



Bharti Tele-Ventures Limited

(Incorporated as a public limited company on July 7, 1995 under the Companies Act, 1956)

Qutab Ambience, H-5/12, Mehrauli Road, New Delhi 110030, India

Phone: (91-11) 8666000 Fax: (91-11) 8666011

Email: ir@bharti.com

www.bhartiteleventures.com

QUARTERLY REPORT OF UNAUDITED RESULTS

SECOND QUARTER & FIRST HALF ENDED SEPTEMBER 30, 2002

DATED – OCTOBER 29, 2002

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.

TABLE OF CONTENTS

	<u>Page No.</u>
Bharti Tele-Ventures – A Snapshot	3
Section I – Introduction	4
1.1 Introduction	
1.2 Mobile Footprint	
1.3 Key Demographics	
1.4 Business Division	
1.5 Vendors	
1.6 Partners	
Section II – Financial Highlights.....	7
2.1 Summary of Consolidated Results of Operations as per International Accounting Standards (IAS)	
2.2 Segment-wise Summarized Profit & Loss Statement	
2.2.1 Consolidated	
2.2.2 Mobility	
2.2.3 Fixed line	
2.2.4 Long Distance	
2.2.5 Broadband & Others	
2.3 Segment-wise investments	
Section III – Operating Highlights.....	12
3.1 Customer Analysis	
3.1.1 Overall Customers	
3.1.2 Net Additions	
3.1.3 Mobile Market Share	
3.1.4 Mobile Customers Mix	
3.2 Revenue & Usage Analysis	
3.2.1 Mobile Business	
3.2.2 Other Businesses	
3.3 Human Resources Analysis	
Section IV – Management Discussion & Analysis.....	16
4.1 Key Industry Developments and Highlights	
4.2 Our operations	
4.2.1 Bharti demonstrates success & growth	
4.2.2 Results of operations	
 Annexure	
 A1 Financial Statements.....	24
A1.1 Consolidated Profit & Loss Statement as per International Accounting Standards	
A1.2 Consolidated Balance Sheet as per International Accounting Standards	
A1.3 BTVL – Cash Flow	
A1.4 Key Accounting Policies	
A1.5 Consolidated Profit & Loss Statement as per Indian GAAP	
A1.6 Reconciliation of Indian GAAP and International Accounting Standard Profit & Loss Statement	
 G1 Glossary of Financial, Technical and Industry Terms.....	30

BHARTI TELE-VENTURES – A SNAPSHOT

	UNITS	March 31,				June 30,	Sept. 30,
		1999	2000	2001	2002	2002	2002
Total Customer Base	Nos (000's)	134	380	843	1,636	1,933	2,673
Mobile							
Number of circles operational	Nos	2	4	5	7	10	15
Number of customers	Nos (000's)	122	283	595	1,351	1,607	2,293
Total market share of all India customers	%	10%	15%	17%	21%	22%	27%
Percentage of all India population covered in licensed areas	%	2%	14%	15%	58%	58%	58%
Percentage of all India area covered in licensed areas	%	2%	16%	16%	56%	56%	56%
Percentage of all India mobile customers in licensed areas	%	18%	30%	31%	93%	93%	94%
Fixed line							
Number of circles operational	Nos	1	1	1	3	5	5
Number of customers	Nos (000's)	12	67	107	164	205	261
Consolidated financials as per IAS							
Revenue	Rs Million	2,449	4,481	8,481	14,862	5,387	11,963
EBITDA	Rs Million	35	856	1,930	3,993	1,381	2,593
Cash profit from operations	Rs Million	(135)	224	971	3,088	760	1,204
Total funded equity	Rs Million	-	5,344	21,285	51,795	51,830	51,953
Net Debt to funded equity ratio		-	1.26	0.13	0.28	0.37	0.48

1. All annual financial highlights are consolidated audited results as per International Accounting Standards
2. Financial highlights for the quarter ended June 30, 2002 and half year ended September 30, 2002 are un-audited and are based on consolidated results as per International Accounting Standards.

SECTION I

INTRODUCTION

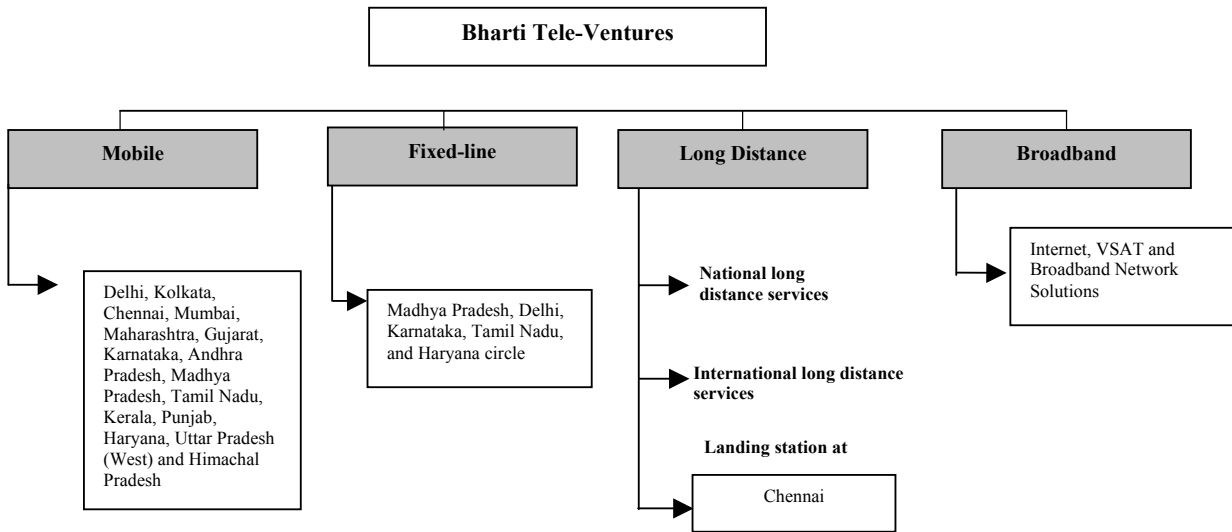
1.1 INTRODUCTION

We are India's leading private sector provider of telecommunications services based on an aggregate of approximately 2,673,000 customers as of September 30, 2002, consisting of approximately 2,293,000 mobile, 261,000 fixed line and 119,000 internet 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, VSAT, Internet and broadband network solutions.

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.

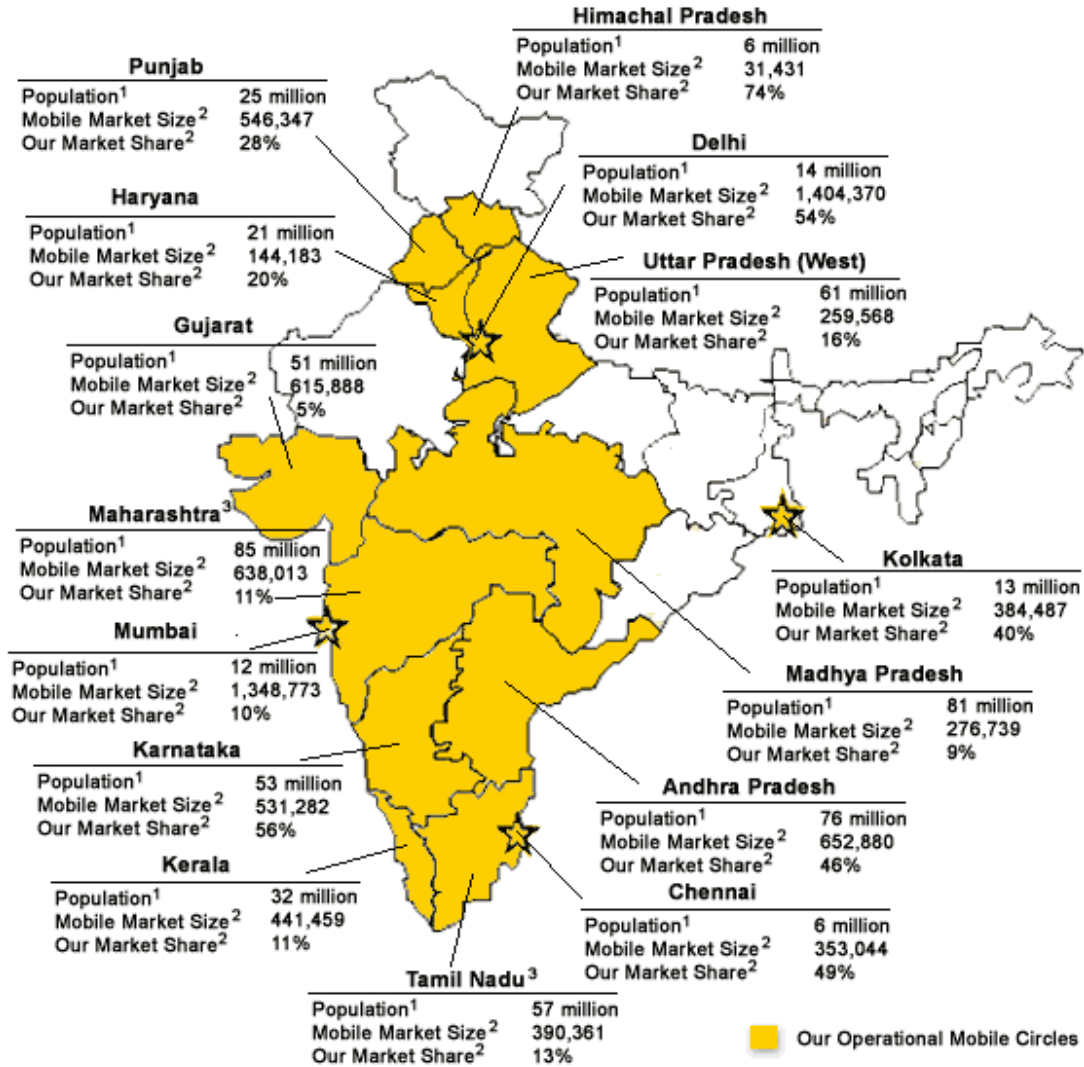
For the year ended March 31, 2002, our revenue and EBITDA as per audited IAS accounts were Rs 14,862 million and Rs. 3,993 million, respectively. In the half year ended September 30, 2002, our unaudited revenue was approximately Rs 11,963 million and the unaudited EBITDA was approximately Rs. 2,593 million. During the half-year ended September 30, 2002, mobile services represented approximately 75% of our total revenues.

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



We have entered into an arrangement with Telia to buy 26% equity stake in Bharti Mobile Limited, which operates Karnataka, Andhra Pradesh and Punjab mobile projects. We would thus have a 100% equity stake in all our mobile, fixed line, long distance and broadband projects except in the case of the Chennai mobile operation 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 September 30, 2002 and are based on data released by COAI. Mobile market size comprises the total number of 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.

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	8.53	8	94%
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 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 mobile customers in the circles as of September 30, 2002.
- (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 September 30, 2002, approximately 94% 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 27% of the total all India mobile customer base, as of September 30, 2002, which made 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, 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 have commenced providing these services across India. We have also constructed a submarine cable landing station in Chennai.
- We presently provide VSAT based data transmission services to national and multinational corporate customers. We also provide Internet services to residential and corporate customers and offer secure and reliable end-to-end broadband network solutions 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 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 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 first-half and second quarter ended September 30, 2002 are attached to this Report as Annexures.

The financials for the quarter ended September 30, 2002 (herein referred to as 'Q2'), June 30, 2002 (herein referred as 'Q1'), September 30, 2001 and half year ended September 30, 2002 are un audited, whereas the financials for the half year ended September 30, 2001 is as per audited results.

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

2.1.1 Profit & Loss Statement – BTVL consolidated includes the consolidated profit & loss statement net of inter-segment eliminations. E.g. the total revenue is net of inter segment revenue elimination of Rs. 474 million.

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	6,576	3,486	89%	5,387	22%	11,963	6,248	91%
EBITDA	1,212	989	23%	1,381	-12%	2,593	1,677	55%
Cash profit from operations	443	1,132	-61%	760	-42%	1,204	1,618	-26%
Earnings before tax	(1,302)	289	-	(679)	-92%	(1,981)	181	-
Net profit / (loss)	(1,290)	120	-	(676)	-91%	(1,966)	(158)	-
EBITDA / Revenue	18%	28%		26%		22%	27%	

Note: The benefits of 16 new projects can be seen in a robust revenue growth. These will translate into growth in profitability in the coming quarters.

2.1.2 Balance Sheet

Rs millions, except ratios

Particulars	As at Sept. 30, 2002	As at March 31, 2002
LIABILITIES & EQUITY		
Funded Equity	51,953	51,795
Reserves & Surplus	(5,335)	(3,310)
Shareholder's equity	46,618	48,485
Total borrowings	28,413	20,386
Other non-current liabilities	2,095	1,506
Total liabilities & equity	77,125	70,377
ASSETS		
Net fixed assets & other project investments	77,954	68,851
Other non-current assets	3,219	2,964
Net current assets	(4,048)	(1,439)
Total Assets	77,125	70,377
Net debt	25,071	14,324
Net debt to funded equity	0.48	0.28
Net debt to networth	0.54	0.30
Book Value Per Equity Share (Rs.)	25	26

2.2 Segment-wise Summarized Profit and Loss Statements

2.2.1 BTVL Consolidated - BTVL consolidated includes the consolidated profit & loss statement bifurcated between existing and new operations.

2.2.1.1 Existing Consolidated Operations - Existing operations include the six mobile circles, one fixed-line circle, broadband and other businesses (including BTVL corporate office).

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	4,872	3,486	40%	4,610	6%	9,482	6,248	52%
EBITDA	1,646	970	70%	1,618	2%	3,264	1,658	97%
Earnings before interest & tax	636	308	107%	571	11%	1,207	462	161%
EBITDA / Revenue	34%	28%		35%		34%	27%	

2.2.1.2 New Consolidated Operations - The new operations represent projects, which have been launched after January 01, 2002. These include the nine new mobile circles, four fixed line circles and the long distance operations (including both national and international along-with submarine cable landing station).

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	2,178	-	n/a	987	121%	3,165	-	n/a
EBITDA	(435)	-	n/a	(236)	-85%	(671)	-	n/a
Earnings before interest & tax	(1,172)	(158)	-	(628)	-87%	(1,799)	(219)	-
EBITDA / Revenue	-20%		-	-24%		-21%		-

Note: The financial for periods ended September 2001 reflects only pre-operative expenses.

2.2.2 MOBILE OPERATIONS

2.2.2.1 Mobile Consolidated – includes the consolidated profit & loss statement of existing and new mobile operations.

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	4,913	2,995	64%	4,056	21%	8,968	5,321	69%
EBITDA	1,038	1,098	-6%	1,490	-30%	2,528	1,910	32%
Earnings before interest & tax	91	840	-89%	767	-88%	858	1,404	-39%
EBITDA / Revenue	21%	37%		37%		28%	36%	

Existing Mobile Operations - include the Delhi, Chennai, Kolkata, Andhra Pradesh, Karnataka and Himachal Pradesh circles

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	4,081	2,995	36%	3,881	5%	7,962	5,321	50%
EBITDA	1,557	1,098	42%	1,561	0%	3,117	1,910	63%
Earnings before interest & tax	1,110	840	32%	1,080	3%	2,191	1,404	56%
EBITDA / Revenue	38%	37%	-	40%	-	39%	36%	-

2.2.2.2 New Mobile Operations - includes the Punjab, Haryana, Uttar Pradesh (West), Madhya Pradesh, Tamil Nadu, Kerala, Gujarat, Maharashtra and Mumbai circles.

Rs million, except ratios

Particulars	Quarter ended			Half Year ended Sept. 2002
	Sept. 2002	June 2002	Q2-on-Q1 Growth	
Total revenue	832	174	377%	1,006
EBITDA	(519)	(70)	-	(589)
Earnings before interest & tax	(1,020)	(313)	-	(1,333)
EBITDA / Revenue	-62%	-40%	-	-59%

2.2.3 FIXED LINE OPERATIONS

2.2.3.1 Fixed Line Consolidated – includes profit & loss statement of existing and new fixed operations.

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	777	399	95%	556	40%	1,333	755	77%
EBITDA	20	95	-78%	(72)	-	(52)	181	-
Earnings before interest & tax	(258)	(148)	-74%	(328)	-	(586)	(276)	-
EBITDA / Revenue	3%	24%	-	-	-	-4%	24%	-

2.2.3.2 Existing Fixed line Operations – includes the Madhya Pradesh circle and President office

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	491	399	23%	457	7%	948	755	26%
EBITDA	169	95	78%	128	32%	297	181	64%
Earnings before interest & tax	(6)	(59)	90%	(51)	88%	(57)	(126)	55%
EBITDA / Revenue	34%	24%		28%		31%	24%	

2.2.3.3 New Fixed line Operations – includes the Delhi, Haryana, Tamil Nadu and Karnataka circles.

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	286	-	n/a	99	190%	385	-	n/a
EBITDA	(149)	-	n/a	(200)	26%	(349)	-	n/a
Earnings before interest & tax	(252)	(89)	-	(277)	9%	(530)	(150)	-
EBITDA / Revenue	-52%			-		-91%		

Note: The financial for periods ended September 2001 reflects only pre-operative expenses.

2.2.4 Long Distance Services

2.2.4.1 New Operations – includes the national, international long distance operations and landing station operations at Chennai.

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	1,060	-	n/a	714	48%	1,774	-	n/a
EBITDA	232	-	n/a	35	-	267	-	n/a
Earnings before interest & tax	100	(69)	-	(37)	-	63	(69)	-
EBITDA / Revenue	22%			5%		15%		

Note: The financial for periods ended September 2001 reflects only pre-operative expenses.

2.2.5 Broadband & Others

2.2.5.1 Existing Operations –includes the broadband services and expenses of BTVL corporate office.

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	300	92	227%	272	10%	572	171	234%
EBITDA	(80)	(223)	64%	(70)	-14%	(150)	(432)	65%
Goodwill Amortisation	337	194	74%	336	0%	673	308	119%
Depreciation & Others	51	18	185%	52	-4%	103	38	171%
Earnings before interest & tax	(468)	(473)	1%	(459)	-2%	(927)	(816)	-14%

2.3 Segment-wise investments in projects

Investments in projects represent gross fixed assets, capital work in progress, goodwill and entry fee paid.

Gross Fixed Assets & Other Project Investments	As at September 30, 2002		As at June 30, 2002		As at March 31, 2002	
	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total
Mobility	62,814	70%	60,023	72%	56,591	73%
Fixed Line	13,178	15%	11,897	14%	11,099	14%
Long Distance	11,349	13%	9,601	11%	7,758	10%
Broadband & Other	2,027	2%	1,987	2%	1,969	3%
Total	89,369	100%	83,507	100%	77,416	100%
Accumulated Depreciation & Amortisation	11,415		9,808		8,565	
Net Fixed Assets & Other Project Investment	77,954		73,699		68,851	

Note: The investment of mobility segment does not include Rs. 4,110 million paid to DoT towards restoration of Punjab license.

SECTION III

OPERATING HIGHLIGHTS

3.1 Customer Analysis

3.1.1 Overall Customers – Customers on Bharti’s networks across segments

	As on				
	Sept.30, 2002	June.30, 2002	Q2-on-Q1 Growth	Sept. 30, 2001	Y-o-Y Growth
Mobile	2,293,198	1,606,702	43%	983,481	133%
Fixed-line	260,974	205,427	27%	127,688	104%
Internet - Dial-up	118,892	120,719	-2%	163,938	-27%
Total	2,673,064	1,932,848	38%	1,275,107	110%

3.1.2 Net Additions for the Quarter

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

	Quarter ended		
	Sept. 2002	June. 2002	Q2-on-Q1 Growth
Mobile	686,496	255,742	168%
Fixed-line	55,547	41,452	34%
Internet - Dial-up	(1,827)	(72)	-

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

	Quarter ended		
	Sept. 2002	June. 2002	Sept. 2001
All India Net Additions	1,192,154	908,414	726,310
All Bharti Net Additions	686,496	255,742	177,716
Bharti Market Share of All India Net Additions	58%	28%	24%

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

	As on				
	Sept.30, 2002	June.30, 2002	Q2-on-Q1 Growth	Sept.30, 2001	Y-on-Y growth
Bharti's Mobile Subscribers	2,293,198	1,606,702	43%	983,481	133%
All India Mobile Subscribers	8,531,382	7,339,228	16%	4,804,272	78%
Bharti Subscribers as percentage of All India Subscribers	27%	22%		20%	

3.1.3.3 In Bharti Markets – Net additions – Bharti's share of net additions as a percentage of total net additions in its own market.

	Quarter ended		
	Sept. 2002	June. 2002	Sept. 2001
Bharti's Market Share of Net Additions in the existing markets	46%	50%	51%
Bharti's Market Share of Net Additions in the new markets	65%	35%	-

Note: During the quarter ended September 30, 2002, in three of our existing mobile circles namely, Andhra Pradesh, Karnataka and Chennai, Hutchinson launched its mobile services as fourth operator. Despite this, we have been able to maintain our overall market share of net additions in existing circles at 46%.

3.1.3.4 In Bharti Markets – Total Customers – Bharti's share of customers as a percentage of total mobile customers in its own market

	Quarter ended		
	Sept. 2002	June. 2002	Sept. 2001
Existing Mobile Operations	51%	52%	53%
New Mobile Operations	12%	10%	-

Note: Bharti's share of customers of 12% for the quarter ended September 2002 in its new mobile operations pertains to 9 new mobile circles as compared to 4 mobile circles for quarter ended June 2002.

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

	As on		
	Sept.30, 2002	June.30, 2002	Sept.30, 2001
Percentage of Prepaid Subscribers to Total Subscriber Base	66%	64%	55%
Percentage of Prepaid Net Additions to Total Net Additions	69%	77%	73%

3.2 Revenue & Usage

3.2.1 Mobile Business

	Quarter ended		
	Sept. 2002	June. 2002	Q2-on-Q1 Growth
AVERAGE MONTHLY REVENUE PER USER (ARPU) (in Rs)			
Postpaid	1,532	1,601	-4%
Prepaid	405	459	-12%
Blended	807	880	-8%
AVERAGE MONTHLY MINUTES OF USE PER CUSTOMER			
Postpaid	431	390	10%
Prepaid	85	80	6%
Blended	208	194	7%
SMS			
SMS Revenue as a percentage of Total Mobile Revenue	2.3%	2.1%	7%
CHURN - MONTHLY			
Postpaid Voluntary Churn	1.0%	1.0%	
Postpaid Company Initiated Churn	2.4%	2.9%	
Prepaid	3.6%	3.7%	

3.2.2 Other Business

	Quarter ended		
	Sept. 2002	June. 2002	Q2-on-Q1 Growth
FIXED-LINE BUSINESS			
ARPU (Rs.)	1,119	1,005	11%
LONG DISTANCE			
Revenue (in Rs Million)	1,060	714	48%

3.3 Human Resource Analysis

	Quarter ended		
	Sept. 2002	June. 2002	Q2-on-Q1 Growth
EMPLOYEE PRODUCTIVITY			
Mobile			
Existing			
Customers per employee	1,092	967	13%
Gross Revenue per employee per month (Rs)	865,847	832,520	4%
New			
Customers per employee	512	265	94%
Gross Revenue per employee per month (Rs)	234,995	147,568	59%
Fixed-Line			
Existing			
Customer per Employee	537	490	10%
Gross Revenue per Employee per month (Rs)	477,147	431,733	11%
New			
Customers per employee	79	37	115%
Gross Revenue per employee per month (Rs)	98,584	37,412	164%
National Long Distance			
Gross Revenue per employee per month (Rs)	814,085	570,727	43%
Broadband			
Gross Revenue per employee per month (Rs)	518,399	435,938	19%

SECTION IV

MANAGEMENT DISCUSSION & ANALYSIS

4.1 KEY INDUSTRY DEVELOPMENTS

(a) INDUSTRY-REGULATORY & LEGAL

Wireless in Local Loop (WLL)

Litigation:

Cellular Operators Association of India (COAI) and some of the mobile operators have challenged the Government's decision to allow limited mobility before the TDSAT. TDSAT has declined to intervene in the policy regarding WLL limited services. However COAI and the mobile operators have made an appeal to the Supreme Court. The likely date for hearing of this matter is October 30, 2002.

In a separate petition TDSAT has directed a status quo on a petition filed by the COAI and some mobile operators, seeking to prohibit basic telecom service providers from use of mobile switching center (MSC) for WLL services, till disposal of latter's petition. Mobile operators have contented that it is necessary to stop use of equipment not based on prescribed V5.2 standard to ensure limited mobility and to comply with TRAI's stipulation in this regard. TDSAT has kept the matter pending till such time that the Supreme Court hears the WLL matter. The next hearing for this case is scheduled for November 12, 2002.

Verification of identity of mobile customers:

DoT had mandated mobile operators to verify the identity of all mobile customers in advance, for prepaid as well as postpaid customers. As per the guidelines, if any customer is left without identity verification, the services would be withdrawn from such customers. All mobile operators were required to complete the whole process by October 7, 2002. Bharti has already complied with the above and has submitted its report to DoT.

Amendment to Telecommunication Tariff Order, September 6, 2002 :

Consequent upon completion of consultation process on paper for "Tariff for CMTS", on September 6, 2002, TRAI issued the twenty third amendment to the Telecommunications Tariff Order, 1999. Under this amendment, TRAI has generally forbore with the mobile tariffs and provided the freedom to the CMSP's to fix the tariffs. However, this amendment states that operators need to specify one tariff package termed as "Reference Tariff Package" on the lines of Standard Tariff Package. This package should have monthly rental and airtime charge per minute with a pulse for airtime charge of 30 seconds. The limit of 25 tariff packages on offer continues to apply and is inclusive of the "Reference Tariff Package." The approved Reference Tariff Package has been implemented from October 1, 2002.

While the requirement for reporting of tariff prior to their implementation was generally waived in the case of pure mobile operator, a condition of prior reporting of tariff was imposed on such operators who are providing telecom services other than mobile services in the same service area like BSNL.

This condition of reporting has been challenged by BSNL before TDSAT on the grounds of discrimination and TDSAT has passed an interim order in the matter. The next date of hearing in this case is November 21, 2002. However, BSNL had got the tariff approval from TRAI before launch.

TRAI regulation on Reference Interconnect Offer (RIO)

TRAI has issued "The Telecommunication Interconnection (Reference Interconnect Offer) Regulation, 2002 on July 12, 2002. As per the regulations, a service provider with significant market power, if it holds a share of 30% of total activity in a licensed telecommunication service area, shall be required to publish a Reference Interconnect Offer (RIO) describing inter-alia the technical and commercial conditions for interconnection, with the prior approval of the Authority within 90 days of issue of this regulation.

Subsequently, COAI submitted the RIO on behalf of all mobile operators and the same was approved by TRAI on October 11, 2002. Each operator has been advised to follow this RIO for their respective circles as applicable.

BSNL has challenged the clause of regulation requiring to publish RIO within 90 days of regulation without publishing cost based charges and TDSAT has passed a status quo order in this regard.

Amendment in the National Long Distance Service Licence

DoT has amended the national long distance service license under 'Definitions and Interpretations' relating to the expressions used in the terms and conditions of NLD Service Licence Agreement, which is as under:-

"Point of Presence (POP) means a technical arrangement made by the national long distance service operator (NLDO) under which it can accept outgoing calls from and deliver terminating calls to the area required to be served from such Point of Presence. It is expected that the switch capacity and bandwidth of the interconnecting link would be dimensioned by NLDO based upon its projections of the traffic to be carried at the POP."

This amendment has become effective immediately. This would help in reducing the capital expenditure and assist in easing rollout requirements.

No rise in Foreign Direct Investment (FDI) limit in Telecom

The Union Cabinet has deferred a decision on the issue of widening the scope of Foreign Direct Investment (FDI) from 49% to 74% in the telecom companies as suggested by N.K. Singh Committee Report.

TRAI Consultation paper on Tariffs on basic services

On September 23, 2002, TRAI released a consultation paper on "tariffs for basic services". The paper is focused on certain key principles relating to regulation of tariffs for basic services. It examines the evolving structure of the basic service market with an analysis of the competition likely to arise in the near future, the changes in tariffs for basic services in the past few years including the substantial changes that have taken place due to the introduction of competition in the national long distance and international long distance. The paper also addresses the details regarding basic tariff review including commercial tariffs and usage charges, as well as an exposition on the tariffs for dial up access to Internet. The authority has invited comments from the stakeholders by October 25, 2002.

Revision in terms of license fee payment and review of Performance Bank Guarantee (PBG) and Financial Bank Guarantee (FBG) for Mobile operators

DoT in its letter dated October 11, 2002 has intimated the revised terms and conditions for payment of license fee furnishing the bank guarantee, both FBG and PBG. The revised terms are:

- (1) Quarterly license fee shall be payable on completion of relevant quarter, which was thereto paid in advance. However, the amount of FBG remains equal to two quarters of license fee.
- (2) The amount of FBG shall be reduced to 10% of their initial value for the fourth mobile operator irrespective of whether the service was started or not. This shall remain valid for a period of one year subject to such amount not being less than their estimated quarterly revenues in cases where service has already started.
- (3) The PBG on completion of roll-out obligations may be reduced to a level of 25% of their original value as against 50% earlier.

Revision in terms of license fee payment and review of Performance Bank Guarantee (PBG) and Financial Bank Guarantee (FBG) for Basic Telephone Service, National Long Distance Service, International Long Distance Service and IP-II Service

During the quarter, DoT revised terms and conditions for payment of license fee for all the service providers providing basic telephone service, national long distance service, international long distance service and IP-II Service, whereby quarterly license fee shall be payable within fifteen days of the completion of relevant quarter of the year, which was earlier paid in advance.

In addition to the above, for our fixed line services, we will now have to submit a Financial Bank Guarantee, valid for one year, equivalent to the estimated sum payable for two quarters towards license fee, and other dues not otherwise securitised as against a flat amount earlier applicable.

Allocation of MSC codes

As against the existing policy of allocating the MSC code on completion of 60,000 subscriber per MSC code, the policy has been changed to allocate five MSC codes at a time to each operator, based on the justification provided. This will take care of the growth in the subscriber number and will help operationally the implementation of MSC codes. For example: In our Mumbai mobile circle, we have been allotted MSC code of 920, hence the numbers given to our customers is 98920xxxxx. With the new policy, we are eligible to get upto 5 such MSC codes.

(b) INDUSTRY-COMPETITION

IDEA Cellular

On September 18, 2002, Idea Cellular Limited., announced that its subscriber base has touched the one million mark making it the first operator to reach the landmark among non-metro circles.

BSNL – Mobile Service launch

BSNL has launched its mobile services on October 19, 2002 under the brand name of “CellOne”. BSNL has launched the services with aggressive tariffs, which are discriminatory between their subscribers and the subscribers of the other networks. BSNL has also offered incoming calls free. The Regulator has clarified that the BSNL tariff offering certain freebies have been approved as the promotional tariff for a period of 90 days and BSNL is directed to file and get their regular tariffs approved from the regulator within this promotional period.

The private mobile operator are also protesting against the decision of BSNL to pass on their mobile traffic on the interconnect link, which is taken by the private operators at their cost and have advised BSNL to sign a separate interconnect agreement. The matter has taken up by COAI with TRAI.

DoT terminates Koshika mobile license in UP (East)

The DoT has terminated Koshika’s mobile license in UP (East) mobile circle, on account of defaulting on payment with regard to outstanding license fees dues etc.

BSNL - WLL

BSNL announced tariff packages for its Wireless in Limited Mobility (WLL) services. COAI has considered these tariffs to be predatory in nature and has sought regulator’s intervention to withdraw predatory limited mobility tariffs by BSNL and to ensure that BSNL does not indulge in any anti-competitive practices.

DATA ACCEESS

On July 23, 2002, Data Access announced that it had received the necessary interim clearances like Bharti to start its ILD services and has commenced commercial operations from the midnight of July 22, 2002

BPL Communications

BPL Communications has approached the DoT for a three-month extension in the validity period of its letter of intent for international long distance services to early December.

Internet Service Provider

The government is planning to introduce a revenue sharing system for ISP against the present policy of the service provider paying a one-time license fee of Rs.1. This system would come to an end on March 31, 2003. The Government has asked TRAI to work out on revenue share arrangement, which will be effective from March 31, 2003.

Quality of Service of Voice over Internet Telephony

TRAI taskforce is finalizing its report on quality of service norms for international long distance telephony through “Voice over Internet Protocol technology. This taskforce has members from DoT, TEC,C-DoT and TRAI.

BSNL

As per press reports, the minister of communications has proposed the idea for the merger of MTNL and BSNL. A committee comprising officers of MTNL, BSNL and DoT has been formed to look into the advantages and disadvantages of the proposed merger between the MTNL and BSNL.

(C) COMPANY RELATED

Foreign share holding in BTVL

The foreign shareholding in the Company has gone above the level of 47%. As per the RBI existing policy on foreign holding, RBI has notified that further purchase in the shares of the Company by Foreign Institutional Investor, NRIs shall be done with RBI approval within the overall limit of 49%.

BTVL moves to Group 'A' on Bombay Stock Exchange

BTVL has become part of the Group 'A' scrip listed at the Bombay Stock Exchange. The change would come into effect from Monday, November 11, 2002. The company is also part of the following indices:

- BSE TECk stocks - Effective October 7, 2002
- BSE 100 Index - Effective October 10, 2002
- BSE 200 Index - Effective October 10, 2002
- BSE 500 Index - Effective May 6, 2002.

Operations

4.2.1 BHARTI DEMONSTRATES SUCCESS & GROWTH

Bharti Tele-Ventures (“the company or BTVL”) has completed the launch of all its services for which it had acquired licenses. With the launch of mobile services in the Gujarat circle, we have finally mitigated all risks associated with the launch of 16 new projects, on the back of 8 existing ones.

Displays excellent growth

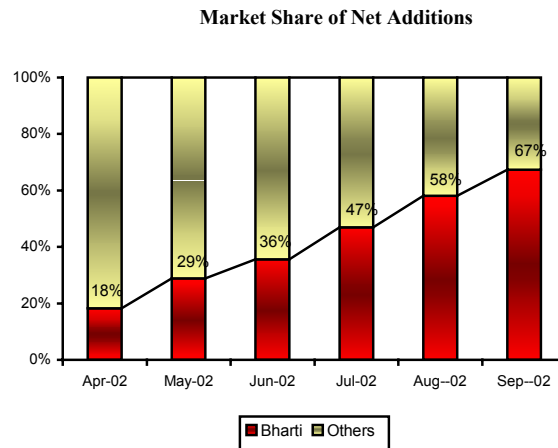
During the quarter, we became the first company in India to cross a 2-million mobile subscriber base and had 2,293,128 mobile subscribers on our networks as on September 30, 2002. During the quarter, our subscriber net additions were over 686,000 compared to 256,000 net additions in the previous quarter, exhibiting a sequential growth of 168%. These represent over 9,000 net additions per working day during the quarter.

This performance has surpassed the performance of some of the regional telecom players. Our 686,000 net additions compare favorably with the latest available quarterly net additions of 663,000 of Globe Telecom (Philippines), 520,000 of SK Telecom (Korea), 413,000 of LG Telecom (Korea), 60,000 of Optus (Australia) and 28,000 of SingTel (Singapore). This performance very clearly places us among the top telecom players in the asia-pacific region.

During the quarter we also displayed our abilities of being a strong player while entering new markets. We performed well in all the markets where we entered as a new operator. In particular, in the Mumbai circle, which was one of the toughest markets where we entered as the fourth operator, we were able to cross a landmark of 100,000 customers within the first 40 days. No other operator has shown such speedy acquisition abilities prior to this.

Although in the last few months we have entered into most of our new circles as a third or a fourth operator, we have been able to exhibit our ability to quickly gain market share in these established markets. In all our new circles, we have recorded a 65% market share of net additions, during the quarter. This puts to rest any perceived risk with respect to our abilities of entering and performing in well-established markets.

As seen in the graph below, our market share of net additions has been consistently increasing.



With this performance, our overall market share of mobile subscribers in India has increased from 22% in the previous quarter to 27% as on September 30, 2002. We are the clear market leaders. Our next closest competitor Hutchinson has a market share of 21%

Market Share %	Jun-02	Sep-02
Airtel	21.9%	26.9%
Hutch	20.6%	21.0%
Idea	12.4%	11.9%
BPL	13.3%	12.2%
Spice	7.5%	7.0%
Escotel	7.8%	6.6%
Reliance	5.6%	5.1%
MTNL/BSNL	3.1%	2.9%
Others	7.7%	6.6%
Total	100.0%	100.0%

This growth in the mobile customers, coupled with the success of our fixed line business and the launch of our international long distance services has resulted in our net revenues increasing by 28% quarter-on-quarter.

Promptly delivers profitability

While scaling up from 8 to 24 projects we have derived certain competitive advantages. The organization structure supports centralized processes and infrastructure. These advantages have enabled us to effectively contain our operating expenses.

We have thus been able to turn around five of our new projects to become EBITDA positive on a month-on-month basis.

	Month of EBITDA Positive	Time taken
Punjab, <i>Mobility</i>	July 2002	Sixth month from launch
Haryana, <i>Mobility</i>	September 2002	Fourth month from launch
Haryana, <i>Fixed Line</i>	July 2002	Seventh month from launch
National Long Distance	February 2002	First month of launch
International Long Distance	July 2002	First month of launch

While the Company has been busy launching its new projects, a keen focus has also been kept on the performance of the existing operations. During the quarter, our existing operations have reported a profit before interest and tax of Rs. 636 million, a growth of 107% over the corresponding quarter last year and 11% over the quarter ended June 30, 2002.

Profitability delivered through strong execution abilities

With the launch of all the projects we have exhibited strong execution abilities, which have provided us the early mover advantage in all the new markets.

In the beginning of the quarter we delighted the customers by offering innovative products and tariff plans. This was followed by the launch of the Airtel campaign on national media. The brand campaign delivered the new positioning of AirTel, "Live... every moment".

Subsequently, in October, we have launched an advertisement campaign for our prepaid service Airtel Magic. This was the first television campaign of its kind in this product category. The new brand slogan 'Magic hai to Mumkin hai' has been specially created to effectively capture the philosophy of "With Magic - anything is possible". The new strategy, brand positioning and brand slogan is an outcome of an extensive nationwide research and is an integral part of AirTel Magic's new multi-media campaign. With this campaign, our prepaid product has been brought under the Airtel parentage. Airtel Magic will now be able to leverage on the existing brand equity of the Airtel brand.

During the course we have also enhanced our reach to potential customers by establishing a wide distribution network. Today our prepaid cards are available in over 50,000 retail outlets across the country. Further, Bharti has over 500 exclusive Airtel franchisees, which constitute one of the largest exclusive retail networks in India.

During the quarter, we have entered into interconnect agreements with BSNL and MTNL for both national and international long distance services. These arrangements will enable us to extend our services to additional 40-million fixed-line customers. These arrangements are already improving our revenue stream both in terms of national and international long distance services and interconnect revenue share.

4.2.2 RESULTS OF OPERATIONS

As on September 30, 2002, we had an aggregate of approximately 2,673,000 customers as of September 30, 2002, consisting of approximately 2,293,000 mobile, 261,000 fixed line and 119,000 internet customers. Our customer base has increased by 110% from approximately 1.27 million as of September 30, 2001.

During the first half ended September 30, 2002 we generated a Total Revenue of Rs 11,963 million, a growth of 91% as compared to first half of the previous fiscal. The company has also registered an impressive sequential growth of 28% in its Net Revenues. This was due to a higher share of interconnect revenue, the interconnect charges, during the period, declined by 1% while Total Revenue grew by 22%.

Our consolidated EBITDA in the first half was Rs 2,593 million, up by 55% compared to corresponding period last year. However, the growth in EBITDA for the quarter ended September 30, 2002 compared to quarter ended September 30, 2001 was 23%.

During the quarter ended September 30, 2002, our EBITDA margin was low at 18% due to launch of new operations. The sales and marketing expenses were higher by 90% over the quarter ended June 30, 2002. These sales and marketing expenses mainly pertained to one-time expense relating to Airtel brand re-launch and launch expenses relating to new mobile circles. This quarter was a peak loss quarter with a net loss of Rs. 1.29 billion. This increase in net loss over the previous quarter was primarily due to a higher depreciation charge and amortization of entry fee (license fee) attributable to new projects.

The existing businesses recorded a sequential growth of 6% with Total Revenue of Rs 4,872 million and an EBITDA margin of 34%. The earnings before interest & tax for these projects was Rs 636 million. The first half of fiscal 2002 demonstrated 52% growth in total revenues, 97% in EBITDA and 161% in earnings before interest & tax compared to the first half of previous fiscal.

During the quarter ended September 30, 2002, we incurred a capital expenditure including capital-work-in-progress of Rs 5.4 billion for the company.

The funded equity of Bharti Tele-Ventures as on September 30, 2002 was Rs 52 billion. As on that date, the net debt of the Company was approximately Rs 25 billion resulting in a net debt to funded equity ratio of 0.48. 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. Our all India market share has increased to 27% as on September 30, 2002. Revenue from our mobile business for the quarter ended September 30, 2002 was approximately Rs 4,913 million. This constitutes nearly 75% of our total revenues for the quarter.

During the quarter, we earned total revenue of Rs 4,081 million from our existing mobile operations, exhibiting a sequential growth of 5%, this is despite an ARPU fall of 8%. The EBITDA margin in the quarter was registered at 38% compared to 40% in the previous quarter. During the second quarter, we incurred higher sales and marketing expenses on account of the rejuvenation of the Airtel brand. These expenses were instrumental in increasing our quarterly net additions by 168%.

The revenue of existing operations for half year ended September 30, 2002 was Rs. 7,962 million as against Rs. 5,321 million for half year ended September 30, 2001, a 50% growth year on year. For the same period, EBITDA grew by 63%. The existing mobile operations reported earnings before tax of Rs 1.5 billion.

During the quarter our postpaid ARPU was Rs 1,532 per month and our prepaid ARPU was Rs 405 per month, resulting in a blended ARPU of Rs 807 or US\$ 16. The fall in ARPU of 8% was due to a significant decrease in airtime charges – post entry of fourth operator, and a marginal reduction in monthly rentals. The tariff fall triggered an increase in usage with both postpaid and prepaid customers. Minutes of use per customer per month of postpaid and prepaid customers increased by 10% and 6%, respectively. Further, this fall also triggered a faster growth in net additions.

The contribution of SMS revenue to the total revenue during the quarter was 2.3%, an increase of 7% from the previous quarter. This despite the fact that we have offered free short messaging service (SMS) to customers for a period of 3 months, on all our new mobile networks.

Fixed line Business

The Madhya Pradesh fixed line operation has registered an impressive EBITDA margin of 34%. This improvement is a result of a 51% improvement in employee productivity of the quarter ended June 2002. The incremental revenue of 7% over the previous quarter was fully translated into EBITDA during this quarter. At the same time, our subscriber base, in the Madhya Pradesh circle, increased by approximately 27,000 customers.

Fixed line business accounted for 12% of total revenue during the quarter ended September 30, 2002. Today we have 261,000 customers in our five circles of operations. These customers generated revenue of Rs 777 million during the quarter ended September 2002, a sharp increase of 40% from the previous quarter.

During the quarter, the fixed line ARPU increased by 11% to Rs. 1,119 or US\$ 23. This increase supports our fixed line strategy of approaching primarily high revenue generating customers in our new circles.

Our performance has been further translated into a positive EBITDA of Rs. 20 million as compared to a negative EBITDA of Rs. 72 million registered in the previous quarter.

Long Distance Business

During the quarter we earned revenues of Rs 1,060 million an increase of 48% over the previous quarter ended June 30, 2002. During the quarter, the EBITDA margin improved to 22% from the earlier EBITDA margin of 5% for the quarter ended June 30, 2002. This was primarily due to commencement of our international long distance operations, as we started carrying the ILD calls on our own networks instead over handing over the calls to VSNL.

Broadband business

Our Broadband business was both EBITDA and Cash Profit positive during the second quarter. The revenues of our broadband business during the quarter ended September 30, 2002 was Rs 300 million, representing an increase 10% in the revenue as against quarter ended June 30, 2002. The EBITDA margin improved from a negative of 1% to positive of 4%.

ANNEXURES

A1 Financial Statements

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

Rs million, except ratios

Particulars	Quarter ended					Half Year ended		
	Sept. 2002	Sept. 2001	Y-on-Y Growth	June 2002	Q2-on-Q1 Growth	Sept. 2002	Sept. 2001	Y-on-Y Growth
Total revenue	6,576	3,486	89%	5,387	22%	11,963	6,248	91%
Access & interconnect charges	1,099	648	69%	1,106	-1%	2,205	1,141	93%
Net revenue	5,477	2,837	93%	4,282	28%	9,759	5,107	91%
Network operating expenses	761	367	107%	525	45%	1,287	691	86%
Sales & marketing expenses	1,136	223	408%	598	90%	1,734	583	197%
Personnel expenses	723	299	142%	525	38%	1,248	575	117%
Other operation expenses	865	582	49%	650	33%	1,516	901	68%
Total operating expenses	3,486	1,471	137%	2,298	52%	5,784	2,749	110%
License fees	780	378	106%	602	29%	1,382	681	103%
EBITDA	1,212	989	23%	1,381	-12%	2,593	1,677	55%
Net finance costs	768	(143)	-	621	24%	1,389	59	-
Cash profit from operations	443	1,132	-61%	760	-42%	1,204	1,618	-26%
Non-operating income	25	10	137%	11	136%	35	22	59%
Loss of associate / Joint-venture	-	43	-	-	-	-	43	-
Pre-operating costs	171	159	7%	208	-18%	378	220	72%
Depreciation & Amortisation	1,600	651	146%	1,242	29%	2,842	1,197	137%
Depreciation	1,101	457	141%	826	33%	1,927	889	117%
Amortisation - License fee	126	-	-	47	169%	173	-	-
Amortisation - Goodwill	337	194	74%	336	0%	673	308	119%
Amortisation - Others	35	-	-	33	6%	68	-	-
Earnings before tax	(1,302)	289	-	(679)	-92%	(1,981)	181	-
Income tax income/(expense)	-	(78)	-	-	-	-	(156)	-
(Profit) / loss to minority shareholders	12	(91)	-	3	-	15	(183)	-
Net profit / (loss)	(1,290)	120	-	(676)	-91%	(1,966)	(158)	-
EBITDA / Revenue	18%	28%		26%		22%	27%	

Note:

1. Provision for taxation and deferred tax income for the half year and quarter ended September 30 30, 2002 has been computed but not recognised due to conservative accounting principle.

A1.2 Consolidated Balance Sheet as per International Accounting Standards
Rs Millions, except ratios

Particulars	As at September 30, 2002	As at March 31, 2002
LIABILITIES & EQUITY		
Funded Equity	51,953	51,795
Reserves & Surplus	(5,335)	(3,310)
Shareholder's equity	46,618	48,485
Minority interest	81	97
Total borrowings	28,413	20,386
Other non-current liabilities	2,013	1,408
Total liabilities & equity	77,125	70,377
ASSETS		
Gross fixed assets, including capital-work-in-progress	52,774	41,323
Accumulated depreciation	9,028	7,083
Net fixed assets	43,746	34,240
Goodwill	24,714	24,944
Entry Fee not written off	9,493	9,667
Net fixed assets & other project investments	77,954	68,851
Other non-current assets	3,219	2,964
Net current assets	(4,048)	(1,439)
Total Assets	77,125	70,377
Net debt	25,071	14,324
Net debt to funded equity	0.48	0.28
Net debt to shareholder's equity	0.54	0.30
Number of Shares Outstanding (Million Nos.)	1,853	1,853
Book Value Per Share (in Rs)	25	26

A1.3 BTVL – Cash Flow

Rs million

Particulars	Half Year ended September 30, 2002	Qtr ended September 30, 2002
Opening cash & marketable securities	6,062	3,693
<u>Add: Sources</u>		
EBITDA	2,593	1,212
Increase in Funded Equity	158	158
Increase in Non-Interest bearing deposits	605	300
Increase in borrowing	8,027	5,795
	11,382	7,464
<u>Less: Applications</u>		
Increase in Net Current Assets	78	222
Increase in Non Current Assets	255	690
Refund of advance share application money to Telia	590	590
Minority Interest	16	16
Pre-operating costs	360	171
Finance Cost net of Non-Operating Income	1,354	744
Period capital expenditure	11,451	5,384
	14,103	7,816
Closing cash & marketable securities	3,341	3,341

A1.4 **Key Accounting Policies**

1. Revenue recognitions:

Prepaid cards and Internet dial up cards: Revenue is recognized as and when the customer uses the available minutes and hours. 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 until the commercial launch of operations is held as “other non-current assets”, post the commercial launch, it 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:

Any due from the customer, which is over and above 90 days is written off or provided for at the end of the period.

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:

Fixed assets have been depreciated at a rate much faster than recommended under the Companies Act 1956. This depreciation is based on the estimated life of the usage of the asset, which is as follows:

Assets	Years
Building	20
Plant & Machinery	5-10
Billing & Other Software	3
Computer equipment	3
Office, furniture and equipment	5
Vehicles	5
Leasehold improvements	Period of Lease

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	Half Year ended September 30, 2002	Qtr ended September 30, 2002	Qtr ended June 30, 2002
Total revenue	11,963	6,576	5,387
EBITDA	2,593	1,212	1,381
Cash profit from operations	1,261	487	774
Depreciation & Amortisation	3,082	1,752	1,330
Pre-Operative & Others	378	181	197
Earnings before tax	(2,163)	(1,411)	(752)
Net profit / (loss)	(2,189)	(1,424)	(764)

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

Rs million

Particulars	Half Year ended September 30, 2002	Qtr ended September 30, 2002
Net profit / (loss) as per IAS	(1,966)	(1,290)
Add: Differences on account of:		
Goodwill amortisation	105	51
Differences in accounting for finance charges	42	21
Remeasurement of financial instruments as per IAS 39 not applicable as per IGAAP	15	23
Less: Differences on account of:		
License fee amortisation not applicable in IAS	214	107
Differential depreciation provided in Indian accounts due to forex fluctuations not considered in IAS	130	97
Minority interest and loss of joint venture	40	25
Net profit/(loss) as per Indian GAAP	(2,189)	(1,424)

GLOSSARY

Technical and Industry Terms

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 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. E.g. in our Delhi network, the average customers in April, May and June were 594,000, 618,000 and 648,000 customers, respectively, the average customers for the quarter, as per the new definition, are calculated by taking the average of these customers that is 620,000.
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 outroamer'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.
COAI	Cellular Operators Association of India.
DoT	Department of Telecommunications. It is within the purview of Ministry of Communications, Government of India.
EBITDA	EBITDA represents earnings (loss) before depreciation, pre-operating costs, amortization, interest and taxation.
EBIT	EBIT represents earnings (loss) before interest and taxation.
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 circle. The Broadband and other businesses category also falls under the existing circles category.
Funded Equity	Funded Equity includes the paid-up and issued Share Capital and the Share Premium net of loans given to ESOP trust.
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.
Local Loop	Communications lines/ services between the customer and the switching center for the telecommunications services provider.
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 year in our mobile networks less total roaming minutes by 12; and (ii) dividing the result by the average customers.
MTNL	Mahanagar Telephone Nigam Limited. A Government owned company, providing telecommunications services in Delhi and Mumbai.
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.
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.
SIM	Customer Identity Module. SIM card is the enabling device inside a handset for providing mobile services.
SMS	Short Messaging Services, by which text messages of upto 160 characters can be exchanged between two or more mobile customers.
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.
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.
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. CDMA, Time Division Multiple Access (TDMA) is among the commonly used technologies for providing wireless in the local loop.