual items)	INR Mn.	(322)	(550)	(1,208)	(1,215)	(1,779)	258	310
Total funded equity	INR Mn.	-	5,344	21,285	51,795	51,734	51,734	51,750
Consolidated financials as per IAS								
Revenue	US$ Mn.	51	94	177	310	642	212	223
EBITDA	US$ Mn.	1	18	40	83	160	55	62
Cash profit from operations	US$ Mn.	(3)	5	20	64	104	44	49
Profit after tax (before unusual items)	US$ Mn.	(7)	(11)	(25)	(25)	(37)	5	7
Total funded equity	US$ Mn.		112	444	1,081	1,088	1,088	1,115
Ratio								
Net Debt to funded equity ratio	Times	-	1.00	0.13	0.28	0.61	0.61	0.68

 # - Madhya Pradesh fixed line circle has been divided into two fixed line circles namely Madhya Pradesh Circle & Chattisgarh Circle (under the same license)

1. All annual financial highlights for the year ended March 31, 2000; 2001; 2002 are consolidated audited results as per International Accounting Standards. The annual financial highlights for the year ended March 31, 2003 are consolidated un-audited results as per International Accounting Standards.
2. Financial highlights for the quarter ended March 31, 2003 and June 30, 2003 are un-audited and are based on consolidated results as per International Accounting Standards.
3. Exchange rate for Rupee conversion to US$ is (a) Rs. 47.90 for the financial year ended March 31, 1999, 2000, 2001, 2002 (b) Rs. 47.53 for the financial year ended March 31, 2003, quarter ended March 31, 2003 and (c) Rs. 46.43 for the quarter ended June 30, 2003.

SECTION I

INTRODUCTION

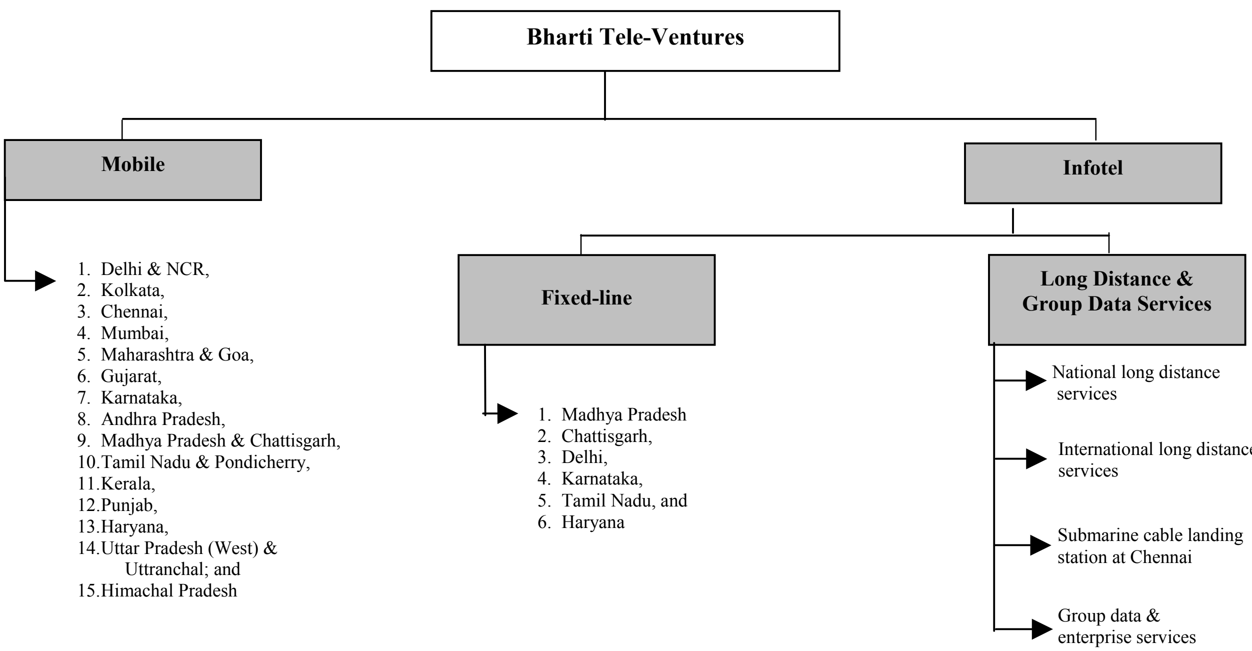
1.1 INTRODUCTION

We are India's leading private sector provider of telecommunications services based on an aggregate of 4,174,747 customers as of June 30, 2003, consisting of 3,750,989 mobile and 423,785 fixed line customers. We are currently the largest mobile service provider in the country. Mobile services constitute the largest portion of our business both in terms of total revenues and total customers. We also provide fixed-line, long distance, group data and enterprise services including VSAT and Internet services.

We seek to capitalise on the growth opportunities that we believe are available in the Indian telecommunications market and consolidate our position to be an integrated telecommunications services provider in key markets in India, with a focus on providing mobile services.

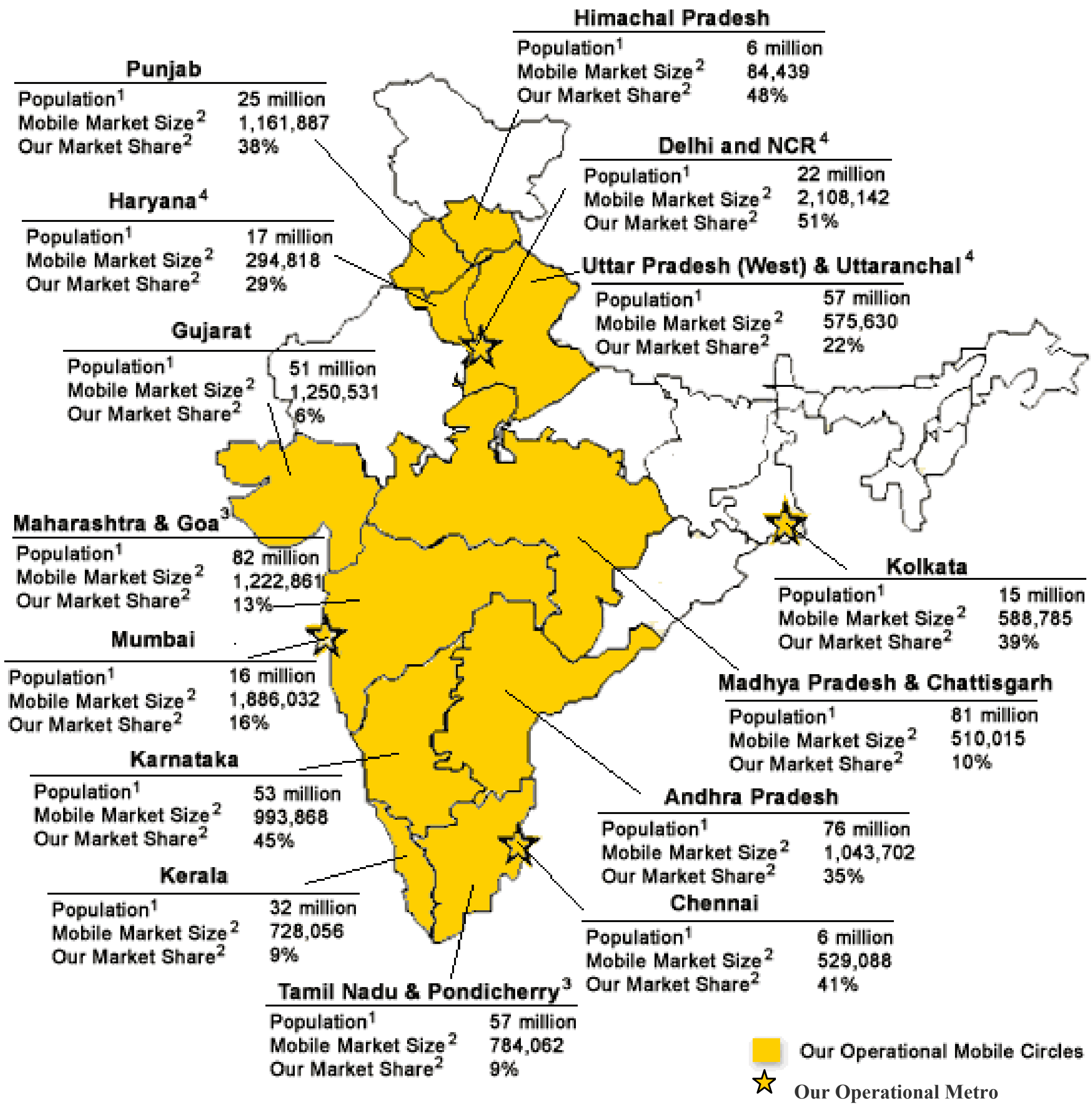
For the quarter ended June 30, 2003, our revenue and EBITDA as per un-audited IAS accounts were Rs. 10,360 million and Rs. 2,889 million respectively and for the year ended March 31, 2003, our revenue and EBITDA as per un-audited IAS accounts were Rs.30,500 million (US$ 642 million) and Rs.7,593 million (US$ 160 million) respectively. During the quarter ended June 30, 2003, mobile services represented approximately 63% of our total revenues.

Our operations are organised into the following two principal business areas:



During the quarter, we completed the acquisition of 26% equity stake of Telia in Bharti Mobile Limited, which operates Karnataka, Andhra Pradesh and Punjab mobile projects. We thus have a 100% equity stake in all our mobile, fixed line, long distance, group data and enterprise business except in the case of the Chennai mobile operations where we hold 95.3% and the landing station venture where we hold 51%.

1.2 OUR MOBILE FOOTPRINT



Source:

(1) Population estimates are as per National Census, 2001 and are as of March 1, 2001. The population for Uttar Pradesh (West) circle is approximately 37% of the total population for the state of Uttar Pradesh.

(2) Mobile subscriber statistics are as of June 30, 2003 and are based on data released by COAI. Mobile market size comprises the total number of GSM mobile subscribers of all the service providers in a circle.

(3) Demographics of Maharashtra and Tamil Nadu do not include demographics of state capitals (metros) Mumbai and Chennai respectively.

(4) Demographic of Haryana does not include Faridabad & Gurgaon as they are included in Delhi & NCR. Similarly, demographics of Uttar Pradesh(West) & Uttranchal does not include Noida & Gaziabad as they are included in Delhi & NCR.

1.3 The key demographics of our mobile circles are set forth below.

	ALL INDIA	BHARTI [1]	
Number of circles	22	15	68%
Area of the circles (in 000 square kilometers) [2]	3,278	1,848	56%
Population in the licensed areas (in millions) [3]	1,027	593	58%
Market Mobile customers in the licensed areas (in millions) [4]	15.15	13.76	91%
Market DELs in the licensed area (in millions) [5]	37.7	30.7	81%
Number of vehicles in the licensed areas (in thousands) [6]	42,391	34,022	80%

(1) *Comprise fifteen circles where Bharti Tele-Ventures through its subsidiaries has the license to provide mobile services.*
(2) *Area estimates are from National Census, 2001.*
(3) *Population estimates for all the circles other than the metropolitan areas are as per National Census, 2001 and are as of March 1, 2001. Population estimate for the Uttar Pradesh (West) circle is 37% of the total population of the state of Uttar Pradesh.*
(4) *Based on data released by the COAI on the total number of GSM mobile customers in the circles as of June30, 2003.*
(5) *DELS is defined as direct exchange lines representing the number of fixed line customers on BSNL and MTNL networks and is as of March 31, 2002, based on data available from Government statistics and parliament discussions as per The Financial Express dated June 10, 2002.*
(6) *Based on ACMA report for the year 2000.*

1.4 Business Divisions

- We currently offer mobile services in fifteen of the 22 circles in India. As of June 30, 2003, approximately 91% of India's total number of mobile customers resided in our mobile circles, according to COAI reports. Our mobile customers in the circles accounted for approximately 24.8% of the total all India mobile customer base, as of June 30, 2003, which make us the largest mobile service provider in the country.

- We were the first private sector operator to provide fixed-line services in India. We currently provide fixed-line services in the Madhya Pradesh, Chattisgarh, Haryana, Delhi, Karnataka and Tamil Nadu circles. We believe that these circles have high telecommunications revenue potential, especially for carrying data traffic.

- We complement our mobile and fixed-line services with national and international long distance services and provide these services across India. We also have a submarine cable landing station at Chennai, which connects the submarine cable connecting Chennai and Singapore. Our long distance and data enterprise services has enormous support from this connectivity and facilitates us in offering best value to our customers

- We provide reliable end-to-end data & enterprise services to our corporate customers by leveraging the bandwidth available in our subsidiaries through our nationwide fiber optic backbone, last mile connectivity in fixed-line and mobile circles, VSATs, ISP and international bandwidth access through our gateways and landing station.

1.5 Vendors

We believe in deploying the finest technology and operating state-of-the-art networks. Our mobile networks equipment suppliers include Siemens, Ericsson and Motorola. In the case of the fixed-line and long distance networks, equipment is purchased from vendors like Siemens, Nortel, Corning, among others.

1.6 Partners

Our existing foreign shareholders have acquired direct and indirect equity interests in the Company for a total consideration exceeding US$1 billion. The investment made by SingTel is their third largest investment outside Singapore. The financial partner, Warburg Pincus' investment in our company is one of their largest investments made in the world. Our other partners include international financial investors such as International Finance Corporation - Washington, Asian Infrastructure Fund Group and New York Life Insurance.

SECTION II

FINANCIAL HIGHLIGHTS

Detailed financial statements and analysis for the quarter ended June 30, 2003 are attached to this Report as Annexure.

The financials for the quarter ended June 30, 2003, June 30, 2002 , March 31, 2003 and full year ended March 31, 2003 are un-audited.

2.1 BTVL Consolidated - Summary of Consolidated Results of Operations as per International Accounting Standards -

2.1.1 Profit & Loss Statement – BTVL consolidated results includes the consolidated profit & loss statement net of inter-segment eliminations.

Rs millions, except ratios

Particulars	Quarter Ended					Year ended March 31, 2003
	June 2003	June 2002	Y-on-Y Growth	March 2003	Q-on-Q Growth	
Total revenue	10,360	5,387	92%	10,068	3%	30,500
EBITDA	2,889	1,381	109%	2,600	11%	7,593
Cash profit from operations	2,258	760	197%	2,082	8%	4,929
Profit after tax (before unusual items)	310	(676)	-	258	20%	(1,779)
EBITDA / Revenue	28%	26%		26%		25%

Note: Inter segment eliminations *- During the quarter ended June 30, 2003 for total revenue is Rs 774 million. and for EBITDA is Rs.(83) million. For the quarter ended March31, 2003 for total revenues is Rs.1,164 million and for EBITDA is Rs.(55) million. For the year ended March 31,2003 for total revenues is Rs.2504 million and for EBITDA is Rs.(181)million.*

2.1.2 Balance Sheet

Rs millions, except ratios

Particulars	As at June 30, 2003	As at March 31, 2003
LIABILITIES & EQUITY		
Funded Equity	51,750	51,734
Reserves & Surplus	(6,062)	(6,992)
Shareholder's equity	**45,689**	**44,742**
Total borrowings	37,466	35,932
Other non-current liabilities	3,723	2,386
Total liabilities & equity	**86,878**	**83,061**
ASSETS		
Net fixed assets & other project investments	89,597	83,696
Other non-current assets	3,111	3,165
Net current assets	(5,830)	(3,800)
Total Assets	**86,878**	**83,061**
Net debt	35,283	31,740
Net debt to funded equity (Times)	0.68	0.61
Book Value Per Equity Share (Rs.)	24.7	24.1

2.2 Segment-wise Summarized Profit and Loss Statements

2.2.1 MOBILE OPERATIONS

Rs million, except ratios

Particulars	Quarter Ended					Year ended March 31, 2003
	June 2003	June 2002	Y-on-Y Growth	March 2003	Q-on-Q Growth	
Total revenue	6,566	4,056	62%	6,140	7%	20,840
EBITDA	1,746	1,490	17%	1,455	20%	5,580
Earnings before interest & tax	720	767	-6%	551	31%	2,123
EBITDA / Revenue	27%	37%		24%		27%

2.2.2 INFOTEL OPERATIONS – comprises fixed line, long distance and group data and enterprise services.

Rs millions, except ratios

Particulars	Quarter Ended					Year ended March 31, 2003
	June 2003	June 2002	Y-on-Y Growth	March 2003	Q-on-Q Growth	
Total revenue	4,568	1,542	n/a	5,091	-10%	12,165
EBITDA	1,156	(41)	n/a	1,161	0%	2,159
Earnings before interest & tax	574	(409)	n/a	688	-17%	412
EBITDA / Revenue	25%	-3%		23%		18%

Note: Post implementation of new IUC regime from May 01, 2003, the revenue constitutes only the carriage and termination charges for originating long distance calls. Prior to May 01, 2003, the revenue constitutes origination, carriage and termination charges.

2.2.2.1 Fixed Line Operations

Rs million, except ratios

Particulars	Quarter Ended					Year ended March 31, 2003
	June 2003	June 2002	Y-on-Y Growth	March 2003	Q-on-Q Growth	
Total revenue	1,545	556	178%	1,229	26%	3,574
EBITDA	305	(72)	-	197	55%	334
Earnings before interest & tax	(20)	(328)	94%	(102)	80%	(788)
EBITDA / Revenue	20%	-13%		16%		9%

2.2.2.2 Long Distance, Group Data and Enterprise Services - comprises the national, international long distance operations, group data and enterprise services and landing station operations at Chennai.

Rs millions, except ratios

Particulars	Quarter Ended					Year ended March 31, 2003
	June 2003	June 2002	Y-on-Y Growth	March 2003	Q-on-Q Growth	
Total revenue	3,024	986	n/a	3,862	-22%	8,590
EBITDA	851	31	n/a	964	-12%	1,825
Earnings before interest & tax	594	(81)	n/a	790	-25%	1,201
EBITDA / Revenue	28%	3%		25%		21%

Note: Post implementation of new IUC regime from May 01, 2003, the revenue constitutes only the carriage and termination charges for originating long distance calls. Prior to May 01, 2003, the revenue constitutes origination, carriage and termination charges.

2.2.3 OTHERS - comprises the expenses of BTVL corporate office.

Particulars	Quarter Ended June 2003	June 2002	Y-on-Y Growth	March 2003	Q-on-Q Growth	Year ended March 31, 2003
Total revenue	n/a	n/a	n/a	n/a	n/a	n/a
EBITDA	(96)	(67)	-44%	(72)	-34%	(328)
Goodwill Amortisation	343	336	2%	437	-22%	1,447
Depreciation & Others	(87)	12		(69)	-26%	(128)
Earnings before interest & tax	(351)	(415)	15%	(439)	20%	(1,646)

2.3 Segment-wise Investments and Contribution

2.3.1 Investments in projects

Segment	As at June 30, 2003		As At March 31, 2003	
	Rs. Million	% of total	Rs. Million	% of total
Mobility	74,889	70%	68,468	69%
Fixed Line	16,072	15%	15,431	16%
Long Distance & Group Data services	15,236	13%	14,679	13%
Corporate	347	2%	344	2%
Total	**106,544**	**100%**	**98,922**	**100%**
Accumulated Depreciation & Amortisation	16,947		15,226	
Net Fixed Assets & Other Project Investment	**89,597**		**83,696**	

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

2.3.2 Contribution to Revenue, EBITDA and Capex incurred during the period

	For the Quarter Ended June 2003						For the Year Ended March 2003					
	Revenue		EBITDA		Capex		Revenue		EBITDA		Capex	
	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total
Mobility	6,566	63%	1,746	60%	3,306	73%	20,840	68%	5,580	73%	10,583	53%
Fixed Line	1,545	15%	305	11%	641	14%	3,574	12%	334	4%	4,284	21%
Long Distance & Group Data Services	3,024	29%	851	29%	557	12%	8,590	28%	1,825	24%	5,256	26%
Corporate	-	-	(96)	-3%	4	-	-	-	(328)	-4%	26	
	11,135		**2,806**	**0%**	**4,507**		**33,005**		**7,411**		**20,149**	
Eliminations	(774)	-7%	83	3%	-		(2,504)	-8%	181	2%	-	0%
Total	**10,360**	**100%**	**2,889**	**100%**	**4,507**	**100%**	**30,500**	**100%**	**7,593**	**100%**	**20,149**	**100%**

SECTION III

OPERATING HIGHLIGHTS

3.1 Customer Analysis

3.1.1 Overall Customers – Customers on Bharti's network across segments

Figures in Nos, except ratios

	As on				
	June 30, 2003	March 31, 2003	Q -on-Q Growth	June 30, 2002	Y-o-Y Growth
Mobile	3,750,989	3,071,463	22%	1,606,702	133%
Fixed-line	423,758	371,973	14%	205,427	106%
Total	**4,174,747**	**3,443,436**	**21%**	**1,812,129**	**130%**

3.1.2 Net Additions for the Quarter

3.1.2.1 Net Additions – Annual growth – New customers added on our network across segments during the period as compared to the corresponding period during previous year

Figures in Nos, except ratios

	Quarter ended		
	June 30, 2003	June 30, 2002	Y-o-Y Growth
Mobile	679,526	255,742	166%
Fixed-line	51,785	41,380	25%

3.1.2.2 Net Additions – Quarter growth – New customers added on our network across segments during the quarter as compared to the previous quarter

Figures in Nos, except ratios

	Quarter Ended		
	June 30, 2003	March 31, 2003	Q -on-Q Growth
Mobile	679,526	296,905	129%
Fixed-line	51,785	54,753	-5%

3.1.3 Mobile Market Share

3.1.3.1 **All India – Net additions –** New customers added on Bharti's mobile networks compared to all India mobile net additions

Figures in Nos, except ratios

	Quarter Ended		
	June 30, 2003	March 31, 2003	June 30, 2002
All India Net Additions	2,461,159	2,207,207	908,414
All Bharti Net Additions	679,526	296,905	255,742
Bharti Market Share of All India Net Additions	**27.6%**	**13.5%**	**28.2%**

3.1.3.2 All India – Total Customers – Customers on Bharti's mobile networks as a percentage of All India mobile customers, during the quarter compared to that in previous quarter.

Figures in Nos, except ratios

	As on				
	June 30, 2003	March 31, 2003	Q -on-Q Growth	June 30, 2002	Y-o-Y Growth
All India Mobile Subscribers	15,148,796	12,687,637	19%	7,339,228	106%
Bharti's Mobile Subscribers	3,750,989	3,071,463	22%	1,606,702	133%
Bharti Subscribers as percentage of All India Subscribers	**24.8%**	**24.2%**		**21.9%**	

3.1.3.3 Market Share in Bharti Markets –Bharti's share of customers and net additions as a percentage of customers and net additions in its own market.

Figures in Nos, except ratios

	Quarter Ended		
	June 30, 2003	March 31, 2003	June 30, 2002
Customers	27.3%	26.5%	40.8%
Net Additions	31.2%	16.0%	45.4%

3.1.4 Mobile Customer Mix – Bharti customers – Percentage of prepaid customers to total customers

	As on		
	June 30, 2003	March 31, 2003	June 30, 2002
Percentage of Prepaid Subscribers to Total Subscriber Base	81%	76%	64%
Percentage of Prepaid Net Additions to Total Net Additions	103%	128%	77%

3.2 Revenue & Usage

3.2.1 Mobile Business

	Quarter Ended		
	June 30, 2003	March 31, 2003	Q -on-Q Growth
AVERAGE MONTHLY REVENUE PER USER (ARPU) (in Rs)			
Postpaid	1,500	1,549	-3%
Prepaid	334	360	-7%
Blended	582	687	-15%
AVERAGE MONTHLY MINUTES OF USE PER CUSTOMER (Minutes)			
Postpaid	662	575	15%
Prepaid	191	125	53%
Blended	291	249	17%
SMS			
SMS Revenue as a percentage of Total Mobile Revenue	2.9%	3.1%	-
CHURN - MONTHLY			
Postpaid Voluntary Churn	1.5%	1.5%	-
Postpaid Company Initiated Churn	5.2%	6.9%	-
Prepaid	4.8%	5.5%	-

3.2.2 Fixed Line Business

	Quarter Ended		
	June 30, 2003	March 31, 2003	Q -on-Q Growth
Average Monthly Revenue Per User (ARPU) (in Rs)	1,310	1,191	10%

3.3 Human Resource Analysis

	Quarter Ended		
	June 30, 2003	March 31, 2003	Q -on-Q Growth
EMPLOYEE PRODUCTIVITY			
Mobile Consolidated			
Customers per employee (Nos)	1,337	1,093	22%
Gross Revenue per employee per month (Rs)	780,022	728,824	7%
Fixed LineConsolidated			
Customers per employee (Nos)	349	277	26%
Gross Revenue per employee per month (Rs)	424,432	305,603	39%
Long Distance & Group Data Services			
Gross Revenue per employee per month (Rs)	1,506,638	2,134,871	-29%

SECTION IV

MANAGEMENT DISCUSSION & ANALYSIS

4.1 KEY INDUSTRY DEVELOPMENTS

A) INDUSTRY-REGULATORY & LEGAL

Implementation of Interconnect Usage Charges (IUC) and Telecommunication Tariff Order, 1999 (TTO)

As per revised schedule, the IUC regime and the amended tariffs were implemented on May 1, 2003.

Subsequently BSNL and MTNL announced their new fixed line tariff schemes conforming to the TTO. In addition to the standard plans several alternate tariff packages were also introduced in the market. However, these were partially rolled back due to certain political considerations. The reversal included increase in free calls as well as an increase in the fixed to cellular pulse rates, thereby resulting into call charges from fixed to mobile calls, falling in line with TTO.

Consultation Papers issued by TRAI on IUC

Post implementation of the IUC regime, the Authority received several representations with respect to the said Regulations. These pertained to various aspects of the IUC such as calculation of access deficit charge, sustainability, consistency and most importantly establishment of a level playing field.

Pursuant to the above, on May 15, 2003, TRAI released a Consultation Paper, which sought to address several such issues. These broadly included concerns pertaining to Interconnect Usage Charges, Access Deficit Charges, Tariffs and introduction of a Calling Party Pays Regime.

Through Open House Sessions conducted across the country, the Regulator invited comments from all stakeholders and consumer groups. As per the regulator, the new Regulation is expected to be released by August 2003.

Basic Principles for Approval of Tariff

The 26th and 27th Amendment to the TTO 1999 has amended the tariff reporting requirements. These now specify that irrespective of whether the tariffs being filed by an Operator are under the category of forbearance, the same must be reported to the Authority 5 working days prior to implementation.

In addition, the Regulator also directed that tariffs being filed should be IUC compliant and be non-discriminatory as well as non predatory in nature.

Composite Tariffs

The Regulator has laid down a directive for filing and promoting only composite tariffs in the market. As per this, Operators cannot charge separately for airtime and interconnect charges and have to only charge a composite rate, which includes all related elements of providing the service.

Initiation of a Consultation Process on Unified License by TRAI

The TRAI has issued a detailed consultation paper on a unified license for basic and cellular services. Under such a Regime, if approved, any licensed telecom service provider will be able to offer both mobile and fixed line services under a unified license. The paper also addresses the issues arising in case of intra-circle mergers and acquisitions. The observations and comments have been sought from all concerned by August 7, 2003.

Foreign Direct Investment Limit

On April 24, 2003, the Cabinet returned back the proposal on increase in FDI for the department to satisfy the security issues. According to the Communications Minister Arun Shourie, Security Agencies have objected to raising the FDI limit in telecom service companies as they are in favor of retaining the management control in the hands of Indian Promoters.

Subsequently, the Communications Ministry is reportedly considering an alternative route of raising FII's investment outside the sectoral cap, which will be subject to an overall investment cap of 74 percent. However, the Government on this has taken no decision as yet.

Wireless in Local Loop (WLL)

Litigation:

Cellular Operators Association of India (COAI) and some of the mobile operators had challenged the Government's decision to allow WLL (M) services before the TDSAT. TDSAT had earlier declined to intervene in the policy regarding this service, and as a result thereof, COAI and the mobile operators had made an appeal to the Hon'ble Supreme Court of India.

The Supreme Court by its judgment dated December 17, 2002 set aside the order of the TDSAT and remanded back the matter to TDSAT for reconsideration. The hearing of the petition in the TDSAT has been completed and the matter is now reserved for judgement.

V5.2 Technology

TDSAT had deferred its hearing by ten weeks vide its order dated December 20, 2002 on the suit filed by COAI and some mobile operators seeking to prohibit basic telecom service operators from use of Mobile Switching Centers (MSC) for WLL services. Mobile operators have contended that WLL(M) can only be provided using the prescribed V5.2 technology and have said that the operators be mandated to comply with TRAI's stipulation in this regard. The major issue being highlighted by the GSM mobile operators was that if the fixed service providers were allowed to use MSC architecture to provide limited mobility under the FSP license, the difference between full mobility and limited mobility would be virtually obliterated. **This issue is also the subject matter of litigation in the ongoing case before TDSAT.**

Village Public Telephones

DoT issued letters to several Basic Service Operators expressing their concern on fulfillment of VPT rollout obligations. In the process, certain specified categories of villages have now been excluded from the VPT obligation. The Department has directed these Operators to provide VPTs in 50% of the uncovered villages (as on August 15, 2000) by June 30, 2003.

The letters further directed that the Operators were expected to cover the remaining villages by December 2003. The plans for achieving the same were required to be submitted to the department by June 30, 2003.

Such a letter has also been issued to Bharti Telenet for its Madhya Pradesh fixed line operations. BTNL has submitted its detailed response to DoT.

Release of Guidelines for Closed User Network (CUG)

DoT has recently revised the guidelines on setting up of CUG network. Under these guidelines, customers will be allowed to take resources for setting up CUG networks from multiple service providers including private operators to ensure redundancy and optimal engineering. This move will allow private operators to provide the resources for setting up CUG networks.

B) INDUSTRY – COMPETITION

Tariffs - WLL (M)

During the quarter, WLL (M) operators introduced low-entry cost tariff plans in the market. The handset packages that have been offered in the market, include

- Reliance's offer of Rs. 501 as upfront payment and Rs. 200 as recurring cost for 36 months results in a total handset cost of Rs. 7,701.
- BSNL's offer, which includes 25 equal installments of Rs. 200 each, resulting in a total handset cost of Rs. 5,000.
- MTNL's offer, which presents the option of either Rs.4,499 as upfront payment for handsets or a monthly installment of Rs.200 for 24 months resulting in a handset cost of Rs. 4,800.
- Tata Teleservices' offer also presents the option of Rs 999 upfront payment and 24 equal installments of Rs 200 each, resulting in a handset cost of Rs. 5,799.

These tariffs plans, which include handset bundling, were received favourably in the market. Further, Reliance Infocomm recently advertised having acquired 1 million net additions within 10 days of the launch of such low-entry cost tariff plans.

Long Distance

On May 29, 2003, VSNL signed an interconnection agreement with MTNL and BSNL. Pursuant to this agreement, VSNL agreed to pay Rs 5.50 per minute as IUC charges for terminating international long distance calls on their fixed line networks. However, VSNL as per this agreement will be eligible for certain volume-based discounts.

VSNL and Mobile First, an alliance amongst BPL Mobile, Escotel, RPG Cellular and Spice Telecom, have signed an agreement on June 19, 2003, under which VSNL will be the preferred carrier for the Mobile Operator's NLD and ILD traffic.

Vodafone sells stake in RPG Cellular

On June 6, 2003, as per media reports, C. Sivasankaran brought Vodafone's 20.76% equity in RPG Cellular, the second largest cellular service provider in Chennai.

C) COMPANY RELATED

Supreme Court decision on refund of interest relating to pre-migration period

The Hon'ble Supreme Court has directed Government to refund the interest on licence fee collected by the Department of Telecommunications (DoT) from the operators for the period of six months, which was allowed as notional extension in the licence agreement pertaining to the period prior to the migration from the fixed license fee regime to the revenue sharing regime. Pursuant to this order, the Company has filed its claim with DoT. However there is a dispute with DoT on the calculation of refundable interest amount. The Company has made adjustment of refund acknowledged by DoT amounting to approx Rs. 1,628 million against the license fee payable for quarter(s) ended March 31, 2003 & June 30, 2003 and has made balance payment of licence fees.

Tariff related news:

I. Mobile Services

Launch of nation wide IUC compliant composite tariff plans

AirTel announced its composite tariff plans, during the quarter. These tariff plans introduced reductions in both local and STD tariffs. Further, AirTel also announced free incoming for all calls received. (Please refer to www.airtelworld.com for details of these plans).

Of the entire bouquet of plans offered the most popular and simple plan was the "Airtel 0,1,2 plan". The key highlights of this plan are as follows:

- ✓ 0 - All incoming calls from anywhere totally free
- ✓ Re.1 - Outgoing call charges to mobile
- ✓ Rs.2 - Mobile-to-Mobile STD anywhere across India
- ✓ No deposit for local and mobile STD calling

AirTel further announced a national initiative wherein STD to any mobile in the country was charged at only Rs 0.50 per minute under certain high end plans.

Launch of new plans with handset schemes

AirTel introduced a package for new subscribers across the country offering them the option to buy a Nokia 3315 handset with an AirTel connection for an effective cost of just Rs. 3,315. This package also included free bundled airtime.

Post this scheme with Nokia, AirTel also introduced another handset package with Motorola. The package included an AirTel pre-paid or postpaid connection with a Motorola T190 handset at an effective cost of Rs. 2,999.

II. Fixed Line Services

TouchTel announced new tariff plans

During the quarter, TouchTel, announced the launch of four new tariff plans for its subscribers. These plans include the Talk 250, Talk Budget, Talk 1750 and the Talk Delight, which have been made keeping in mind the diverse needs of cross-section of subscribers. The offer included a 20% discount on all ISD calls and unlimited internet access amongst other attractive bargains.

Other Products & Services

I. Mobile Services

Launch of IndiaOne long distance calling cards for AirTel customers

During the Quarter, AirTel announced the launch of the AirTel – India One Long Distance calling cards. These cards primarily enable all AirTel customers to make domestic and international long distance calls from their AirTel phones at costs, which are nearly 30% lower than the fixed line long distance calls. These cards will be available in more than 75,000 retail outlets across the country.

Two way International Roaming on AirTel Prepaid

AirTel also launched its pre-activated two-way international roaming for its prepaid customers across India. This roaming solution allows customers to use their mobile service without facing the inconvenience of changing the SIM.

II. Fixed Line Services

Launch of new DSL Schemes

During the Quarter, TouchTel, launched combination tariffs for Zipnet DSL (Digital Subscriber Line) for residential and SOHO (small office home office) customers. The plan was aimed to fulfill the high-speed Internet surfing need as well as the voice needs of subscribers. The combo plans contain a strong voice benefit to customers ranging from 600 to 1800 free voice calls, with rates as low as Re. 1 per pulse and attractive discounts on incoming calls.

Bharti buys Telia stake for $ 59 million

On June 7, 2003, Bharti announced the completion of acquisition of 26% stake of Telia AB (Sweden) in Bharti Mobile limited. With the acquisition of this stake Bharti Mobile has become a wholly owned subsidiary of Bharti Cellular. The cost of acquisition of 26% stake of Telia AB is approximately USD 59 million.

Bharti Mobile - Punjab Litigation

The arbitration proceedings for a claim for refund of license fee and interest paid to the DoT went against Bharti Mobile limited, licensee of the Punjab Mobile circle. The company had already paid the license fees amount in an escrow account before the commencement of arbitration proceedings. The company challenged the award before the Delhi High Court and the Delhi High Court passed, prima facie accepting the appeal of the company, issued notice to the DoT against the award and as statutorily required, stayed the implementation of award by DoT till disposal of the appeal. The appeal is kept for final hearing on September 3, 2003.

4.2 Our Operations

4.2.1 REVISION IN THE FINANCIALS AS ON MARCH 31, 2003

The financials as presented in the published quarterly report for the quarter and year ended March 31, 2003 have been revised due to certain developments that have taken place post the announcement of our Q4 results on April 23, 2003.

These primarily include -

- The Punjab restoration fee of Rs 4,390 million, earlier held as current assets, has now been charged off after having followed the principle of conservative accounting in accordance with IAS.

- An income of Rs 1,628 million has been recognized subsequent to the Supreme Court order of refund on notional interest.

- Certain mergers have taken place within the group that have facilitated consolidation and simplification of the holding structure.

These developments have bought about a change in the Reserves and Surplus, Goodwill and the Net Profit for the quarter and year ended March 31, 2003.

Punjab license fee

The arbitration decision in respect of our dispute relating to Punjab restoration fee with DoT was awarded against us. We have already been granted a stay against this judgment and the matter is now pending for final ruling before the High Court. We strongly believe in the merits of our case. However, following a principle of conservative accounting in accordance with IAS, we have decided to account for the entire amount of Rs 4,390 million, which was so far appearing as accounts receivables. The adjustments made in this respect are as follows:

- An amount of Rs. 1,542 million pertaining to entry fee has been capitalized as Goodwill and shall be amortized over the life of the license (20 years).
- An amount of Rs. 69 million has been written off in our profit and loss statement on account of certain WPC charges and liquidated damages.
- As a part of the claim, the balance of Rs. 1,922 million has been charged off against Reserves and Surplus.

These adjustments have been made in accordance with the IAS and the above treatment will prevent an audit qualification in the final IAS accounts.

Significant non-frequently occurring items

The Net Profit after unusual and extraordinary income for the previous quarter is now amounting to Rs 700 million.

- Refund of notional interest from DoT

  The DoT has acknowledged a one-time income of Rs. 1,627 million to the Company as refund of notional interest relating to migration to the revenue share regime. This refund pertains to the Andhra Pradesh, Karnataka and Punjab mobile licenses.
  While, Rs. 857 million is adjusted against total interest claimed, the balance Rs. 770 million is recognized as an extraordinary income in the profit and loss statement for the year ended March 31, 2003.

- Accelerated depreciation

  Accelerated depreciation of Rs. 260 million in respect of certain network equipments, that might not be fully utilized in the future, has been written off against the income from refund of notional interest out of abundant caution.

- Liquidated damages

  The amount of Rs. 69 million on account of the WPC charges and liquidated damages for the Punjab license as mentioned above, has also been written off against this extraordinary income.

The balance Rs 441 million, which is unusual income, has not been treated as income for the quarter ended March 31, 2003. All comparisons for the two quarters have been made accordingly.

Goodwill Capitalisation

Another adjustment is on account of increase in Goodwill capitalization. The unamortized Goodwill, which was presented in the published results, was Rs 24,041 million and this has increased to Rs 24,744 million. The adjustments relating to this are listed below:

- Rs. 1,542 million pertaining to Punjab entry fee has been capitalized as Goodwill. After netting off the amortization of Rs 257 million for the period upto March 31, 2003, the net increase in Goodwill is Rs 1,285 million. This amortization of Rs 257 million includes Rs 77 million pertaining to the FY ended March 31, 2003. The balance amount of Rs 180 million pertains to the period prior to April 1, 2002.
- Simultaneously, there is a net decrease in Goodwill amounting to Rs 582 million, owing to the merger of SC Cellular Holdings Limited with BCL.

All these adjustments have resulted in an increase in unamortized Goodwill to the amount of Rs 703 million.

Changes in Reserves and Surplus

As per the results published, the Reserves and Surplus was a negative Rs. 5,342 million. With some of the above revisions this is now appearing as negative Rs. 6,992 million.

- The net profit for the quarter has increased from Rs. 256 million to Rs 700 million, resulting in an increase in reserves to the extent of Rs 444 million.
- A decrease in the reserves and surplus of Rs. 1,922 million is made on account of write-off pertaining to the Punjab restoration fee.
- There is a further decrease in reserves and surplus of Rs 180 million, on account of amortization of Punjab Goodwill pertaining to the period prior to April 1, 2002.
- Finally, Rs 8 million pertains to decrease in the Reserves and Surplus due to merger impact of certain entities and other minor adjustments.

All of these adjustments have resulted in a decrease in the Reserves and Surplus to the extent of Rs. 1,650 million.

4.2.2 RESULTS OF OPERATIONS

As on June 30, 2003, we had an aggregate of 4,174,747 customers, consisting of 3,750,989 mobile and 423,758 fixed line customers. Our customer base has increased by 130% over a year.

During the quarter ended June 30, 2003, the company had revenues of Rs 10,360 million, exhibiting a sequential growth of 3% and an EBITDA of Rs 2,889 million, exhibiting a sequential growth of 11%. The revenue during the quarter grew despite a significant reduction in tariffs across services due to implementation of the new interconnect regime.

The EBITDA margin improved during this quarter to 28% from 26% in the quarter ended March 31, 2003. The improvement in margins was primarily due to optimization of operating expenses. The total operating expenses have been controlled consistently quarter after quarter. During the quarter ended June 30, 2003, the total operating expenses reduced from Rs. 3,775 million to Rs. 3,600 million. In addition to other reductions, this was also an outcome of reduction in bad debts.

The quarterly consolidated profit before tax and unusual items increased to Rs 309 million from Rs 280 million in the quarter ended March 31, 2003.

The new businesses, that started after January 1, 2002, registered an EBITDA of Rs. 899 million, which increased by 46% on sequential basis. This resulted in an EBITDA margin of 16%.

During the quarter ended June 30, 2003, we incurred a capital expenditure including capital-work-in-progress of Rs 4.5 billion for the company.

The funded equity of Bharti Tele-Ventures as on June 30, 2003 was Rs.52 billion. As on that date, the net debt of the company was approximately Rs.35 billion resulting in a net debt to funded equity ratio of 0.68. At the time, the book value of the company was Rs.25 per share.

Mobile Business

We are the largest mobile operator in the country. During the quarter, we crossed the 1 million-subscriber milestone in the Delhi circle and became the first operator in India to achieve this landmark in any one circle. Our all India market share as on June 30, 2003 was 24.8% and this has improved from 24.2% as on March 31, 2003.

During the quarter, we added 27.6% of all India GSM net additions on our networks as compared to 13.5% in the previous quarter. Furthermore, our market share of net additions in our existing markets has substantially increased from 26% to 42% and from 12% to 24% in our new markets. Due to certain effective marketing initiatives our tariffs are now at competitive levels and this has helped us in acquiring customers as well as retaining the existing ones. Moreover with the implementation of the incoming free regime the wireless market in India has expanded and we have been able to attract a good share of the new additions onto our networks.

An analysis of the annual growth shows that while our mobile customer base has more than doubled during this period, we are also the only private GSM player in the market who has increased its market share over these 12 months. Our national market share has increased to 24.8% in June 2003 from 21.9% in June 2002. This trend continues and in June, our market share of GSM net additions once again leaped to 28.4% of the all India net additions after a gap of eight months. After October 2002, we have now once again, come through some severely competitive times and become leaders in net additions in the GSM market.

During the quarter, our growth in customers came from the prepaid segment and this has resulted in prepaid customers forming 81% of our customer base as on June 30, 2003.

Our leadership position in the wireless market is not only a result of a high number of acquisitions but is also due to lower churn levels on our network. During the quarter, the prepaid churn reduced to 4.8% from 5.5% in the previous quarter, while the company initiated postpaid churn reduced from 6.9% to 5.2%

The consolidated revenues from our mobile business for the quarter ended June 30, 2003 were approximately Rs.6,566 million, exhibiting a sequential growth of 7%. Revenues from our mobile business, for the quarter, constitute nearly 63% of our total consolidated revenues. The EBITDA from these businesses during the quarter was Rs 1,746 million exhibiting a margin of 27%. The consolidated mobile business has shown a noteworthy improvement in the EBITDA margin to 27% from 24% in the previous quarter. This improvement is an outcome of effective optimization of resources. While with the tariff drops and the high elasticity related to these, the revenue per minute is falling, the controls on the expenses is resulting in a sharper drop in the cost per minute, thus enabling us to increase our profitability.

The total revenues from existing mobile operations for the quarter ended June 30, 2003 were Rs.4,781 million exhibiting a 23% annual growth. The EBITDA for the quarter from these businesses was Rs 1,833 million. Although the EBITDA in absolute terms was only marginally higher than the EBITDA in the last quarter, the margins were lower. The EBITDA margin for the June quarter was at 38%, which is lower than the 40% margins registered in the previous quarter.

Revenues from the new mobile operations at Rs 1,785 million have increased sequentially by 11%. Simultaneously, with a boost in cost controls led by control in bad debt levels, the EBITDA loss has shown a significant reduction of 77%.

During the quarter our postpaid ARPU was Rs.1,500 per month and our prepaid ARPU was Rs.334 per month, resulting in a blended ARPU of Rs 582. On a consolidated basis, our mobile networks registered a sequential increase of 32% in minutes. In the month of June, the networks together carried over 1 billion minutes. The increase in usage is a natural outcome of the incoming free regime as well as the affordability in airtime charges. This elasticity has enabled us to protect our profitability from lower tariffs and has resulted in the blended ARPU of US$12 per month, which is only 15% lower than the ARPU in the quarter ended March 31, 2003.

Fixed line Business

During the quarter ended June 31, 2003, we added 51,785 fixed line customers on to our networks, resulting in a customer base of 4,23,758 fixed line customers. The increase in customer base was led by new acquisitions in the corporate segment as well as new initiatives like the DSL services that we offered to the SME and the residential segments, which facilitated high revenue potential connections.

The consolidated revenues from our fixed line operations at Rs 1,545 million, registered a sequential growth of 26% in these businesses. During the quarter we implemented new composite tariff plans across our fixed line networks. Further, as a result of reduction in chargeable pulses for a fixed to mobile call from 180 seconds to 60 seconds, in the very first month of implementing the IUC, the total fixed line pulses carried on our networks grew by 17%. In addition, for the very first time, we started receiving termination revenue from fixed line and WLL operators. All these developments resulted in improvement of our fixed line ARPU, for the quarter to Rs 1,310 (US$ 28) per month from Rs 1,191 (US$ 25) in the previous quarter.

During the quarter, we merged the Delhi and Haryana fixed line operations. This resulted in operational efficiencies. Together with other controls in operating expenses, these resulted in a sequential improvement of 67% in the EBITDA of our consolidated fixed line business, which was at Rs 305 million for the quarter.

The positive development during the quarter is that the fixed line operations in the Haryana circle have turned PAT positive during the month of June. This has happened within a short period of 18 months from the launch of this operation.

Long Distance, Group Data and Enterprise Services

During the quarter, we earned consolidated revenues of Rs.3,024 million from our long distance business and group data business. With the implementation of the IUC, we have started booking lower gross revenues in our national and international long distance operations. Earlier our gross revenues used to take into account the comprehensive tariff, including origination charges. However post the IUC we only book the carriage and the termination charges as revenues in these businesses.

The national long distance traffic registered a sequential increase of 33%, during the quarter. This was despite the fact that there was a diversion of traffic from certain access providers to other carriers. Our integrated approach is reaping results in this area. The volume growth was mainly led by increase in the group (Airtel and Touchtel) long distance traffic.
During the quarter, we launched the Airtel international long distance cards. These cards give substantial savings on long distance calls as compared to the cost on a fixed line network.

Another revenue stream, which is growing effectively, is the data revenue. These include customers for international private leased line circuits, Internet service providers, IT enabled service providers and other content providers. Although the current data revenue is modest, this has grown substantially, exhibiting a sequential increase of 50%.

SECTION V

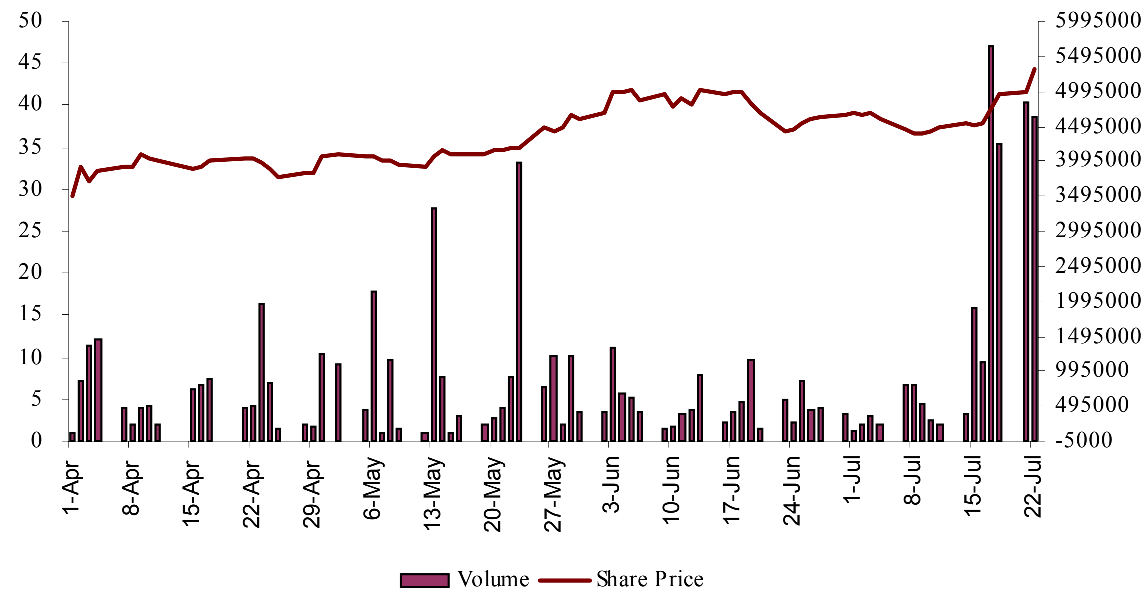
5.1 STOCK MARKET HIGHLIGHTS

5.1.1 General Information

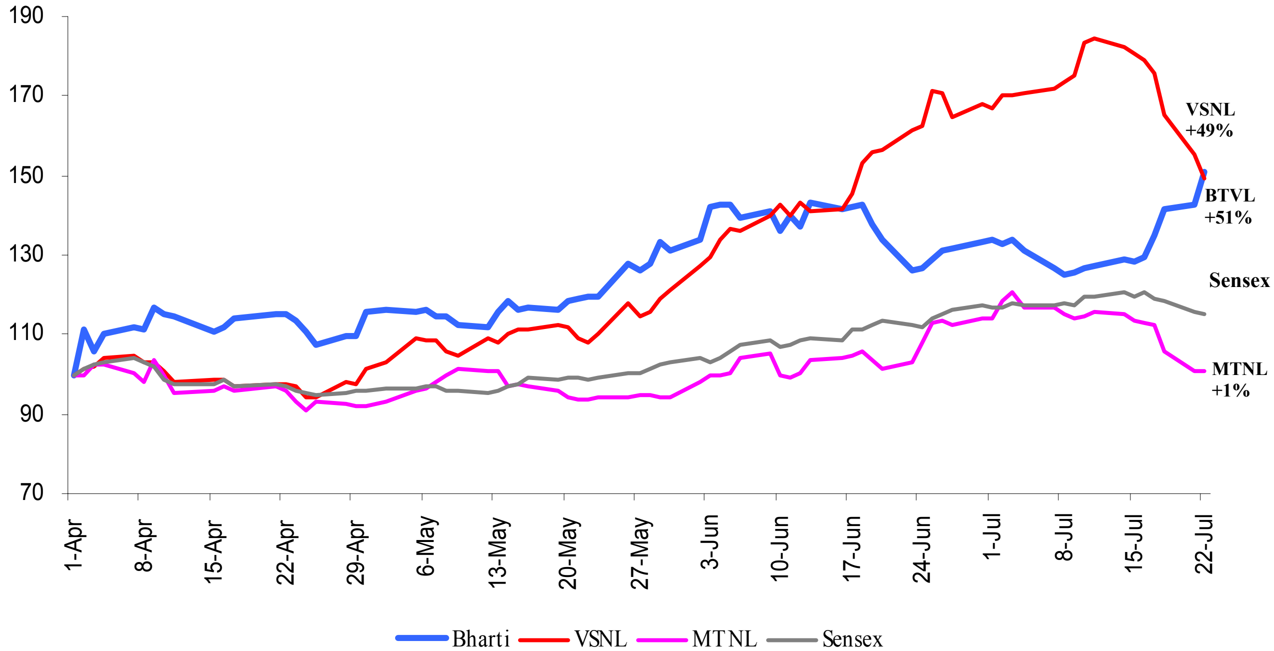
Opinion & Financial Data			**Stock Data**	
No. of Shares Oustanding	Million Nos.	1,853	Symbol/Exchange	BHTIF/Bombay
Closing Market Price (July 17, 2003)	Rs./Share	44.20	Bloomberg/Reuters	BHARTI IN/BRTI.BO
Market Capitalisation	Rs. Million	81,919	***Shareholding Pattern***	**As on June 30, 2003**
Book Value Per Share	Rs.	24.65	Promoters Holding	46.56%
Market Price/Book Value	Times	1.79	Singtel (Pastel Ltd)	15.95%
Net Debt/Funded Equity	Times	0.68	Free Float*	37.49%
Enterprise Value	Rs. Million	117,202		
Enterprise Value/Annualised Q1 Revenue	Times	2.83	Foreign Holding	47.39%
Enterprise Value/Annualised Q1 EBITDA	Times	10.14		

* Free float includes 6.19% shareholding of Indian public & instutution which has foreign ownership restrictions (not freely tradeable across Indian and Overseas investors)

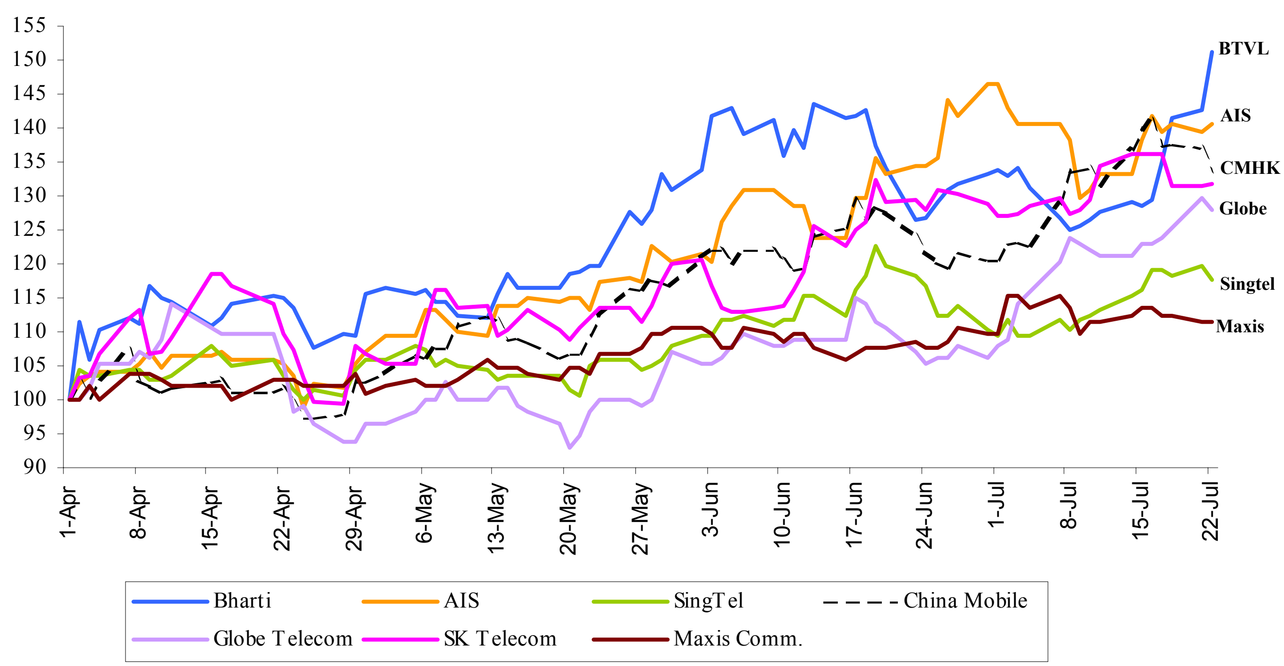
5.1.2 Bharti Tele-Ventures Daily Stock Price` (BSE) & Volume (combined of BSE and NSE) Movement



5.1.3 Comparison of Domestic Telecom Stock Movement with Sensex



5.1.4 Comparison of Select Asian Telecom Stock Movement with Bharti Tele-Ventures Stock



ANNEXURES

A1 Financial Statements

A1.1 Consolidated Profit & Loss Statement as per International Accounting Standards

Rs million, except ratios

Particulars	Quarter Ended					Year ended March 31, 2003
	June 2003	June 2002	Y-on-Y Growth	March 2003	Q-on-Q Growth	
Total revenue	**10,360**	**5,387**	**92%**	**10,068**	**3%**	**30,500**
Access & interconnect charges	2,784	1,106	152%	2,644	5%	6,504
Net revenue	**7,577**	**4,282**	**77%**	**7,424**	**2%**	**23,997**
Network operating expenses	946	525	80%	724	31%	3,007
Sales & marketing expenses	709	598	19%	731	-3%	3,172
Personnel expenses	839	525	60%	830	1%	2,753
Other operation expenses	1,106	650	70%	1,490	-26%	4,102
Total operating expenses	**3,600**	**2,298**	**57%**	**3,775**	**-5%**	**13,034**
License fees	1,088	602	81%	1,049	4%	3,371
EBITDA	**2,889**	**1,381**	**109%**	**2,600**	**11%**	**7,593**
Net finance costs	632	621	2%	518	22%	2,663
Cash profit from operations	**2,258**	**760**	**197%**	**2,082**	**8%**	**4,929**
Non-operating income	8	11	-23%	25	-68%	62
Pre-operating costs	-	208	-	0	-	378
Depreciation & Amortisation	**1,956**	**1,242**	**58%**	**1,827**	**7%**	**6,394**
Depreciation	1,469	826	78%	1,235	19%	4,438
Amortisation - License fee	125	47	166%	132	-5%	393
Amortisation - Goodwill	343	336	2%	437	-22%	1,447
Amortisation - Others	19	33	-41%	23	-15%	115
Earnings before tax & Unusual items	**309**	**(679)**	**146%**	**280**	**11%**	**(1,781)**
Income tax expense/(income)	0	-		2		2
(Profit) / loss to minority shareholders	1	3		(19)		4
Net profit / (loss) before Unusual items	**310**	**(676)**		**258**		**(1,779)**
EBITDA / Revenue	**28%**	**26%**		**26%**		**25%**

Note: The financials for the quarter and year ended March 31, 2003 does not include Rs. 441 million of unusual income. Please refer to Page no. 17 in the Management Discussion and Analysis Section for further details

A1.2 Consolidated Balance Sheet as per International Accounting Standards

Rs Millions, except ratios

Particulars	As At June 30, 2003	As At March 31, 2003
LIABILITIES & EQUITY		
Funded Equity	51,750	51,734
Reserves & Surplus	(6,062)	(6,992)
Shareholder's equity	**45,689**	**44,742**
Minority interest	92	93
Total borrowings	37,466	35,932
Other non-current liabilities	3,631	2,293
Total liabilities & equity	**86,878**	**83,061**
ASSETS		
Gross fixed assets, including capital-work-in-progress	66,001	61,494
Accumulated depreciation	13,281	11,817
Net fixed assets	**52,720**	**49,678**
Goodwill	27,729	24,744
Entry Fee not written off	9,149	9,274
Net fixed assets & other project investments	**89,597**	**83,696**
Other non-current assets	3,111	3,165
Net current assets	(5,830)	(3,800)
Total Assets	**86,878**	**83,061**

Ratios		
Net debt	35,283	31,740
Net debt to funded equity (Times)	0.68	0.61
Number of Shares Outstanding (Million Nos.)	1,853	1,853
Book Value Per Share (in Rs)	25	24

A 1.3 BTVL – Cash Flow

Rs million

Particulars	Quarter Ended June 30, 2003	Quarter Ended March 31, 2003	Year ended March 31, 2003
Opening cash & marketable securities	**4,192**	**3,481**	**6,062**
Add: Sources			
EBITDA	2,889	2,600	7,593
Increase in Funded Equity	16	(109)	(61)
Decrease in Non Current Assets	54	(175)	(201)
Increase in borrowing	1,534	1,610	15,546
Increase in Other Non Current Liabilities	1,338	410	885
	5,832	**4,336**	**23,761**
Less: Applications			
Increase in Net Current Assets	1,358	(1,209)	1,904
Refund of advance share application money to Telia	-	0	590
Payment for acquisition of Telia	1,352	-	-
Minority Interest	1	(21)	4
Pre-operating costs	-	0	360
Finance Cost net of Non-Operating Income	623	493	2,601
Period capital expenditure	4,507	4,361	20,171
	7,841	**3,625**	**25,631**
Closing cash & marketable securities	**2,183**	**4,192**	**4,192**

A1.4 Key Accounting Policies

1. **Revenue recognitions**:

   Prepaid cards and Internet dial up cards: Revenues from pre-paid cards and pre-paid dial up packs are recognized based on the actual usage i.e. minutes or usage basis. Until such time the unutilized value of the card is treated as "revenue received in advance".

2. **Goodwill**
   Goodwill is stated as an excess of the purchase consideration over BTVL's interest in the fair value of the net identifiable assets acquired. Goodwill is carried at cost less accumulated amortization and is amortized on a straight-line basis over a period upto 20 years from the month of acquisition.

3. **License Fees**
   Licenses signed under the old license fee regime

   The license fee costs incurred under the old license fee regime until the date of migration to the NTP i.e. July 31, 1999 and the revenue share fee from the date of migration are expensed as incurred. The revenue share is computed on the basis of AGR.

   Licenses signed under NTP 1999

   License entry fee is recognized as an intangible asset and is measured at cost. License entry fee is amortised on a straight-line basis over the life of the license post commercial launch and the revenue share is computed on the basis of AGR.

4. **Provision for bad debts:**
   Provision for doubtful debts is made for all dues outstanding for more than 90 days in case of active subscribers and dues from customers who have been deactivated, other than those covered by security deposit.

5. **Pre-operative costs:**
   Pre-operative costs incurred before launch of service by any operation are capitalized only to the extent they are directly attributable to network creation. All other indirect costs including expenses of non-technical, manpower, administrative costs, pre-launch sales and marketing expenses, interest expenses and other start-up costs are expensed below EBITDA in the year in which they are incurred.

6. **Depreciation**:
   The fixed assets have been depreciated based on the estimated life of the usage of the asset, which is as follows:

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

7. **Deferred tax:**
   Although the management recognizes profit potential of each operation, this income has been recognized only for operations where early signs of profitability have been noted.

A1.5 Consolidated Profit & Loss Statement as per Indian GAAP

Rs million

Particulars	Quarter Ended June 30, 2003	Quarter Ended March 31, 2003	Year ended March 31, 2003
Total revenue	10,360	10,068	30,500
EBITDA	2,889	2,572	7,565
Cash profit from operations	2,161	1,940	4,836
Depreciation & Amortisation	1,965	1,631	6,576
Pre-Operative & Others	(8)	(25)	316
Earnings before tax & before unusal item	204	334	(2,055)
Provision for Tax	0	2	2
Minority Interest	(1)	198	286
Net profit / (loss) before unusual item	205	135	(2,344)

Note:

1. *The financials for the quarter and year ended March 31, 2003 does not include unusual income of Rs. 293 million.*
2. *The above financials are after considering the merger of Chennai and Himachal Pradesh mobile operations with Bharti Cellular Limited. It also considers merger of all our infotel operations i.e. fixed line, long distance and group data and enterprise services in Bharti Infotel Limited.*

A1.6 Reconciliation of Indian GAAP and International Accounting Standards – P&L

Rs million

Particulars	Quarter Ended June 30, 2003	Quarter Ended March 31, 2003	Year ended March 31, 2003
	Unaudited	Unaudited	Unaudited
Net profit / (loss) as per IAS	**310**	**700**	**(1,337)**
Add: Differences on account of:			
Goodwill amortisation	171	635	790
Less: Differences on account of:			
Differences in accounting for finance charges	95	141	93
License fee amortisation not applicable in IAS	148	243	608
Provision for Licence fee revenue share reversed in IAS	-	(27)	(27)
Differential depreciation provided in Indian accounts due to forex fluctuations not considered in IAS	31	400	566
Minority interest and loss of joint venture	-	178	291
Remeasurement of financial instruments as per IAS 39 not applicable as per IGAAP	2	(27)	(27)
	205	**428**	**(2,051)**

G1 GLOSSARY

Technical and Industry Terms

Financial and Operational (Company Related)	
AGR	Adjusted Gross Revenues. Used for computing the license fees and WPC charges payable by a mobile services provider and have been provisionally defined as total income of a mobile services provider less net of access and interconnection charges actually paid to other telecom service providers, roaming revenues passed on to other telecom service providers and service tax and sales tax, if included in the total income.
ARPU (for mobile services)	Average Revenue per customer per month is calculated by dividing the total revenue billed to our customers and termination charges received for incoming calls from operators by the average number of customers during the period. The result so obtained is divided by the number of months in that period.
ARPU (for fixed-line services)	Average Revenue per customer per month. It is calculated by dividing the total fixed-line revenues by the average number of customers during the period. The result so obtained is divided by the number of months in that period.
Average Customers	Average customers are calculated by considering the average of the monthly average customers.
Billed Revenue (for mobile services)	Billed Revenue comprises of the total airtime revenues, the rentals, the value added services, other fees and charges, surcharge on out roamer's roaming revenue and the interconnect revenue other than interconnect revenue from roamers.
Cash Profit from Operations	Cash Profit from Operations is defined as EBITDA less net finance cost.
Churn	Churn is computed as the total disconnections during the period divided by the sum of opening customer base and the gross additions during the period divided by the number of months in the period. The Company initiated churn is involuntary contract churn.
EBITDA	EBITDA represents earnings (loss) before depreciation, pre-operating costs, amortization, interest and taxation.
EBIT	EBIT represents earnings (loss) before interest and taxation.
Funded Equity	Funded Equity includes the paid-up and issued Share Capital and the Share Premium net of loans given to ESOP trust.
Existing Circles	Our existing mobile circles constitute the Delhi, Chennai, Kolkata, Andhra Pradesh, Karnataka and Himachal Pradesh circles. Our existing fixed line circles constitute the Madhya Pradesh and Chattisgarh circle. The other businesses category, which includes financials of the BTVL corporate office, also falls under the existing circles category.
MoU	Minutes of Usage. Duration for which a customer uses mobile services. It is typically expressed over a period of one month. MOU per customer per month is the weighted average minutes of usage per customer per month is calculated by: (i) dividing the total minutes of usage for the quarter in our mobile networks less total roaming minutes by 3; and (ii) dividing the result by the average customers.
Net Debt	Total borrowings less cash and marketable securities
New Circles	Our new mobile circles constitute the Punjab, Haryana, Mumbai, Maharashtra, Gujarat, Uttar Pradesh (W), Tamil Nadu, Kerala, and the Madhya Pradesh circles. Of these only the Punjab circle was operational as of March 31, 2002. Our new fixed line circles constitute the Delhi, Haryana, Tamil Nadu and the Karnataka circles. Of these only the Delhi and the Haryana circles were operational as of March 31, 2002.

	Group data and broadband services have been regrouped into new operations post the announcement of merger of fixed line, long distance and data and broadband into Bharti Infotel Limited.
Post-paid services	Provision of mobile services to customers, in which the customers pay for usage of mobile services at the end of the billing period for services, including airtime, value added services, access and interconnection charges and other charges.
Pre-paid services	Provision of mobile services to customers, in which the customers pay a fixed amount, which is valid for a certain period, for usage of mobile services, including airtime, value added services, access and interconnection charges and other charges.
Roaming	Occurs when mobile customers use the mobile service outside their home network. Roaming facility is made available by an arrangement between two mobile services providers to allow their respective customers to roam on each other's networks.

Others (Industry)	
ACMA	Automotive Component Manufacturers Association of India
ADC	Access Deficit Charge. As per IUC regulations, ADC is assessed by fixing an affordable level for rental/local call charges, special concessionary local call charges in the rural areas, provision of free calls, and any other below cost tariffs that the regulator may need to specify to make the Basic telecom services affordable to the common man to promote both Universal Service and Universal Access.
BSE	Bombay Stock Exchange
CPP	Calling Party Pays (CPP) is the arrangement in which the mobile subscriber does not pay for incoming calls. Instead, the calling party pays for those calls. With the advent of IUC from May 1,2003, interconnect billing is the rule in which the terminating network is paid a certain amount from the originating network and all incoming calls, irrespective of where it originates is now free for GSM cellular service subscribers.
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 particular of modern communication through Cellular Mobile Telephone Services. The main objective of the COAI is to protect, promote and upgrade mobile cellular operations in India and also to look after the common and collective interests of its members.
DSL	Digital Subscriber Line. Digital subscriber lines carry data at high speeds over standard telephone wires. With DSL, data can be delivered at a rate of up to 1.5 mbps and the DSL users can receive voice and data simultaneously so there is no need for a separate phone line.
DoT	Department of Telecommunications. It is within the purview of Ministry of Communications, Government of India.
Forbearance	Means the Authority i.e. TRAI has not, for the time being, notified any charge for a particular telecommunications service and the service provider is free to fix any charge.
FSPs	Fixed Service Providers. They primarily provide fixed line services and carry long distance traffic within their service area without seeking any additional license.
Interconnection	Connection of telecommunications devices of service providers to the PSTN. It refers to joining of two or more networks to enable traffic to be transmitted to and from calling destinations.
ISP	Internet Service Provider.
Limited mobility	Provision of last mile access to customers by fixed-line service providers, within a SDCA, using WLL application.

IUC	Interconnect Usage Charge means the charge payable by one service provider to one or more service providers for the usage of the network elements for origination, transit and termination of calls.
Local Loop	Communications lines/ services between the customer and the switching center for the telecommunications services provider.
MSC	Mobile Switching Center
MTNL	Mahanagar Telephone Nigam Limited. A Government owned company, providing telecommunications services in Delhi and Mumbai.
NSE	National Stock Exchange
SMS	Short Messaging Services, by which text messages of up to 160 characters can be exchanged between two or more mobile customers.
SDCA	Short Distance Charging Area
TDSAT	Telecom Dispute Settlement Appellate Tribunal- A separate disputes settlement body known as "Telecom Dispute Settlement and Appellate Tribunal" to adjudicate any dispute between a licensor and licensee, between two or more service providers, between a service provider and a group of consumers, and to hear and dispose of appeals against any decision or order of TRAI, has been formally constituted
TRAI	Telecom Regulatory Authority of India. An autonomous body set up by the Government which operates under the TRAI Act and has been conferred certain regulatory and adjudicatory powers.
TTO	Telecommunications Tariff Order, 1999 as amended from time to time.
VSAT	Very Small Aperture Terminal. A satellite communications technology that employs frequencies in the Ku band or C band and very small receiving dishes. VSAT systems employ satellite transponders; the receiving dishes may be leased or owned by the VSAT user.
VPTs	Village public telephones
VSNL	Videsh Sanchar Nigam Limited.
WLL	Wireless in Local Loop. It denotes the use of wireless technology for the last mile access by fixed-line service providers. Code Division Multiple Access (CDMA) and Time Division Multiple Access (TDMA) are among the commonly used technologies for providing wireless in the local loop.