Report on the results for the period of the fourth quarter and full year ended March 31, 2005

**Bharti Tele-Ventures Limited**
(Incorporated as a public limited company on July 7, 1995 under the Companies Act, 1956)
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**From one circle to a 23 circle All India footprint**
**Bharti delivers another first. Airtel Unites India**

**April 28, 2005**

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

Sunil B Mittal
Chief Executive Officer
Chairman & Group Managing Director

Akhil Gupta
Joint Managing Director

## Supplemental Disclosures

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

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

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

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

All translations from Indian Rupees to United States dollars were made (unless otherwise indicated) on the basis of the indicative closing rate on March 31, 2005 of Rs.43.74 = US $1.00 provided to us by an RBI authorized dealer in India. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupees or United States dollar amounts referred to herein could have been or could be converted into United States dollars or Indian Rupees respectively, as the case may be, at any particular rate, the above rates or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Information contained in our website, www.bhartiteleventures.com and www.airtelworld.com is not part of this Quarterly Report.

**Use of the Certain Non-GAAP measures**:- This result announcement contains certain information on the Company's results of operations and cash flows that have been derived from amounts calculated in accordance with International Financial Reporting Standards (IFRS), but are not in themselves IFRS measures. They should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be read in conjunction with the equivalent IFRS measure. **Further, disclosures are also provided under "Use of Non GAAP financial information" on page 18.**

**Others:-** In this report, the terms "we", "us", "our", "Bharti", "BTVL" or "the Company", unless otherwise specified or the context otherwise implies, refer to Bharti Tele-Ventures Limited ("Bharti Tele-Ventures") and its subsidiaries, Bharti Cellular Limited ("Bharti Cellular"), Bharti Infotel Limited ("Bharti Infotel"), Bharti Hexacom Limited ("Bharti Hexacom"), Bharti Comtel Limited ("Bharti Comtel"), Bharti Aquanet Limited ("Bharti Aquanet"), CMAX Infocom Limited (CMAX Infocom) and COMSAT Max Limited (COMSAT).

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

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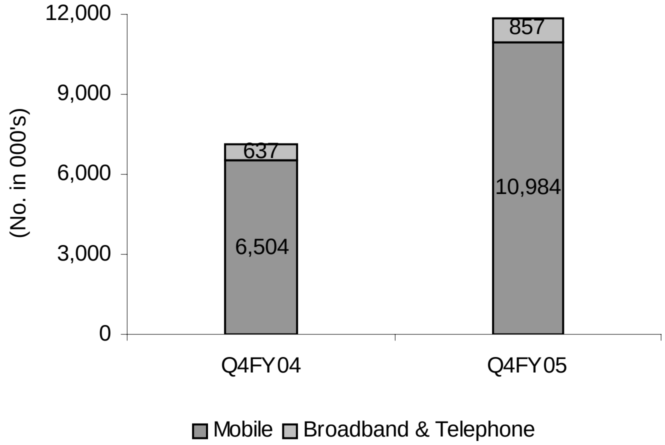
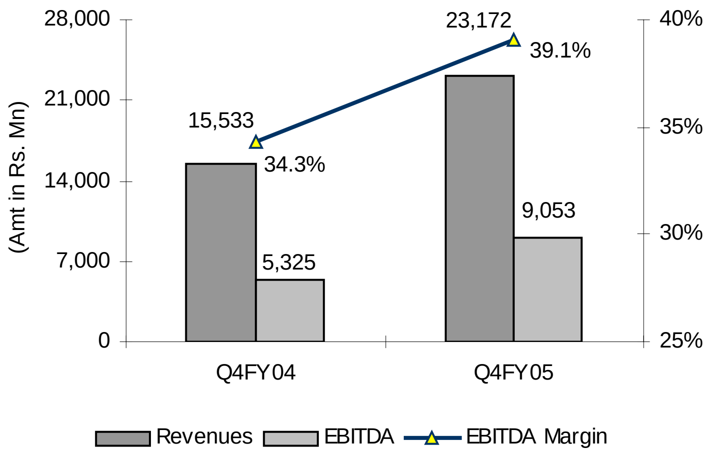
# Key Highlights for the period ended March 31, 2005

Chart 1 - Our Customer base



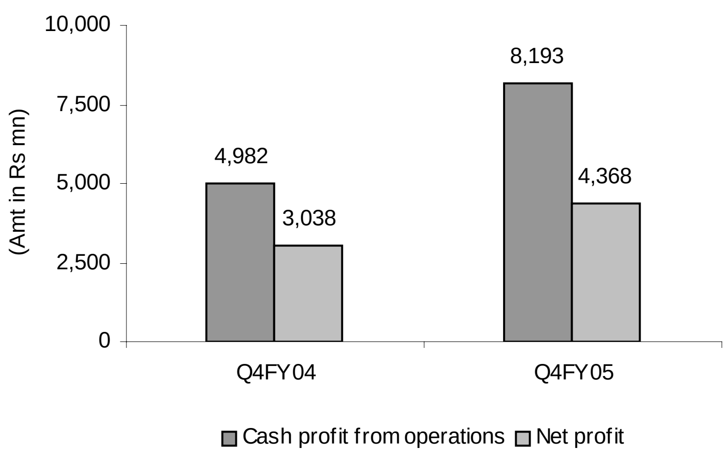

- First operator to have an all India footprint.
- Mobile customer base crosses 10 million mark.
- Market leader with an all India wireless market share of 21.2%.

Chart 2 - Revenues, EBITDA & EBITDA Margins




- Total revenue for the quarter grew by 49% over the corresponding quarter last year.
- For the quarter, EBITDA margin improves from 34.3% to 39.1%.

Chart 3 - Cash Profit from Operations & Net Profit




- Cash profit from operations for the quarter grew by 64% over the corresponding quarter last year.
- Net profit grew by 44% over the corresponding quarter last year.

# SECTION I

## AN OVERVIEW

### 1.1 Introduction

We are one of India's leading private sector providers of telecommunications services with an aggregate of 11,841,542 customers as of March 31, 2005, consisting of 10,984,280 GSM mobile and 857,262 broadband & telephone customers. We are the first telecom company in the country to have an all India footprint with mobile operations in all the 23 telecom circles in India. **We are the largest mobile service provider in the country, based on number of customers.** Mobile services contribute the largest portion, both in terms of total revenues and total customers, to our overall business. We also provide broadband & telephone services, long distance services and enterprise services.

As per un-audited IFRS financial statements, for the quarter ended March 31, 2005, our Total Revenue and EBITDA was Rs. 23,172 million (US$ 530 million) and Rs. 9,053 million (US$ 207 million) respectively, and for the full year ended March 31, 2005, our Total Revenue and EBITDA was Rs. 80,346 million (US$ 1,837 million) and Rs. 30,068 million (US$ 687 million) respectively. The net profit for the quarter and full year ended March 31, 2005 was Rs. 4,368 million (US$ 100 million) and Rs 14,393 million (US$ 329 million) respectively. During the year ended March 31, 2005, mobile services contributed to 68% of our total revenues.

We continue to capitalize on the growth opportunities prevalent in the Indian telecommunications sector to achieve our vision "to be globally admired for telecom services that delight customers".

Our businesses have been organized by services into two main 'Strategic Business Groups' – the Mobile Services and the Infotel Services groups. The mobile services group provides GSM mobile services in all the 23 telecom circles in India, while the Infotel group provides broadband & telephony services, long distance services and enterprise services.

Bharti Tele-Ventures currently conducts its business through its subsidiaries except for the circle of Assam. It holds 99.66% in Bharti Cellular (operates 20 mobile circles-except for Rajasthan and North East circles), 68.5% in Bharti Hexacom (operates the Rajasthan and North East circle), 100% in Bharti Infotel (operates broadband & telephone services, long distance services and enterprise services).

### 1.2 Business Divisions

- **Mobile Services** - We offer GSM mobile services in all the 23 telecom circles in India, thus being the only telecom operator having an all India presence. Our 10,984,280 GSM mobile customers in the circles accounted for a market share of 26.8% of All India GSM market and 21.2% of overall wireless (GSM + Digital Mobile) respectively, as on March 31, 2005.

- **Broadband & Telephone Services** - We currently provide broadband (DSL) & telephony services (fixed line) in over 52 towns in the circles of Madhya Pradesh, Chattisgarh, Haryana, Delhi, Karnataka, and Tamil Nadu. We had 857,262 customers as on March 31, 2005 of which approximately 118,000 were subscribing to DSL services.

- **Long Distance Services** - We complement our mobile and broadband & telephone services with national and international long distance services and provide these services across India. We have approximately 29,000 route kilometers of fibre in our national long distance network. We also have a submarine cable landing station at Chennai, which connects to the submarine cable connecting Chennai and Singapore. The company has also entered into an agreement to join the South East Asia-Middle East-Western Europe –4 (SEA-ME-WE-4) consortium along with 15 other global telecom operators to jointly develop and own the next generation cable system.

- **Enterprise Services –** Our enterprise services group is a solutions-based communication group, especially created to deliver integrated and superior service to enterprise customers. As a partner committed to the business needs of its customers, the group understands the unique challenges that drive the business and is committed to provide customized offerings through its portfolio of mobile, broadband & telephone and data & internet solutions.

### 1.3 Vendors

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

### 1.4 Partner

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

## SECTION II

# FINANCIAL HIGHLIGHTS

*Detailed financial statement, analysis and other related information is attached to this report as Annexure. Also, kindly refer to Section VI (use of Non- GAAP financial information on page 18) and Glossary (page 33) for detailed definitions.*

**The financial statements for the fourth quarter ended March 31, 2005 and 2004 are unaudited. The financial statements for the full year ended March 31, 2005 are unaudited and March 31, 2004 are audited. The financial statements are prepared based on International Financial Reporting Standards (IFRS).**

### 2.1 BTVL Consolidated - Summary of Consolidated Financial Statements.

#### 2.1.1 Consolidated Summarised Statement of Income net of inter segment eliminations

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 23,172 | 15,533 | 49% | 80,346 | 50,025 | 61% |
| EBITDA | 9,053 | 5,325 | 70% | 30,068 | 16,709 | 80% |
| Cash profit from operations | 8,193 | 4,982 | 64% | 27,819 | 14,299 | 95% |
| Earnings/(loss) before taxation | 4,840 | 2,757 | 76% | 16,421 | 6,144 | 167% |
| Current tax expense | 428 | 710 | -40% | 131 | 931 | -86% |
| Earnings/(loss) after current tax expense | 4,412 | 2,046 | 116% | 16,290 | 5,213 | 212% |
| Deferred tax expense / (income) | (44) | (993) | | 1,758 | (994) | |
| Net profit / (loss) | 4,368 | 3,038 | 44% | 14,393 | 6,195 | 132% |
| EBITDA / Total revenues | 39.1% | 34.3% | | 37.4% | 33.4% | |

*Note: Earnings before taxation and net profit for the full year ended March 31, 2004 includes Rs. 300 million of unusual income.*

#### 2.1.2 Consolidated Summarised Balance Sheet

*Rs million*

| Particulars | As at March 31, 2005 |
|---|---|
| **ASSETS** | |
| Total current assets | 25,679 |
| Total non - current assets | 137,081 |
| **Total assets** | **162,761** |
| | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | |
| Total current liabilities | 54,452 |
| Total non - current liabilities | 40,018 |
| **Total liabilities** | **94,470** |
| Minority Interests | 858 |
| Total stockholders' equity | 67,433 |
| **Total liabilities and stockholders' equity** | **162,761** |

## 2.2 Segment - wise Summarised Statement of Income

### 2.2.1 Mobile Services

**2.2.1.1 Mobile Consolidated-** comprises of consolidated statement of income of mobile operations.

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 16,145 | 9,896 | 63% | 54,356 | 32,608 | 67% |
| EBITDA | 5,620 | 3,182 | 77% | 18,465 | 10,477 | 76% |
| Earnings before interest & tax | 3,318 | 2,014 | 65% | 10,906 | 5,950 | 83% |
| EBITDA / Total Revenues | 34.8% | 32.2% | | 34.0% | 32.1% | |

**2.2.1.2 Existing Mobile operations-** *(Refer glossary for definition)*

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 15,407 | 9,896 | 56% | 53,143 | 32,608 | 63% |
| EBITDA | 5,665 | 3,182 | 78% | 18,854 | 10,477 | 80% |
| Earnings before interest & tax | 3,583 | 2,014 | 78% | 11,948 | 5,950 | 101% |
| EBITDA / Total Revenues | 36.8% | 32.2% | | 35.5% | 32.1% | |

**2.2.1.3 New Mobile Operations –** *(Refer glossary for definition)*

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 738 | - | | 1,213 | - | |
| EBITDA | (45) | - | | (390) | - | |
| Earnings before interest & tax | (265) | - | | (1,042) | - | |
| EBITDA / Total Revenues | -6.1% | | | -32.1% | | |

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

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 9,708 | 7,185 | 35% | 35,312 | 22,472 | 57% |
| EBITDA | 3,574 | 2,156 | 66% | 11,849 | 6,318 | 88% |
| Earnings before interest & tax | 2,658 | 1,465 | 81% | 8,458 | 3,831 | 121% |
| EBITDA / Total Revenues | 36.8% | 30.0% | | 33.6% | 28.1% | |

*Note: EBITDA and EBIT for the full year ended March 31, 2004 does not include provision of Rs 48 million of WPC fees pertaining to prior periods.*

### 2.2.3 Broadband & Telephone Services

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 3,109 | 2,234 | 39% | 11,270 | 7,758 | 45% |
| EBITDA | 918 | 506 | 81% | 3,270 | 1,705 | 92% |
| Earnings before interest & tax | 455 | 202 | 126% | 1,526 | 453 | 237% |
| EBITDA / Total Revenues | 29.5% | 22.7% | | 29.0% | 22.0% | |

*Note: EBITDA and EBIT for the full year ended March 31, 2004 does not include provision of Rs 48 million of WPC fees pertaining to prior periods.*

**2.2.4 Long Distance Services -** comprises the domestic, international long distance operations and landing station operations at Chennai.

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 5,074 | 3,994 | 27% | 18,661 | 12,095 | 54% |
| EBITDA | 1,927 | 1,195 | 61% | 6,035 | 3,499 | 72% |
| Earnings before interest & tax | 1,539 | 903 | 70% | 4,619 | 2,427 | 90% |
| EBITDA / Total Revenues | 38.0% | 29.9% | | 32.3% | 28.9% | |

### 2.2.5 Enterprise Services

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 1,525 | 957 | 59% | 5,381 | 2,620 | 105% |
| EBITDA | 728 | 454 | 60% | 2,544 | 1,114 | 128% |
| Earnings before interest & tax | 664 | 361 | 84% | 2,314 | 950 | 144% |
| EBITDA / Total Revenues | 47.8% | 47.5% | | 47.3% | 42.5% | |

**2.2.6 Others -** comprises the expenses of the BTVL corporate office.

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| Total revenues | 0 | 0 | - | 0 | 0 | - |
| EBITDA | (229) | (100) | - | (608) | (358) | - |
| Goodwill Amortisation | 0 | 361 | - | 0 | 1,480 | - |
| Depreciation & Others | 38 | (76) | - | 74 | (359) | - |
| Earnings before interest & tax | (267) | (385) | - | (682) | (1,478) | - |

### 2.3 Segment-wise Investments and Contribution

#### 2.3.1 Investments in projects

*Rs million, except ratios*

| Segment | As at March 31, 2005 | |
|---|---|---|
| | Rs. Million | % of Total |
| Mobile Services | 124,790 | 73% |
| Broadband & Telephone Services | 21,391 | 12% |
| Long Distance Services | 21,427 | 12% |
| Enterprise Services | 3,786 | 2% |
| Others | 379 | 0% |
| **Total** | **171,772** | **100%** |
| Accumulated Depreciation & Amortisation | (37,793) | |
| **Net Fixed Assets & Other Project Investment** | **133,980** | |

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

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

| Segment | Quarter Ended March 2005 | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | EBITDA | | Capex | |
| | Rs. Million | % of total | Rs. Million | % of total | Rs. Million | % of total |
| **Mobile Services** | | | | | | |
| Existing Circles | 15,407 | 66% | 5,665 | 63% | 2,674 | 38% |
| New Circles | 738 | 3% | (45) | 0% | 1,480 | 21% |
| **Total Mobile Services** | **16,145** | **70%** | **5,620** | **62%** | **4,154** | **59%** |
| Broadband & Telephone Services | 3,109 | 13% | 918 | 10% | 1,340 | 19% |
| Long Distance | 5,074 | 22% | 1,927 | 21% | 707 | 10% |
| Enterprise Business | 1,525 | 7% | 728 | 8% | 879 | 12% |
| Others | 0 | 0% | (230) | -3% | 5 | 0% |
| **Sub Total** | **25,852** | **112%** | **8,964** | **99%** | **7,084** | **100%** |
| Eliminations | (2,680) | -12% | 89 | 1% | (19) | 0% |
| **Total** | **23,172** | **100%** | **9,053** | **100%** | **7,065** | **100%** |

| Segment | Year Ended March 2005 | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | EBITDA | | Capex | |
| | Rs. Million | % of total | Rs. Million | % of total | Rs. Million | % of total |
| **Mobile Services** | | | | | | |
| Existing Circles | 53,143 | 66% | 18,854 | 63% | 23,598 | 60% |
| New Circles | 1,213 | 2% | (390) | -1% | 6,233 | 16% |
| **Total Mobile Services** | **54,356** | **68%** | **18,465** | **61%** | **29,831** | **76%** |
| Broadband & Telephone Services | 11,270 | 14% | 3,270 | 11% | 4,445 | 11% |
| Long Distance | 18,661 | 23% | 6,035 | 20% | 3,919 | 10% |
| Enterprise Business | 5,381 | 7% | 2,544 | 8% | 1,430 | 4% |
| Others | 0 | 0% | (608) | -2% | 21 | 0% |
| **Sub Total** | **89,668** | **112%** | **29,705** | **99%** | **39,646** | **101%** |
| Eliminations | (9,322) | -12% | 363 | 1% | (316) | -1% |
| **Total** | **80,346** | **100%** | **30,068** | **100%** | **39,330** | **100%** |

*Note: The eliminations for capex is on account of transfer of assets from one segment to another.*

# SECTION III

## OPERATING HIGHLIGHTS

### 3.1 BTVL Consolidated

| Parameters | Unit | Mar. 31, 2005 | Dec. 31, 2004 | Q-on-Q Growth | Mar. 31, 2004 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Customers on our Network** | | | | | | |
| Mobile Services | No. | 10,984,280 | 9,826,156 | 12% | 6,504,314 | 69% |
| Broadband & Telephone Services | No. | 857,262 | 803,659 | 7% | 636,625 | 35% |
| Total | No. | 11,841,542 | 10,629,815 | 11% | 7,140,939 | 66% |
| Non Voice Revenue as a % of Total Revenue | % | 16.3% | 15.4% | | 12.2% | |

### 3.2 Mobile Services

| Parameters | Unit | Mar. 31, 2005 | Dec. 31, 2004 | Q-on-Q Growth | Mar. 31, 2004 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Subscriber Base** | | | | | | |
| All India Wireless Subscribers | No. | 51,722,801 | 47,556,510 | 9% | 33,311,566 | 55% |
| All India GSM Mobile Subscribers | No. | 41,025,940 | 37,378,807 | 10% | 26,154,405 | 57% |
| Mobile Customers on Bharti's Networks | No. | **10,984,280** | **9,826,156** | **12%** | **6,504,314** | **69%** |
| **Net Additions** | | | | | | |
| All India Wireless Subscribers | No. | 4,166,291 | 4,988,198 | -16% | 5,129,880 | -19% |
| All India GSM Mobile Subscribers | No. | 3,647,133 | 3,806,049 | -4% | 4,162,662 | -12% |
| Mobile Customers on Bharti's Networks | No. | 1,158,124 | 1,123,901 | 3% | 1,003,734 | 15% |
| **Bharti's Market Share** | | | | | | |
| as a % of All India GSM Mobile Subscribers | % | 26.8% | 26.3% | | 24.9% | |
| as a % of All India Wireless Subscribers | % | 21.2% | 20.7% | | 19.5% | |
| **Bharti's Share of Net Additions** | | | | | | |
| as a % of All India GSM Mobile Subscribers | % | 31.8% | 29.5% | | 24.1% | |
| as a % of All India Wireless Subscribers | % | 27.8% | 22.5% | | 19.6% | |
| **Pre-Paid Customers** | | | | | | |
| Total Customer Base | % | 76% | 75% | | 79% | |
| Total Net Additions | % | 76% | 67% | | 65% | |
| **Other Operating Information** | | | | | | |
| Average Revenue Per User (ARPU) | Rs | 504 | 519 | -3% | 532 | -5% |
| Average Revenue Per User (ARPU) | US$ | 11.5 | 11.9 | -3% | 12.2 | -5% |
| Average Minutes of Use Per User | Minutes | 357 | 344 | 4% | 300 | 19% |
| **Monthly Churn** | | | | | | |
| Post-paid Voluntary Churn | % | 1.1% | 1.3% | | 1.9% | |
| Post-paid Company Initiated Churn | % | 3.2% | 2.5% | | 2.8% | |
| Prepaid | % | 6.7% | 8.5% | | 8.5% | |
| **Non Voice Revenue** | | | | | | |
| SMS Revenue as a % of mobile revenues | % | 6.3% | 5.8% | | 3.9% | |
| Non Voice Revenue as a % of mobile revenues | % | 9.4% | 8.5% | | 4.9% | |

*Notes: -*

1. *Wireless Subscribers include GSM mobile subscribers and digital mobile subscribers as published by COAI and AUSPI respectively. These numbers do not include digital mobile subscribers of BSNL.*
2. *Please refer to the glossary for revised definitions of ARPU, Churn and MoU, The definition has been revised and applied consistently across all periods presented*

### 3.3 Broadband & Telephone Services

| Parameters | Unit | Mar. 31, 2005 | Dec. 31, 2004 | Q-on-Q Growth | Mar. 31, 2004 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| Broadband & Telephony Customers | No. | 857,262 | 803,659 | 7% | 636,625 | 35% |
| Net additions | No. | 53,603 | 38,787 | 38% | 67,429 | -21% |
| Average Revenue Per User (ARPU) | Rs | 1,231 | 1,238 | -1% | 1,225 | 0.5% |
| Average Revenue Per User (ARPU) | US$ | 28.1 | 28.3 | -1% | 28.0 | 0.5% |

### 3.4 Human Resource Analysis

| Parameters | Unit | Mar. 31, 2005 | Dec. 31, 2004 | Q-on-Q Growth | Mar. 31, 2004 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Mobile Services** | | | | | | |
| **Number of Customers per Employee** | | 2,277 | 2,121 | 7% | 2,058 | 11% |
| Existing Circles | No. | 2,536 | 2,282 | 11% | 2,058 | 23% |
| New Circles | No. | 976 | 117 | 734% | | |
| **Gross Revenue per employee per month** | | 1,115,821 | 1,066,682 | 5% | 1,043,508 | 7% |
| Existing Circles | Rs | 1,276,093 | 1,213,836 | 5% | 1,043,508 | 22% |
| New Circles | Rs | 308,043 | 203,814 | 51% | | |
| **Broadband & Telephone Services** | | | | | | |
| Number of Customers per Employee | No. | 465 | 554 | -16% | 479 | -3% |
| Gross Revenue per employee per month | | 562,254 | 673,906 | -17% | 560,805 | 0% |
| **Long Distance Services** | | | | | | |
| Gross Revenue per employee per month | Rs | 3,296,328 | 3,264,671 | 1% | 2,856,795 | 15% |
| **Enterprise Services** | | | | | | |
| Gross Revenue per employee per month | Rs | 1,126,567 | 1,406,088 | -20% | 1,345,710 | -16% |

# SECTION IV

# MANAGEMENT DISCUSSION & ANALYSIS

## 4.1 KEY INDUSTRY DEVELOPMENTS

### 4.1.1 INDUSTRY

**Telecom Regulatory Authority of India's (TRAI's) consultation paper on Interconnection Usage Charge (IUC) Review**

In June 2004, TRAI had initiated a consultative exercise for reviewing the Access Deficit Charge (ADC) regime, which resulted in the introduction of a revised ADC regime effective February 01, 2005.

On March 17, 2005, TRAI released a consultation paper for reviewing the existing IUC regime. The paper has sought comments of all stakeholders on the following key issues:

1. Methodology of calculation of ADC.
2. Justification for ADC on fixed wireless lines
3. Admissibility of ADC for private basic operators.
4. Feasibility of introducing a revenue-share ADC regime.
5. Introduction of uniform carriage charges for intra and inter-circle calls; allowing negotiation of carriage charges
6. Feasibility of differential termination charges for mobile and fixed terminating calls; national and international long distance calls; rural terminating calls.
7. Feasibility of allowing access providers to negotiate termination rates for incoming international calls to their networks.
8. Whether revenue share on roaming charges can be allowed for roaming calls, both national and international or only international calls?

The deadline for submission of comments is April 30, 2005.

**Clarification on Fixed Wireless Services**

On March 04, 2005 TRAI directed all operators providing fixed wireless services to strictly ensure that the terminal used for fixed wireless services should be strictly confined to the premises of the subscriber. TRAI further directed the service providers to ensure that there are no misleading advertisements regarding fixed wireless services in the electronic and print media. TRAI also clarified that it shall be the responsibility of the service provider to ensure that the subscriber terminal is operated in accordance with the terms of the license for fixed lines.

On March 23, 2005 the Department of Telecommunication (DoT) issued a clarification regarding fixed wireless terminals being provided under unified access service licenses and basic licenses. DoT reiterated TRAI's views as stated above and added that separate level within the allocated Short Distance Charging Area (SDCA) based link numbering is to be used for wireline and fixed wireless services. DoT further clarified that wherever such restriction cannot be imposed, it shall be treated as WLL (M) feature for all purposes, which include numbering plan, IUC and interconnection arrangements.

**Telecommunication Tariff (34$^{th}$ Amendment) Order 2005**

On March 11, 2005, TRAI issued the 34$^{th}$ amendment to the Telecommunications Tariff Order 1999 (TTO'99) whereby TRAI fixed ceiling tariffs for International Private Leased Circuits (IPLCs). The ceiling tariffs were to be implemented effective April 01, 2005.

The salient features are as under:

1. The ceiling tariffs for IPLC (Half Circuit) for E1, DS-3 and STM-1 capacities have been fixed at Rs.1.3 million p.a., Rs.10.4 million p.a. and Rs.29.9 million p.a. respectively.
2. Ceiling tariff will apply for all destinations, capacities and types of cable systems used for carrying either voice or data.
3. Tariff for capacity below E1 is kept under forbearance.
4. Tariff for IPLC offered through satellite media shall remain under forbearance.

**Telecommunication Tariff (36$^{th}$ Amendment) Order 2005**

On April 21, 2005, TRAI issued the 36$^{th}$ amendment to TTO'99 whereby the ceiling tariff for domestic leased circuits were revised. The salient features are as under:

1. The revised ceiling tariffs for 64 kbps, 128 Kbps, 256 Kbps, E1 (2 Mbps), DS-3 (45 Mbps) and STM-1 (155 Mbps) have been fixed at Rs.44 thousands, Rs.79 thousands, Rs.0.136 million, Rs.0.85 million, Rs.0.62 million and Rs.1.65 million per annum respectively *(Please note that the ceiling tariffs given above are in respect of distance slab above 500 kms).*
2. The above ceiling tariffs will take effect from May 01, 2005. Pro-rata corrections wherever applicable must be made to any advance payments that might have been made for leased circuits on the basis of prevailing tariffs.
3. Service Providers may offer discounts on ceiling tariffs. Such discounts should be transparent and non-discriminatory based on laid down criteria and subject to reporting requirement.
4. The Order further stipulates that it is mandatory for domestic leased circuits to be provided through utilization of spare capacity when such capacity is available and when not available, on rent and guarantee terms or special construction or contribution basis. All service providers are required to report to TRAI the commercial and economic basis of their terms and conditions with respect to rent and guarantee/special construction/contribution basis etc. schemes, under the provisions of the TTO relating to reporting requirement.

**Consultation paper to review Quality of Service (QoS) parameters of basic and cellular services**

On February 22, 2005, TRAI released a consultation paper on "Review of Quality of Service Parameters of Basic and Cellular Mobile Telephone Services".

In July 2000, TRAI had laid down QoS parameters for both basic & cellular services vide the Regulation of QoS of Basic & Cellular Service, 2000. The said regulation provides benchmarks against which performance of all operators is measured and calls for periodic review of the parameters. TRAI has pointed out that the performance of operators against the benchmarks has been quite unsatisfactory. At the same time, there is a need to review some QoS parameters for both basic & cellular services. This consultation paper reviews the implementation of the existing QoS parameters by various operators, enlists the reasons given by operators for non-achievement of certain benchmarks, and discusses the need for additional parameters and the possibility of imposing penalties for violation of parameters.

**Submission of periodical reports pertaining to telecom services**

On March 03, 2005 TRAI permitted Basic Service Operators (BSOs) and Unified Access Service Providers (UASPs) providing basic service to submit the data regarding the Performance Monitoring Report (PMR) of their basic service within 45 days from the end of the respective quarter. Earlier, the said report was to be submitted within 21 days from the end of relevant quarter.

**Access to Information Regulation, 2005**

On March 04, 2005 TRAI issued the 'TRAI (Access to Information) Regulation, 2005 (3 of 2005)'. The regulation was to be implemented from the date of its publication in the Official Gazette. The highlights of the regulation are:

1. A service provider claiming confidentiality of information, on documents filed with TRAI, has to give reasons for keeping the information confidential and at the same time provide a non-confidential summary of the portion sought to be kept confidential.
2. Where TRAI proposes to reject the request of the service provider for maintaining confidentiality, it shall inform the service provider and give the service provider an opportunity to make a representation against the same.
3. A service provider seeking access to information of another service provider shall make a request in writing to TRAI, with a copy to the service provider whose information is being sought. Such a request shall clearly state the purpose and reasons for which the information is required.
4. On receipt of such a request, TRAI shall examine whether the information sought is exempt from disclosure or is covered by any ground for refusal contained in the Regulation. If the Authority is of the view that the information is so exempt, or is covered by one of the grounds for refusal, or the request is not reasonable or genuine, or has not been made for legitimate purpose, or is not in public interest, TRAI shall reject the request.
5. Information related to trade and commercial secrets and protected by law, and commercially and financially sensitive information, which may lead to unfair gain/loss to a service provider, shall be exempt from disclosure.
6. A fee of Rs.500 per page shall be charged for providing information under this Regulation

**TRAI issues Common Charter**

On February 25, 2005 TRAI issued a 'Common Charter' for adoption by all telecom service providers in order to promote protection of consumer interests and improve Quality of Service. The charter contains positive affirmations on matters such as protection of privacy of subscribers, transparency regarding tariffs/billing, pro-active redressal of customer complaints, attainment of QoS benchmarks etc.

**TRAI invites comments of stakeholders on 'Comparison Shopping' in Mobile telephony services**

TRAI had issued a consultation paper on 'Limiting the number of tariff plans offered by the Access Providers' to address issues arising out of plethora of tariff plans on offer in the market leading to confusion in the minds of consumers. Based on suggestions of stakeholders, TRAI had commissioned a research study through The Energy and Resources Institute (TERI), New Delhi on the subject of tariff comparison. TERI had developed a web-enabled application software that facilitates identification of the most competitive tariff, given a particular usage profile.

On February 10, 2005 TRAI invited comments from all stakeholders on the preliminary results of the research study by TERI.

**TRAI's recommendations on Unified Licensing regime**

On January 14, 2005 TRAI had issued its final recommendations to the DoT on the unified licensing regime. The DoT is yet to finalise its policy on the same.

### 4.1.2 COMPANY

**Key developments**

- **Inclusion of BTVL's scrip in futures and option** on April 19, 2005.
- Launch of mobile operations in **Assam and North East circles** on March 30, 2005.
- Launch of mobile operations in **Andaman & Nicobar Islands** on March 23, 2005.
- The Rating Committee of ICRA **upgraded the rating of Bharti's Non Convertible Debenture (NCD) programme from "LAA" to "LAA+"** on March 21, 2005. LAA+ is a high quality credit rating and indicates high safety.
- Acquisition of 100% equity stake in **C Max Infocom and its wholly owned subsidiary Comsat Max** by Bharti Infotel on January 31, 2005.
- Launch of **prepaid services in Jammu & Kashmir** on January 27, 2005.
- Launch of mobile operations in **Jharkhand**, on January 18, 2005.
- Launch of mobile operations in **Bihar**, on January 17, 2005.

**Consolidation of BTVL Operations**

On April 23, 2004, as part of a consolidation exercise and to attain business synergies, Bharti Tele-Ventures Limited (BTVL) in its board meeting approved the merger of its subsidiaries Bharti Cellular Limited and Bharti Infotel Limited with and into Bharti Tele-Ventures Limited. The matter is now pending the approval of the Hon'ble Delhi High Court.

**Bharti Mobile - Punjab Litigation**

The arbitration proceedings for a claim for the refund of license fee and interest paid to the DoT were decided against Bharti Mobile, the licensee of the Punjab mobile circle. The company has already paid the license fees and interest thereon before the commencement of arbitration proceedings. The company challenged the award before the Hon'ble Delhi High Court and the matter is now listed for hearing before the Hon'ble Delhi High Court on May 20, 2005.

## 4.2 Results of Operations

### Key Highlights

- **First operator to have an all India footprint.**
- **Market leader with an all India wireless market share of 21.2%.**
- **All India wireless subscriber base crosses 50 million mark**
- **First GSM operator to cross 10-million mobile customer mark.**
- **Full year revenue crosses Rs. 80 billion and EBITDA crosses Rs. 30 billion.**
- **Quarterly EBITDA crosses Rs. 9 billion.**

### BTVL Consolidated

As on March 31, 2005, we had an aggregate of 11,841,542 customers, consisting of 10,984,280 GSM mobile and 857,262 broadband & telephone customers. Our total customer base at the end of the year increased by approximately 66% compared to the customer base as on March 31, 2004.

<u>Full year ended March 31, 2005</u>

The consolidated revenues and EBITDA for the year ended March 31, 2005 was Rs. 80,346 million and Rs. 30,068 million respectively. The consolidated revenues and EBITDA grew by 61% and 80% respectively for the year ended March 31, 2005. The operating expenses as a percentage of revenues reduced from 33% last year to 32% this year resulting in the improvement of EBITDA margin. The EBITDA margin (ratio of EBITDA to total revenues) for the year was 37.4% as compared to 33.4% for the year ended March 31, 2004.

The cash profit from operations for the year ended March 31, 2005 was Rs 27,819 million as compared to Rs 14,299 million for the year ended March 31, 2004. The net finance cost for the year was Rs 2,249 million as compared to Rs 2,410 million for the corresponding period last year. The finance cost reduced with the net debt coming down from Rs 39,987 million to Rs 38,175 million. This has been made possible due to replacement of certain old borrowings by new borrowings at lower finance cost and on significant cash flow benefits arising out of capex contracts.

The earnings before tax for the year ended March 31, 2005 was Rs. 16,421 million and the net profit was at Rs 14,393 million leading to an earnings per share of Rs 7.77. The current tax expense for the year was Rs. 131 million and the deferred tax expense was Rs. 1,758 million. The current tax expense was only Rs. 131 million due to reversal of provision of tax made in earlier period in Bharti Mobile Limited (former entity for running the operations of Karnataka, Andhra Pradesh and Punjab) with its merger with Bharti Cellular Limited during the year.

The net debt for the year ended March 31, 2005 was Rs 38,175 million resulting in the net debt to EBITDA of 1.27 times and interest coverage ratio of 14.79 times.

The capital expenditure for the full year was Rs 39,330 million (~US$ 900 million) of which Rs 29,831 million (~US$ 682 million) was on mobile and the balance on the other businesses.

<u>Quarter ended March 31, 2005</u>

During the quarter ended March 31, 2005, the company had revenues of Rs 23,172 million and EBITDA of Rs 9,053 million, a growth of 49% and 70% respectively, compared to the quarter ended March 31, 2004. The EBITDA margin for the quarter was 39.1% as compared to 34.3% for the quarter ended March 31, 2004. The increase in EBITDA margin is due to the operating efficiencies derived from economies of scale and benefits of integrated operations.

The net finance cost for the quarter ended March 31, 2005 was Rs. 860 million. The interest on borrowings during the quarter was Rs. 612 million and the finance income (primarily related to income on marketable securities) was Rs. 246 million. The balance amount was other finance costs, effect of exchange fluctuation and the effect of derivative accounting.

The cash profit from operations for the quarter was Rs. 8,193 million, an increase of 64%, as compared to the prior year quarter ended March 31, 2004.

The earnings before taxation for the quarter was Rs. 4,840 million, an increase of 76%, as compared to the quarter ended March 31, 2004.

During the quarter, the company also had an income tax expense of Rs. 384 million. The current tax expense for the quarter was Rs. 428 million and the deferred tax income recognized for the quarter was Rs. 44 million.

The net profit for the quarter ended March 31, 2005, was Rs 4,368 million.

During the quarter ended March 31, 2005, we incurred capital expenditure of Rs. 7,065 million.

Non-voice revenue contributed to approximately 16.3% of the total revenues for the quarter.

### Mobile Services

The revenues for the full year ended March 31, 2005 for mobile services stood at Rs 54,356 million, an increase of 67% over last year. The revenue from this segment contributed to 68% of our total consolidated revenues. The EBITDA during the financial year was Rs 18,465 million representing growth of 76% over the last year. The EBITDA margin for the year improved to 34.0% from 32.1% last year. The EBIT for the year ended March 31, 2005 was Rs 10,906 million as compared to Rs 5,950 million for the year ended March 31, 2004.

During the quarter, we launched commercial operations in the circles of Bihar, Assam and North East. As at the end of the quarter we had 10,984,280 GSM mobile customers, which accounted for a market share 26.8% of the All India GSM market and 21.2% of the overall wireless market (GSM + Digital Mobile) respectively.

Of our 10,984,280 GSM mobile customers as of March 31, 2005, postpaid customer contributed approximately 24% to the overall customer base while pre-paid customers contributed the balance 76%. During the quarter, our share of new additions was 31.8% of the All India GSM mobile net additions and 27.8% of All India wireless net additions. The net additions during the quarter on our network was 1,158,124.

The monthly churn for the quarter ended March 31, 2005 was 4.3% (1.1% voluntary churn and 3.2% company initiated churn) for our post-paid segment while it was 6.7% for the pre-paid segment.

During the quarter, our blended ARPU of Rs. 504 (US$ 11.5) per month was lower by 3% as compared to the quarter ended December 31, 2004. The blended monthly usage per customer, during the quarter, was at 357 minutes, an increase of 4% on a quarter on quarter basis. The non-voice revenue, which includes Short Messaging Service (SMS), voice mail service, call management and other value added services like Hello Tunes and Airtel Live contributed to approximately 9.4% of the total revenue of the segment. The Short Messaging Services (SMS) revenue, which is primarily text messaging accounted for 6.3% of the total revenue of the segment, for the quarter ended March 31, 2005.

The consolidated revenues and EBITDA from our mobile business for the quarter ended March 31, 2005 was Rs. 16,145 million and Rs. 5,620 million respectively, a growth of 63% and 77% respectively. The EBITDA margin for the quarter was 34.8%. The earnings before interest and taxation (EBIT) for the quarter was Rs 3,318 million.

During the year ended March 31, 2005, we incurred a capital expenditure of Rs 29,831 million (US$ 682 million) of which Rs. 23,598 million (US$ 540 million) was for existing circles and Rs 6,233 million (US$ 142 million) was for new circles.

**Broadband & Telephone Services**

The revenues for the full year ended March 31, 2005 for broadband & telephone services was Rs 11,270 million, a growth of 45% over last year. The EBITDA during the financial year was Rs 3,270 million demonstrating a growth of 92% over the last year and contributed to 14% of the consolidated total revenues. The EBITDA margin for the year improved to 29.0% from 22.0% last year. The EBIT for the year ended March 31, 2005 was Rs 1,526 million as compared to Rs 453 million for the year ended March 31, 2004.

During the quarter ended March 31, 2005, we added 53,603 customers on our broadband & telephone networks. Our broadband & telephone services customer base was 857,262 as of March 31, 2005. We have focused on acquiring customers subscribing to DSL services and as on March 31, 2005, had approximately 118,000 broadband & telephone services customers subscribing to such services.

For the quarter ended March 31, 2005, the revenues from our broadband & telephone operations of Rs 3,109 million, represented a growth of 39% on year-on-year basis. The EBITDA for the quarter was Rs. 918 million compared to Rs. 506 million in the corresponding prior year quarter, an increase of 81% as compared to the corresponding prior year quarter. The EBITDA margin for this segment was 29.5% for the quarter ended March 31, 2005.The EBIT for the quarter ended March 31, 2005 was Rs 455 million, a growth of approximately 126% as compared to the quarter ended March 31, 2004.

The ARPU for the quarter was Rs. 1,231 (US$ 28.1) per month.

**Long Distance Services**

For the year ended March 31, 2005, the revenues from the long distance services was at Rs. 18,661 million representing a full year growth of 54% and contributed to 23% of the consolidated total revenues. The EBITDA for the same period grew by 72% to Rs 6,035 million representing an EBITDA margin of 32.3% as compared to 28.9% for the year ended March 31, 2004. The EBIT for the year ended March 31, 2005 was Rs 4,619 million representing a year on year growth of 90%.

During the quarter ended March 31, 2005, the revenues of Rs. 5,074 million from our long distance services resulted an increase of 27% over the corresponding quarter last year. The EBITDA from this segment during the quarter was Rs 1,927 million, a growth of 61% over the corresponding quarter last year. The EBITDA margin, for the quarter, was 38.0% as compared to 29.9% for quarter ended March 31, 2004. The EBIT of this segment was Rs 1,539 million representing a growth of 70% over the corresponding quarter last year.

**Enterprise Services**

The enterprise services group was streamlined in the beginning of the financial year ended March 31, 2005.

For the year ended March 31, 2005, the revenues from the enterprise services was at Rs. 5,381 million representing a full year growth of 105% and contributed to 7% of the consolidated total revenues. The EBITDA for the same period grew by 128% to Rs 2,544 million representing an EBITDA margin of 47.3% as compared to 42.5% for the year ended March 31, 2004. The EBIT for the year ended March 31, 2005 was Rs 2,314 million representing a year on year growth of 144%.

For the quarter ended March 31, 2005, the revenue from this segment was Rs. 1,525 million, a growth of 59% compared to the corresponding prior year quarter. The EBITDA for this segment for the quarter ended March 31, 2005 was Rs. 728 million. The EBITDA margin for this segment in the quarter ended March 31, 2005 was 47.8% as compared to 47.5% in the corresponding period last year. The EBIT of this segment was Rs 664 million representing a growth of 84% over the corresponding quarter last year.

# SECTION V

## Stock Market Highlights

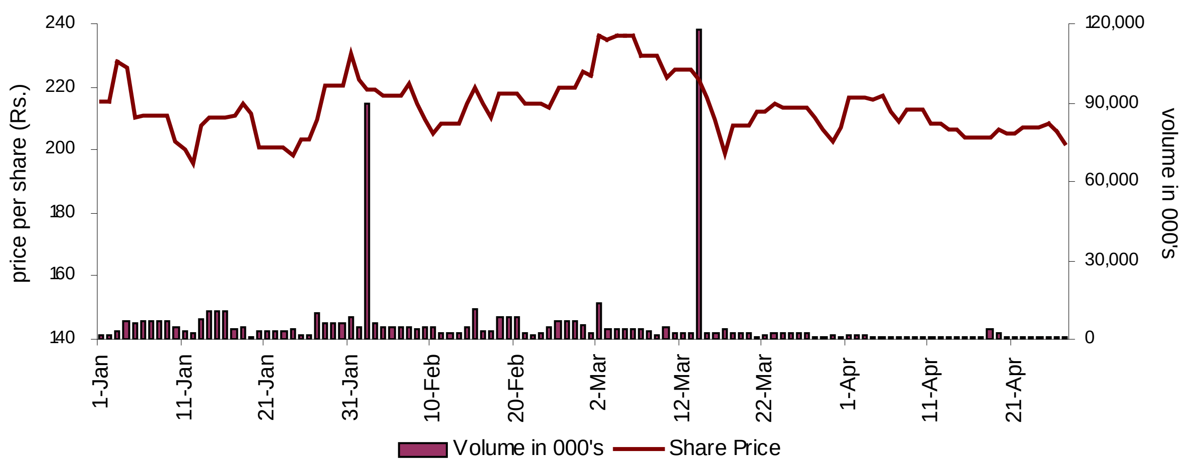
### 5.1 General Information

| Opinion & Financial Data | Unit | |
|---|---|---|
| No. of Shares Outstanding (as on March 31, 2005) | Million Nos. | 1,853 |
| Closing Market Price - BSE (April 27, 2005) | Rs./Share | 202.15 |
| Market Capitalisation | Rs. Million | 374,658 |
| Book Value Per Share | Rs. | 36.38 |
| Market Price/Book Value | Times | 5.56 |
| Net Debt to EBITDA (LTM) | Times | 1.27 |
| Enterprise Value | Rs. Million | 412,833 |
| Enterprise Value/Full Year Revenue | Times | 5.14 |
| Enterprise Value/Full Year EBITDA | Times | 13.73 |

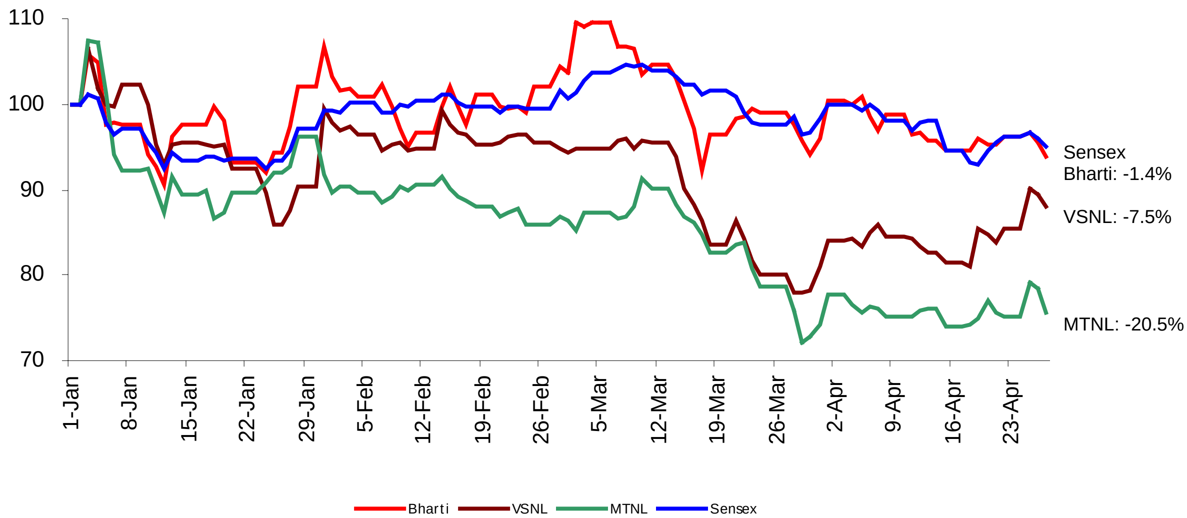
| Stock Data | |
|---|---|
| Code/Exchange | 532454/BSE |
| Bloomberg/Reuters | BHARTI IN/BRTI.BO |
| ***Shareholding Pattern*** | **As on March 31, 2005** |
| Promoters Holding | 46.46% |
| Singtel (Pastel Ltd) | 15.95% |
| Free Float* | 37.59% |
| | |
| Foreign Holding | 47.95% |
| Combined Volume (Jan. 01 - April 27) | 5.2 million per trading day |

******Free float includes 4.54% shareholding of Indian public & institution which has foreign ownership restrictions (not freely tradable across Indian and Overseas investors)*

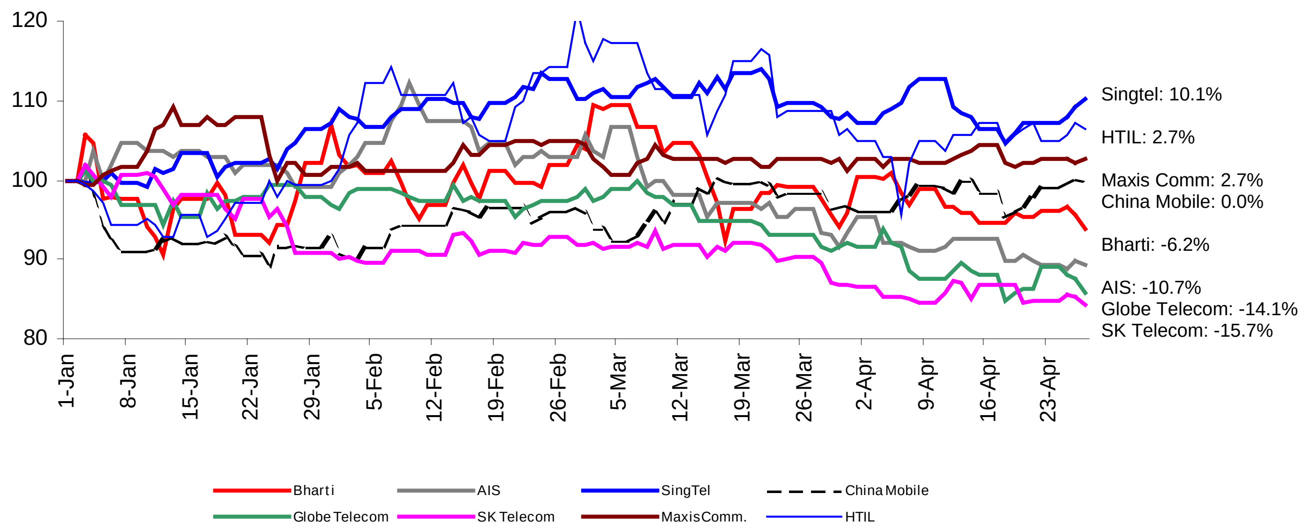
### 5.2 Bharti Tele-Ventures Daily Stock Price` (BSE) & Volume (combined of BSE and NSE) Movement



**5.3 Comparison of Domestic Telecom Stock Movement with Sensex**




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




*Note: The charts given in section 5.2, 5.3 and 5.4 are based on the information downloaded from Bloomberg.*

# SECTION VI

## Use of Non - GAAP Financial Information

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

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

| **Non - GAAP measure** | **Equivalent GAAP measure** | **Location in this results announcement of reconciliation and further information** |
|---|---|---|
| Earnings before Interest, Taxation, Depreciation and Amortizations (EBITDA) | Operating Income | BTVL Consolidated Page 19, Mobile Services:- Page 20, Infotel Services:- Page 20, Broadband & Telephone Services:- Page 20, Long Distance Services:- Page 21, Enterprise Services:- Page 21, Others:- Page 21. |
| Cash Profit from Operations | Operating Income | Page 19 |
| Earnings/(loss) after current tax expenses | Earnings/(loss) before taxation | Page 19 |
| Net Debt | N.A | Page 19 |
| Net Revenues | Total revenues | Page 19 |
| Operating Expenses | N.A | Page 19 |
| Earnings before Interest & Taxes [for Infotel] | N.A. | Page 20 |
| Total Revenues [for Infotel] | N.A. | Page 20 |
| Schedule of Other costs | N.A | Page 21 |
| Schedule of depreciation and amortisation | N.A | Page 22 |
| Schedule of Finance cost (net) | N.A | Page 22 |
| Schedule of Income tax | N.A | Page 22 |

*N.A. – Not Applicable*

### 6.1 Reconciliation of Non-GAAP financial information

### 6.1.1 BTVL Consolidated

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **5,700** | **18,697** |
| Other Income | 117 | 321 |
| Depreciation & Amortisation | 3,365 | 11,186 |
| Pre-operative costs | 92 | 474 |
| Donations | 12 | 31 |
| **EBITDA** | **9,053** | **30,068** |

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating Income to Cash Profit from Operations** | | |
| **Operating Income** | **5,700** | **18,697** |
| Other Income | 117 | 321 |
| Depreciation & Amortisation | 3,365 | 11,186 |
| Pre-operative costs | 92 | 474 |
| Donations | 12 | 31 |
| Finance costs (net) | 860 | 2,249 |
| **Cash Profit from Operations** | **8,193** | **27,819** |

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Net Debt** | | |
| Long term debt, net of current portion | 36,010 | 36,010 |
| Current portion of long term debt | 5,934 | 5,934 |
| Short term borrow ings | 5,084 | 5,084 |
| Less: | | |
| Cash and cash equivalents | 4,098 | 4,098 |
| Marketable Securitties | 4,755 | 4,755 |
| **Net Debt** | **38,175** | **38,175** |

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Total Revenue to Net Revenue** | | |
| **Total Revenue** | **23,172** | **80,346** |
| Less:- | | |
| Access and interconnection cost | 4,462 | 16,781 |
| **Net Revenue** | **18,711** | **63,565** |

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating expenses** | | |
| Equipment Costs | 218 | 1,021 |
| Employee Costs | 1,460 | 5,150 |
| Other Costs | 5,671 | 19,597 |
| **Operating Expenses** | **7,349** | **25,767** |

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Earnings/(loss) before taxation to Earnings/(loss) after current tax expenses** | | |
| Earnings/(loss) before taxation | 4,840 | 16,421 |
| Less:- | | |
| Current tax expense | 428 | 131 |
| **Earnings/(loss) after current tax expenses** | **4,412** | **16,290** |

#### 6.1.2 Mobile Services

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating Income to EBITDA** | | |
| **Segment Result** | **3,318** | **10,906** |
| Other Income | 91 | 200 |
| Depreciation & Amortisation | 2,309 | 7,335 |
| Pre-operative costs | 84 | 418 |
| Donations | 0 | 6 |
| **EBITDA** | **5,620** | **18,465** |

#### 6.1.3 Infotel Services

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Revenues For Infotel** | | |
| Revenues from Broadband & Telephone Services | 3,109 | 11,270 |
| Revenues from Long Distance Services | 5,074 | 18,661 |
| Revenues from Enterprise Services | 1,525 | 5,381 |
| **Revenues For Infotel** | **9,708** | **35,312** |
| **EBITDA For Infotel** | | |
| EBITDA from Broadband & Telephone Services | 918 | 3,270 |
| EBITDA from Long Distance Services | 1,927 | 6,035 |
| EBITDA from Enterprise Services | 728 | 2,544 |
| **EBITDA For Infotel** | **3,574** | **11,849** |
| **EBIT For Infotel** | | |
| EBIT from Broadband & Telephone Services | 455 | 1,526 |
| EBIT from Long Distance Services | 1,539 | 4,619 |
| EBIT from Enterprise Services | 664 | 2,314 |
| **EBIT For Infotel** | **2,658** | **8,458** |

#### 6.1.4 Broadband & Telephone Services

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating Income to EBITDA** | | |
| **Segment Result** | **455** | **1,526** |
| Other Income | 19 | 35 |
| Depreciation & Amortisation | 474 | 1,724 |
| Pre-operative costs | 8 | 56 |
| **EBITDA** | **918** | **3,270** |

### 6.1.5 Long Distance Services

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating Income to EBITDA** | | |
| **Segment Result** | **1,539** | **4,619** |
| Other Income | 13 | 66 |
| Depreciation & Amortisation | 401 | 1,481 |
| Donations | 1 | 1 |
| **EBITDA** | **1,927** | **6,035** |

### 6.1.6 Enterprise Services

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating Income to EBITDA** | | |
| **Segment Result** | **664** | **2,314** |
| Other Income | 3 | 29 |
| Depreciation & Amortisation | 68 | 259 |
| **EBITDA** | **728** | **2,544** |

### 6.1.7 Others

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| **Operating Income to EBITDA** | | |
| **Segment Result** | **(267)** | **(656)** |
| Other Income | 92 | 380 |
| Depreciation & Amortisation | 118 | 403 |
| Donations | 12 | 25 |
| **EBITDA** | **(229)** | **(608)** |

## 6.2 Schedule to financial statements

### 6.2.1 Schedule of Other Costs

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| Network and operating expenses | 2,136 | 6,938 |
| Sales and marketing expenses | 1,825 | 6,495 |
| Other operating expenses | 1,711 | 6,164 |
| **Total Other Costs** | **5,671** | **19,597** |

### 6.2.2 Schedule of Depreciation and Amortisation

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| Fixed Assets | 3,040 | 9,949 |
| Licence Fees | 146 | 546 |
| ESOP | 13 | 83 |
| Intangibles | 166 | 608 |
| | **3,365** | **11,186** |

### 6.2.3 Schedule of Finance Cost (net)

*Rs. Million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| Interest on borrow ings | 612 | 2,673 |
| Finance Charges | 129 | 450 |
| Finance Income | (246) | (725) |
| Derivatives & Exchange Fluctuation | 365 | (149) |
| **Finance Costs (Net)** | **860** | **2,249** |

### 6.2.4 Schedule of Income Tax

*Rs million*

| Particulars | Quarter Ended March 2005 | Year Ended March 2005 |
|---|---|---|
| Current tax expense | 428 | 131 |
| Deferred tax expense / (income) | (44) | 1,758 |
| **Income tax expense / (Income)** | **384** | **1,889** |

# ANNEXURES

### A1 Financial Statements as per International Financial Reporting Standards

#### A1.1 Consolidated Statement of Income

*Rs million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2005 | March 2004 | Y-on-Y Growth | March 2005 | March 2004 | Y-on-Y Growth |
| **Revenues** | | | | | | |
| Service Revenue | 22,901 | 15,228 | 50% | 79,311 | 49,308 | 61% |
| Equipment Sales | 272 | 305 | -11% | 1,035 | 717 | 44% |
| **Total revenues** | **23,172** | **15,533** | **49%** | **80,346** | **50,025** | **61%** |
| Other income | 117 | 241 | -51% | 321 | 346 | -7% |
| Access and interconnection charges | 4,462 | 3,745 | 19% | 16,781 | 11,437 | 47% |
| Equipment Costs | 218 | 239 | -9% | 1,021 | 654 | 56% |
| Employee costs | 1,460 | 1,017 | 44% | 5,150 | 3,721 | 38% |
| Other costs | 5,671 | 3,565 | 59% | 19,597 | 11,943 | 64% |
| Licence fee | 2,309 | 1,642 | 41% | 7,730 | 5,561 | 39% |
| Pre-operating costs | 92 | 25 | 266% | 474 | 25 | 1781% |
| Depreciation & amortisation | 3,365 | 2,428 | 39% | 11,186 | 8,761 | 28% |
| Donations | 12 | 13 | -7% | 31 | 16 | 98% |
| **Operating Income** | **5,700** | **3,099** | **84%** | **18,697** | **8,254** | **127%** |
| Loss of Joint Venture and/ or Associate Company | 0 | 0 | - | 27 | 0 | - |
| Finance costs (net) | 860 | 343 | 151% | 2,249 | 2,410 | -7% |
| Gain on sale of investment | 0 | 0 | - | 0 | 300 | - |
| **Earnings / (Loss) before taxation** | **4,840** | **2,757** | **76%** | **16,421** | **6,144** | **167%** |
| Income tax expense / (income) | 384 | (283) | 236% | 1,889 | (63) | - |
| (Profit) / loss to minority shareholders | 88 | 2 | - | 140 | 12 | - |
| **Net profit/(loss)** | **4,368** | **3,038** | **44%** | **14,393** | **6,195** | **132%** |

*Note: Earning before taxation and net profit for the full year ended March 31, 2004 includes Rs. 300 million of unusual income.*

**A1.2 Consolidated Balance Sheet**

*Rs million*

| Particulars | As at March 31, 2005 |
| --- | --- |
| **Current Assets** | |
| Cash and cash equivalents | 4,098 |
| Accounts receivable (net) | 7,415 |
| Marketable securities | 4,755 |
| Inventories | 545 |
| Derivative financial instruments | 422 |
| Other current assets | 8,445 |
| **Total current assets** | **25,679** |
| **Non-current assets** | |
| Investment in associates and joint ventures | 44 |
| Property plant and equipment (net) | 82,330 |
| Capital work-in-progress | 10,416 |
| Goodwill | 26,134 |
| License Fees, Net | 9,572 |
| Other Intangible Assets | 5,484 |
| Deferred Tax Asset | 1,880 |
| Other non-current assets | 1,221 |
| **Total non-current assets** | **137,081** |
| **Total assets** | **162,761** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | |
| **Current liabilities** | |
| Short-term borrowings | 5,084 |
| Equipment Supply Payables | 17,109 |
| Unearned revenue | 7,924 |
| Current portion of long term debts | 5,934 |
| Accrued Employee Costs | 578 |
| Derivative financial instruments | 1,673 |
| Other current liabilities | 16,153 |
| **Total current liabilities** | **54,452** |
| **Non-current liabilities** | |
| Long term debt, net of current portion | 36,010 |
| Provision | 82 |
| Other non-current liabilities | 3,925 |
| **Total non-current liabilities** | **40,018** |
| **Total liabilities** | **94,470** |
| **Minority interest** | 858 |
| **Stockholders' equity** | |
| Share Capital | 18,534 |
| Share Premium | 35,336 |
| Deferred stock compensation | (78) |
| Loan to Trust | (251) |
| Retained earnings (deficit) | 13,893 |
| **Total stockholders' equity** | **67,433** |
| **Total liabilities and stockholders' equity** | **162,761** |

**A1.3** **Consolidated Statement of Cash Flows**

*Rs million*

| Particulars | Qtr ended March 31, 2005 | Year Ended March 31, 2005 |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Net profit/(loss)** | **4,368** | **14,393** |
| **Add: Non Cash items** | | |
| Depreciation and amortisation | 3,365 | 11,186 |
| Tax expense / (income) | 384 | 1,889 |
| Impact of fair valuation of financial instruments | 348 | (280) |
| **Cash generated from operations before working capital changes** | **8,465** | **27,188** |
| (Increase)/decrease in working capital | (2,498) | 16,755 |
| (Increase)/decrease in non-current assets | (648) | (5,772) |
| Increase/(decrease) in non-current liabilities | 100 | 377 |
| **Net cash provided/(used) by/in operating activities** | **(3,046)** | **11,360** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (7,066) | (39,330) |
| Investment / loss in associate | (44) | (44) |
| Licence fee paid | 0 | (50) |
| **Net cash provided/(used) by/in investing activities** | **(7,109)** | **(39,424)** |
| **Cash flows from financing activities** | | |
| Increase/(decrease) in borrowings | (42) | 2,608 |
| Shareholders Equity | 108 | 2,409 |
| **Net cash provided/(used) by/in financing activities** | **66** | **5,017** |
| **Marketable Securities & Cash and cash equivalents** | | |
| Beginning of the year | 10,477 | 4,712 |
| End of the year | 8,853 | 8,853 |

## A1.4 Trend and Ratio Analysis

### A1.4.1 Financial Performance

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

*Amount in Rs. Million*

| Parameters | For the Quarter Ended | | | | |
|---|---|---|---|---|---|
| | Mar-05 | Dec-04 | Sep-04 | Jun-04 | Mar-04 |
| Total Revenues | 23,172 | 21,530 | 18,598 | 17,047 | 15,533 |
| Access and interconnection charges | 4,462 | 4,605 | 3,791 | 3,924 | 3,745 |
| Operating Expenses | 7,349 | 7,105 | 5,934 | 5,378 | 4,821 |
| Licence Fee | 2,309 | 2,017 | 1,861 | 1,542 | 1,642 |
| EBITDA | 9,053 | 7,802 | 7,011 | 6,202 | 5,325 |
| Cash profit from operations | 8,193 | 7,611 | 6,607 | 5,407 | 4,982 |
| Earnings / (Loss) before taxation | 4,840 | 4,545 | 3,959 | 3,078 | 2,757 |
| Net profit/(loss) | 4,368 | 3,726 | 3,337 | 2,961 | 3,038 |

*Amount in Rs. Million*

| Parameters | As at | | | | |
|---|---|---|---|---|---|
| | Mar. 31, 2005 | Dec. 31, 2004 | Sept. 30, 2004 | June 30, 2004 | Mar. 31, 2004 |
| Stockholders Equity | 67,433 | 63,045 | 59,278 | 55,904 | 51,094 |
| Net Debt | 38,175 | 36,245 | 38,549 | 38,320 | 39,987 |
| Capital Employed = Stockholder's equity + Net Debt | 105,608 | 99,289 | 97,827 | 94,224 | 91,082 |

### A1.4.2 Key Financial Ratios

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

| Parameters | Mar-05 | Dec-04 | Sep-04 | Jun-04 | Mar-04 |
|---|---|---|---|---|---|
| Access and Interconnect charge / Total revenues | 19% | 21% | 20% | 23% | 24% |
| Operating Expenses / Total revenues | 32% | 33% | 32% | 32% | 31% |
| Licence fee / Total revenues | 10% | 9% | 10% | 9% | 11% |
| EBITDA / Total revenues | 39% | 36% | 38% | 36% | 34% |
| Cash profit from operation / Total revenues | 35% | 35% | 36% | 32% | 32% |
| Earning (loss) before taxation / Total revenues | 21% | 21% | 21% | 18% | 18% |
| Net Profit / (Loss) / Total revenues | 19% | 17% | 18% | 17% | 20% |
| | | | | | |
| Return on Stockholder's equity (LTM) | 24% | 24% | 22% | 18% | 13% |
| Return on Capital Employed (LTM) | 17% | 16% | 15% | 13% | 10% |
| Net Debt to EBITDA (LTM) | 1.27 | 1.38 | 1.66 | 1.91 | 2.39 |
| Assets turnover ratio (LTM) | 79% | 75% | 69% | 65% | 60% |
| Interest Coverage ratio (times) | 14.79 | 12.72 | 9.77 | 8.50 | 7.07 |
| Book Value Per Equity Share (in Rs) | 36.4 | 34.0 | 32.0 | 30.2 | 27.6 |
| Net debt to Stockholders' Equity (Times) | 0.57 | 0.57 | 0.65 | 0.69 | 0.78 |
| **Per share data (for the period)** | | | | | |
| Net profit/(loss) per common share (in Rs) | 2.36 | 2.01 | 1.80 | 1.60 | 1.64 |
| Net profit/(loss) per diluted share (in Rs) | 2.33 | 2.01 | 1.75 | 1.53 | 1.64 |

### A1.4.3 Bharti's Three Line Graph

The company tracks its performance on a three-line graph popularly known as <u>"health check graph"</u> of any telecom operator.

The parameters considered for the three line graph are:

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

2. Operating expenses to net revenue – operating expenses is the sum of (i) equipment costs (ii) employee costs & other costs (inclusive of network, sales and marketing and others costs – general administration costs), while net revenue is the gross revenues less access & interconnection costs.

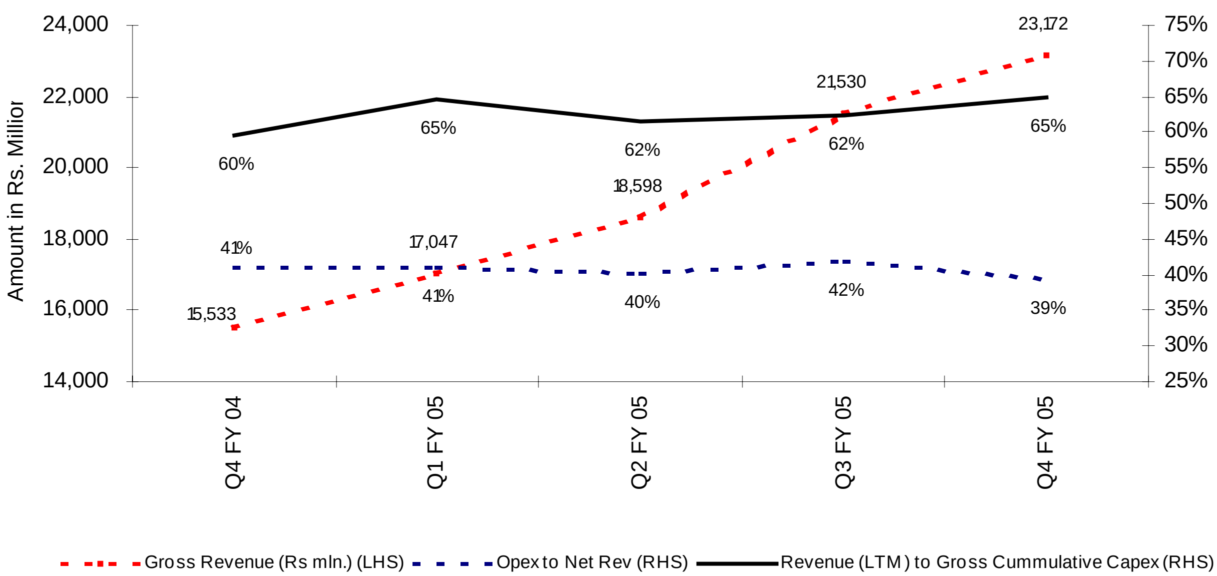
   This ratio depicts the operational efficiencies in a company/how efficiently the operations of the company are run.

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

This ration depicts the productivity of assets of the company.

The company believes that as far as the absolute revenues keeps increasing periodically, the ratio of operating expenses to net revenues stabilizes or keeps coming down and the capital productivity keeps improving, the company's financial health can be tracked.

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



**A1.4.4 Operational Performance**

| Parameters | Unit | Mar. 31, 2005 | Dec. 31, 2004 | Sep. 30, 2004 | Jun. 30, 2004 | Mar. 31, 2004 |
|---|---|---|---|---|---|---|
| **BTVL Consolidated** | | | | | | |
| Customers | No. | 11,841,542 | 10,629,815 | 9,467,127 | 8,375,946 | 7,140,939 |
| Employees | No. | 7,827 | 7,123 | 7,136 | 6,472 | 5,524 |
| | | | | | | |
| **Mobile services** | | | | | | |
| Customers | No. | 10,984,280 | 9,826,156 | 8,702,255 | 7,672,123 | 6,504,314 |
| Prepaid customers as a % of total customers | % | 76% | 75% | 77% | 78% | 79% |
| Postpaid customers as a % of total customers | | 24% | 25% | 23% | 22% | 21% |
| Bharti's GSM subscribers market share | % | 26.8% | 26.3% | 25.9% | 26.3% | 24.9% |
| Bharti's wireless subscribers market share | % | 21.2% | 20.7% | 20.4% | 20.6% | 19.5% |
| Average Revenue Per User (ARPU) | Rs | 504 | 519 | 509 | 515 | 532 |
| Post-paid Voluntary Churn | % | 1.1% | 1.3% | 1.4% | 1.4% | 1.9% |
| Post-paid Company Initiated Churn | % | 3.2% | 2.5% | 2.2% | 3.7% | 2.8% |
| Prepaid Churn | % | 6.7% | 8.5% | 8.7% | 8.2% | 8.5% |
| SMS Revenue as a % of total revenues | % | 6.3% | 5.8% | 5.8% | 4.6% | 3.9% |
| Total number of employees | No. | 4,823 | 4,633 | 4,759 | 4,258 | 3,348 |
| | | | | | | |
| **Non Mobile Services** | | | | | | |
| Broadband & Telephony Customers | No. | 857,262 | 803,659 | 764,872 | 703,823 | 636,625 |
| Average Revenue Per User (ARPU) | No. | 1,231 | 1,238 | 1,256 | 1,184 | 1,225 |
| Total number of employees | No. | 2,807 | 2,294 | 2,186 | 2,041 | 2,031 |

## A1.5 Key Accounting Policies

### 1. Joint Ventures

The Group's interest in jointly controlled entities where it does not have full control is accounted for by the equity method of accounting and are initially recognized at cost. Under this method the Company's share of the post-acquisition profits or losses of joint venture is recognised in the income statement and its share of post-acquisition movements in equity is recognised in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in joint venture includes goodwill identified on acquisition (refer note 4 below).

### 2. Accounts Receivables

Receivables are stated at cost less provision for impairment. A provision for impairment of receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Provision for impairment of receivables is made for 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 deposits or in specific cases where management is of the view that the amounts are recoverable.

Provision for impairment of receivables, in case of Other Telecom Operators on account of their International Long Distance (ILD) traffic and on account of Interconnect Usage Charges (IUC), is made for dues outstanding for more than 120 days from the date of billing or in specific cases where management is of the view that the amounts are recoverable. The provision is netted off against any amount payable to that operator.

The carrying amount of net accounts receivable approximates the present value of the expected cash flows.

### 3. Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment loss, if any. All direct costs relating to the acquisition and installation of property, plant and equipment are capitalized. Site restoration cost obligations are capitalized based on a constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Depreciation is calculated on a straight–line method so as to write off items of property, plant and equipment over their estimated useful lives 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 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

### 4. Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investments in each circle/segment of operation by each primary reporting segment (refer note 7 below).

Amortization of Goodwill is disclosed as part of "Depreciation and Amortization" in the Statement of Income. With effect from the April 1, 2004, the group adopted "IFRS 3", which prohibits amortisation of goodwill and are required to be tested for impairment.

### 5. Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Indian Rupees at the closing rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at rates ruling on the transaction dates. The translation differences are accounted for in the profit and loss account.

### 6. Capital leases

**Lessee accounting**

Assets acquired on lease, which transfer risks and rewards of ownership to the Group are capitalized as an asset at either the lower of the fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair values of such assets. Amortization of capitalized leased assets is computed on the straight-line method over the useful life of the asset. Lease rentals payable are apportioned between principal and interest using the lower of internal rate of return or the incremental borrowing rate.

**Lessor accounting**

The present value of the lease payments is recognised as a receivable for assets leased out under a finance lease. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. The lease income is recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return.

**7. Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**8. Revenue recognition**

**i. Service revenues**

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

Service revenues are recognized as the services are rendered and are stated net of discounts and taxes. Revenues from pre-paid cards are recognized based on the actual usage. Activation revenue and related activation costs, not exceeding the activation revenue, are deferred and amortized over the expected life of the customer. Excess of activation costs over activation revenue, if any, is expensed as incurred.

Service revenues from the internet and VSAT business comprise revenues from registration, installation and provision of internet and satellite services. Registration fee is recognized at the time of dispatch and invoicing of start up kits. Installation charges are recognized as revenue on satisfactory installation of hardware and service revenue is recognized from the date of satisfactory installation of equipment and software at the customer site and provisioning of internet and satellite services. Revenue from prepaid dialup packs is recognized on the actual usage basis and is net of sales returns and discounts.

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

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

Unbilled receivables represent revenues recognized in respect of cellular, access and national long distance services provided from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

Unearned revenue includes unused amounts of revenue billed in respect of pre-paid cards. The related services/billing are expected to be performed within the next operating cycle.

**ii. Equipment sales**

Equipment sales consist primarily of revenues from sale of VSAT equipment (hardware) and sim cards, access service handsets and related accessories to subscribers. Equipment sales other than sim cards are recognized at the time when significant risks and rewards of ownership of the goods are transferred to the buyer. Sim card sales are treated as activation revenue and are deferred and amortized over the expected life of the customer.

**9. License Fees**

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

License fee costs incurred by the Group under the old license fee regime until the date of migration to the NTP, i.e. July 31, 1999, and revenue-share fee from the date of migration are expensed as incurred. However, Company's share of licenses acquired under business combinations arising after applicability of NTP 1999, have been accounted for at their respective fair values and are amortized on a straight-line basis over the period of the license from the date of acquisition of respective circles. Amortization of Licenses is disclosed as part of "Depreciation and Amortization" in the Statement of Income.

**Licenses signed under NTP 1999**

License agreements signed/awarded post March 31, 2001, under NTP 1999, stipulate the payment of one time fee termed as 'license entry fee' to obtain the right to operate services and annual usage charge on the basis of the percentage of revenues i.e. 'revenue share'.

License entry fee has been recognized as an intangible asset and is measured initially at cost. After initial recognition, license entry fee is measured at cost less accumulated amortization and any other impairment losses. License entry fee is amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles. Amortization of License Entry Fee is disclosed as part of "Depreciation and Amortization" in the Statement of Income. The revenue-share fee is computed on the basis of AGR and is expensed as incurred.

**10. Other intangible assets**

Other intangible assets comprise of Enterprise Resource Planning software, Bandwidth capacities, Brand, Customer Relationships and Distribution Network. Brands, Customer Relationships and Distribution Network are capitalized at the Company's share of respective fair values on the date of respective acquisitions. Brands are amortized on a straight-line basis over the period of expected benefit, not exceeding the life of the license and are written off on the launch of the Company's own brands in respective circles. . Customer relationships and Distribution Network are amortized over the period of expected benefit, generally not exceeding three years. Software is capitalized at the amounts paid for acquiring the licence for use and are amortised over the period of such licence. Bandwidth capacities are capitalized at the amounts paid for acquiring the capacities and are amortised over the period of the agreement subject to maximum of 15 years. Amortization of intangible assets is disclosed as part of "Depreciation and Amortization" in the Statement of Income.

**11. Income Taxes**

The income-tax charge is based on the profit/loss for the year or a part thereof and includes deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income-tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years or parts thereof in which those temporary differences are expected to be recovered or settled and based on tax rates enacted or substantially enacted by the balance sheet date. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets.

**12. Pre-operative costs**

The pre-operating costs represent certain marketing and administrative expenses incurred prior to the commencement of commercial operations of the new licenses. These costs, identified specifically for each of the new licenses, are expensed as incurred in the books of account as they are not directly related to the construction of the network and are separately disclosed in the income statement.

**13. Derivative Financial instruments**

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are re-measured at their fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

The fair value of the derivative instruments – the interest rate swaps and the foreign currency swaps is determined on the basis of quotes from dealers / banks. The fair value of embedded derivatives is determined on the basis of valuation report obtained from foreign currency consultants / computation made by the company.

**14. Asset Retirement Obligation**

The company provides for the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the cost is capitalised by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, the obligation is settled at its recorded amount or incurs a gain or loss upon settlement.

### A1.6 Consolidated Profit & Loss Statement as per Indian GAAP

*Rs million*

| Particulars | Qtr ended March 31, 2005 Unaudited | Year Ended March 31, 2005 Unaudited |
|---|---|---|
| **Total Income** | 23,326 | 81,544 |
| Operating profit before finance income and expenses, depreciation, amortisation, preoperative expenditure, charity and donation, significantly non recurring items and taxation | 9,272 | 30,663 |
| Finance expenses (net) | 525 | 2,439 |
| Depreciation | 3,121 | 10,441 |
| Amortisation | 517 | 2,066 |
| Preoperative Expenditure Written off | 92 | 474 |
| Charity & Donation | 12 | 31 |
| Profit Before tax | 5,004 | 15,211 |
| Tax Expenses/ (Income) | 331 | 1,971 |
| Profit After Tax | 4,673 | 13,240 |
| Minority Interest | 91 | 156 |
| Profit for the period | 4,583 | 13,084 |

### A1.7 Summary of differences in Net Profit/(loss) between IGAAP and IFRS

*Rs million*

| Particulars | Quarter ended March 31, 2005 | Year Ended March 31, 2005 |
|---|---|---|
| **Net profit / (loss) as per IFRS** | **4,368** | **14,393** |
| **Add: Differences on account of:** | | |
| Deferred Tax expense | 112 | (48) |
| Differences in accounting for finance charges | 313 | (125) |
| Differential depreciation provided in IGAAP due to forex fluctuations not considered in IFRS. | 60 | 130 |
| Difference in revenue recognition | 56 | 109 |
| Remeasurement of financial instruments as per IFRS 39 not applicable in per IGAAP | 43 | (6) |
| **Less: Differences on account of:** | | |
| Minority Interest and loss of Joint Venture | 3 | (81) |
| Amortisation of Goodwill | 219 | 857 |
| License fee amortisation | 148 | 594 |
| **Net profit/(loss) as per Indian GAAP** | **4,583** | **13,084** |

## G1 GLOSSARY

**Technical and Industry Terms**

| **Company Related** | |
|---|---|
| ARPU (for Mobile and Broadband & Telephone services) | Average Revenue per customer per month is computed by: dividing the total revenues, excluding equipment sales and the connection fees, during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. |
| Asset Turnover | Asset Turnover is defined as total revenues, for last 12 months from the end of the relevant period, divided by average assets during last 12 months from the end of relevant period. Asset is defined as the sum of non current assets and net current assets. Net current assets means current assets minus current liabilities. Average Assets is calculated by considering average of quarterly average for last 4 four quarters from the end of the relevant period. |
| Access and Interconnect Charges / Total Revenues | Access and interconnect charges for the relevant period divided by total revenues for the relevant period. |
| Average Customers | Average customers are derived by computing the average of the monthly average customers for the relevant period. |
| Book Value Per Equity Share | Total stockholder's equity as at the end of the relevant period divided by issued, subscribed and fully paid equity shares as at the end of the relevant period. |
| Capital Employed | Capital Employed is defined as sum of stockholder's equity and net debt. |
| Cash Profit From Operations | It is not an IFRS GAAP measure and is computed as operating income adjusted for other income, depreciation & amortization, pre-operative costs, donations and finance cost (net). |
| Cash Profit From Operations / Total revenues | Cash profit from operations for the relevant period divided by Total revenues for the relevant period. |
| Churn | Churn is calculated by dividing the monthly total number of disconnections during the relevant period by the average monthly total reported customer base during the relevant period; and dividing the result by the number of months in the relevant period. Postpaid churn has been subdivided into:<br>a) Voluntary: indicating the number of subscribers who opt out of the network at their own behest<br>b) Company initiated churn: indicating the number of subscribers whose churn is initiated by the company due to reasons of non payment, non usage etc. |
| Earnings (Loss) Before Taxation / Total Revenues | Earnings (loss) before taxation for the relevant period divided by Total revenues for the relevant period. |
| EBITDA | EBITDA represents Earnings/(loss) before Depreciation, Pre-operating costs, Amortization, donations, writedown of property plant & equipment, Interest and Taxation. {It is not an IFRS GAAP measure} and is computed as operating income minus other income plus depreciation & amortization, pre-operative costs, donations, write down of property, plant & equipments and IT capex charge. |
| EBITDA Margin or EBITDA / Revenue | EBITDA for the relevant period divided by total revenues for the relevant period. |
| EBIT | EBIT represents Earnings / (Loss) before Interest and Taxation for the relevant period. |
| Existing Mobile Operations / Circles | Existing mobile operations/circles comprises of 16 mobile circles operational as on June 30, 2004. The circles include Delhi & NCR, Chennai, Kolkata, Andhra Pradesh, Karnataka, Himachal Pradesh, Punjab, Haryana, Uttar Pradesh (West) & Uttranchal, Madhya Pradesh & Chattisgarh, Tamil Nadu & Pondichery, Kerala, Gujarat, Maharashtra & Goa, Mumbai and Rajasthan. |
| Broadband & Telephony Customers Per Employee | Number of Broadband & Telephony customers on our networks as at end of the relevant period divided by number of employees in the Broadband & Telephone segment as at end of the relevant period. |
| Interest Coverage Ratio | EBITDA for the relevant period divided by interest on borrowing for the relevant period. |
| Licence Fee / Total Revenues | Licence fee for the relevant period divided by total revenues for the relevant period. |
| Market Capitalization | Number of issued, subscribed and fully paid up equity shares as at end of April 27, 2005 multiplied by closing market price (BSE); as at end of April 27, 2005. |
| MoU/Sub/Month | Minutes of Usage. Duration in minutes for which a customer uses the network. It is typically expressed over a period of one month. |

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| | An average minutes of usage per subscriber per month is calculated by: dividing the total minutes of usage (both incoming & outgoing) during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. |
| Mobile Customers Per Employee | Number of mobile customers on our networks as at end of the relevant period divided by number of employees in the mobile segment; as at end of the relevant period. |
| Net Debt | {It is not an IFRS GAAP measure} and is defined as the long-term debt, net of current portion plus current portion of long-term debt plus short-term borrowings minus cash and cash equivalents and marketable securities at the end of the relevant period. |
| Net Debt to EBITDA | Net Debt to EBITDA is defined as net debt as at the end of the relevant period divided by EBITDA for last 12 months from the end of the relevant period. |
| Net Debt to Stockholder's Equity | Net Debt to stockholder's equity is defined as net debt as at the end of the relevant period divided by stockholder's equity as at the end of the relevant period. |
| Net Debt to Market Capitalisation | Net Debt to Market capitalisation is defined as net debt divided by the market capitalisation. |
| Net Profit/ (Loss) Margin or Net Profit / (Loss) / Total Revenues | Net Profit / (loss) for the relevant period divided by total revenues for the relevant period. |
| Net Profit/ (Loss) Per Common Share | Net Profit/ (loss) per common share is computed by dividing net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. |
| Net Profit/ (Loss) Per Diluted Share | The calculation of Net Profit/ (loss) per diluted share adjusts net profit or loss and the weighted average number of ordinary shares outstanding, to give effect to all dilutive potential ordinary shares that were outstanding during the year<br>Net profit or loss attributable to ordinary shareholders is adjusted for the after-tax effect of the following: (1) dividends on potential ordinary shares (for example, dilutive convertible preferred shares); (2) interest recognised on potential ordinary shares (for example, dilutive convertible debt); and (3) any other changes in income or expense resulting from the conversion of dilutive potential ordinary shares (e.g., an entity's contribution to its non-discretionary employee profit-sharing plan may be revised based on changes in net profit due to the effects of items discussed above). |
| Net Revenues | {It is not an IFRS GAAP measure} and is defined as total revenues minus access and interconnection costs for the relevant period. |
| New Mobile Operations / Circles | New mobile operations/circles comprises of circles launched after June 30, 2004. The circles include Uttar Pradesh (East) circle, West Bengal, Jammu & Kashmir, Bihar, Orissa, Assam and North East. |
| Post-Paid Services | The provision of mobile services, wherein the subscribers pay for usage including airtime, rental value added services, access and interconnection charges and any other applicable charges at the end of the billing period |
| Pre-Paid Services | The provision of mobile services wherein subscribers pay a fixed amount, which is valid for a certain period, for usage including airtime, value added services, access and interconnection charges and any other applicable charges prior to commencement of service. |
| Return On Capital Employed | Return on Capital Employed is computed by dividing the sum of net profit / (loss) & net finance cost for last 12 months from the end of the relevant period by average Capital employed. Average Capital employed is calculated by considering average of quarterly average for last 4 four quarters from the end of the relevant period. |
| Return On Stockholder's Equity | Net profit / (Loss) for last 12 months from the end of the relevant period divided by average Stockholder's equity for last 12 months. Average Stockholder's equity is calculated by considering average of quarterly average for last 4 four quarters from the end of the relevant period. |
| Total Operating Expenses / Total Revenues | Total operative expenses for the relevant period divided by total revenues for the relevant period. |
| Total Operating Expenses | It is not an IFRS GAAP measure and is defined as sum of equipment costs, employee costs and other costs for the relevant period. |

| Regulatory | |
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| ADC | Access Deficit Charges |
| AGR | Adjusted Gross Revenues. Used for computing the License Fees and WPC charges payable by an Access Provider and have been provisionally defined as gross revenue of the Access Provider net of access charges actually paid to other telecom service providers, roaming revenues passed on to other telecom service providers and service tax and sales tax actually paid to the Government, if the same had been included in the Gross Income. |
| AUSPI | Association of Unified Telecom Service Providers of India. |
| COAI | The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non - profit, non - governmental society dedicated to the advancement of communication in India, in particular of modern communication through Cellular Mobile Telephone Services.<br>The main objective of the COAI is to protect, promote and upgrade cellular operations in India and also to look after the common and collective interests of its members. |
| DoT | Department of Telecommunications. The DoT is a department under the Ministry of Telecommunications, Government of India. The Department of Telecommunications is responsible for the policy formulation, licensing, wireless spectrum management etc.. The department allocates frequency and manages radio communications in close coordination with the International bodies and is responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country. |
| QoS | Quality of Service. Quality of service is the main indicator of the performance of a telephone network and of the degree to which the network conforms to the stipulated norms. The subscriber's perception of the Quality of Service (QOS) is determined by a number of performance factors. |
| TRAI | Telecom Regulatory Authority of India. TRAI is a statutory body established under the Telecom Regulatory Authority of India Act, 1997 in January 1997, as an autonomous body with quasi-judicial powers to regulate telecommunication services in India. |

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

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