

Building Telecom Building India



bharti

Bharti Tele-Ventures Limited

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GROWTH OVER THE YEARS

	UNIT	Year Ended March 31,				
		1999	2000	2001	2002	2003
Total Customer Base (Mobile and Fixed Line)	Nos (000's)	134	350	702	1,515	3,443
Mobile						
Number of circles operational	Nos	2	4	5	7	15
Number of customers	Nos (000's)	122	283	595	1,351	3,071
Total market share of all India customers	%	10.0%	15.0%	17.0%	21.0%	24.2%
Percentage of all India population covered in licensed areas	%	2%	14%	15%	58%	58%
Percentage of all India area covered in licensed areas	%	2%	16%	16%	56%	56%
Percentage of all India mobile customers in licensed areas	%	18%	30%	31%	93%	91%
Fixed line						
Number of circles operational	Nos	1	1	1	3	6*
Number of customers	Nos (000's)	12	67	107	164	372
Consolidated financials as per International Accounting Standards						
Revenue	INR Mn.	2,449	4,481	8,481	14,862	30,500
EBITDA	INR Mn.	35	856	1,930	3,993	7,593
Cash profit from operations	INR Mn.	(135)	224	971	3,088	4,929
Total funded equity	INR Mn.	-	5,344	21,285	51,795	51,734
Consolidated financials as per International Accounting Standards						
Revenue	US\$ Mn.	51	94	177	310	642
EBITDA	US\$ Mn.	1	18	40	83	160
Cash profit from operations	US\$ Mn.	(3)	5	20	64	104
Total funded equity	US\$ Mn.	-	112	444	1,081	1,088
Ratio						
Net Debt to funded equity ratio	Times	-	1.00	0.13	0.28	0.61
Exchange Rates	Rs = US\$ 1	47.90	47.90	47.90	47.90	47.53

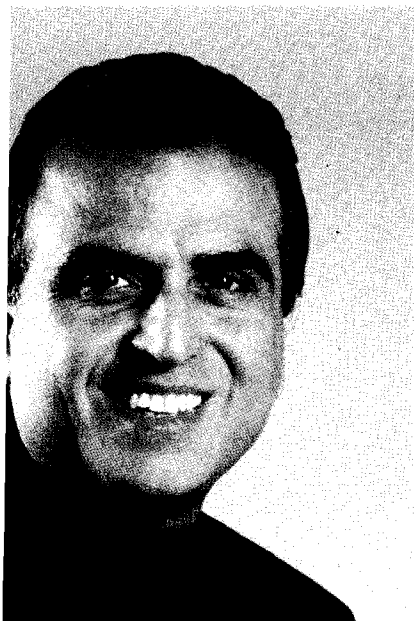
Notes:

* We have been operating fixed line services in Madhya Pradesh since 1998. It was divided into two circles (under the same license) in 2002. Our four new circles of operation are Delhi, Haryana, Karnataka and Tamil Nadu.

Financials over the years are as per International Accounting Standards. For consolidated accounts as per 'generally accepted accounting principles' in India, for period ended March 31, 2002 and March 31, 2003, please refer to the consolidated Bharti Tele-Ventures section of this report.

CHAIRMAN'S MESSAGE

Building Telecom Building India



Eight years ago, Bharti launched its first mobile service in Delhi. The success of this venture inspired us to expand our footprint and thus began our telecom journey. Since 1995 till date we have established twenty-four successful telecom projects. Sixteen of these projects were launched between December 2001 and August 2002. Consequently, we have established a full-service telecom company, which offers mobile, fixed line, long distance and data services. It is thus with great pride, that I present to you a report on India's largest private telecom service provider Bharti Tele-Ventures.

INDIA

The economic sentiment in India is very buoyant. Experts are forecasting a healthy performance for the country's economy in the current fiscal. This is bound to impact the entire economy - agriculture, industry and services.

The Government has undertaken several measures to increase disposable incomes of its citizens. This together with easy access to retail credit has boosted consumption demand in the country. Accordingly, the Service sector has emerged as a key driver for urban and semi-urban prosperity. In India, the share of Services to GDP is nearly 50%. An increase in Service related economic activity has a direct effect on the communication needs of a nation. This is being clearly reflected on the rising activity and interest in the telecommunications industry in India.

INDIAN TELECOMMUNICATIONS

Today in India, telecommunications is progressing at an admirable speed. The Indian telecommunications industry has had very robust growth in the last five years and has become one of the showcase success stories of economic reforms and privatization policies of the Indian Government. The mobile sector in particular, with over 80% CAGR over this period, has the highest growth anywhere in the world amongst evolving markets.

The industry has been nurtured with appropriate and timely regulatory intervention. The Regulator has effectively worked around evolving technologies, a large number of players and changing customer needs. Regulations are being streamlined to serve both the role of the Administration seeking to ensure quality of service and effective competition, and the varying needs of other Stakeholders, including the incumbent, competitors and consumers.

During the fiscal year 2003, an interconnect usage charge and a free mobile incoming regime, was introduced for the first time in India. This new interconnect regime has attempted to bring about a level playing field while trying to put an end to predatory and discriminatory practices. While some anomalies still exist, I have complete confidence that the regulator, who is already in the process of reviewing certain aspects of this IUC, would soon remove them.

These developments are leading to improved value propositions and quality of service to customers across all services. The free incoming regime together with increased competition has increased affordability of the retail consumer. This in turn has increased the minutes carried across networks leading to improved returns and margins in the industry.

The ongoing growth seen in the telecom sector and the healthy state of the economy would, no doubt lead to further acceleration of this growth. I believe that the market has a potential to reach a 100 million mobile customers in the coming few years. However, this would require large investments in the infrastructure to support the huge customer base. It would thus be imperative that the Government takes urgent steps to pave the way for further investment in the sector by rationalizing the Foreign Direct Investment norms to attract FDI investments and to ease the conditions for this sector relating to External Commercial Borrowings.

THE COMPANY'S PERFORMANCE

The year 2003 will remain an important landmark for Bharti Tele-Ventures. During this year we established ourselves as a leading player in Indian telecom. We have managed to effectively demonstrate our agility in being sensitive to external forces, translating all these to our benefit.

At the beginning of the year, the market was under the belief that with the increasing competition, Bharti would begin to struggle. The strategy adopted by us has enabled us to deliver otherwise. We kept things in perspective and did not overreact to competitive threats. The dexterity with which we acted at the opportune time enabled us to remain leaders in the sector. While new entrants were able to eat into the share of other GSM players, we were the only private player who indeed increased its share during these last twelve months. As on August 31, 2003 we had a 25% share of the GSM market.

During the year, we developed a strong organization for anticipating, analyzing and responding to regulatory and commercial moves. In the course of establishing our pan-India footprint, we have understood the need to be customer savvy while simultaneously keeping a tight watch on our cost structures. While we have ensured that adequate resources are spent in becoming more intimate with the customer through various branding, promotional and research activities, we have also been able to reap the benefit of our large size in deriving economies of scale in our operations.

Our revenues during the year have doubled at Rs 30,554 million. In fact during the last two quarters not only have we started registering quarterly revenues of over Rs 10 billion, we are also being able to translate these into significant operating profits.

Our annualized cash profit from operations for the latest quarter is nearly Rs 10 billion. Moreover we are delivering quarterly net profits from the last two quarters, much ahead of market expectations. Thus we are starting to see returns on the large investment of Rs 100 billion that our shareholders have made in the Indian telecom industry. During the year we were able to arrange one of the largest international funding that India has seen in recent times.

Our stellar performance has taken our Company amongst the top Corporates in India in terms of scale and size. Today we have a market capitalization which places us amongst the top 15 listed companies in India.

RESTRUCTURING

During this time we undertook restructuring activities to merge our businesses into two main streams - the Mobility Group and the Infotel Group. The restructuring was in response to the rapidly changing business needs. All mobile operations were put under Bharti Cellular, while the fixed line, long distance and data businesses were put under the Infotel umbrella. During the year we also bought back Telia's 26% stake in the Karnataka, Andhra Pradesh and Punjab mobile operations. Thus our focus was on creating a simpler structure in order to unlock additional value for our stakeholders and us.

CORPORATE GOVERNANCE

Corporate governance is a passion at Bharti. We have started several revolutionary corporate governance practices this year. The most notable of these is in the Investor relation's front. In the capacity of the Chairman of the Group, I have commenced the practice of personally certifying the authenticity of our quarterly earnings reports before issuing it to the investor community. We at

Bharti maintain the highest ethical standards in internal and external relationships to maximize our success and pride ourselves on being one of the most transparent organizations in the country.

It is with this market standing that we are viewed as a very credible company by investors and lenders. In this regard, a rare distinction that has been placed upon us within the very first year of our public listing is that of being ranked second best in investor relations & third best in corporate governance amongst all listed companies in India. We are committed to work towards enhancing our shareholders value through efficient operations and highest corporate governance.

IN CONCLUSION

Providing world-class telecommunications services has been the core of our existence and will continue to be so in the future. I must admit that the challenge ahead of us is to satisfy the demands of increasingly sophisticated customers. We have seen the power of the Bharti brand to influence consumer decisions in all our operations and businesses. I am proud to say that we have built a brand, which inspires customer loyalty.

ACKNOWLEDGMENTS

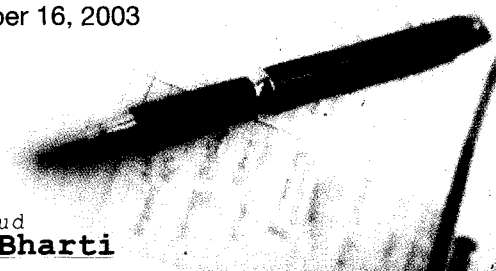
I would like to take this opportunity to express my gratitude to all the employees for the dynamism they have shown in carrying forward Bharti's mission of equitable growth to new heights in the year under review. I would also like to thank the Government of India, TRAI, our various partners, shareholders, lenders and other associates working with us for their support and cooperation at all times.

The management of Bharti Tele-Ventures is committed to building the shareholders value. We are focused on achieving strong growth in revenues, margins and capital productivity. Together we look forward to sharing the benefits of more successes in the years to come with you.

Sunil Bharti Mittal

New Delhi
September 16, 2003

I'm proud
to be a **Bharti**





Sunil Bharti Mittal,
Chairman & Managing Director

A graduate from Punjab University, he has done the 'Owner/President Management Programme' from Harvard University. Founder of Bharti Enterprises, he is the past president and chairman of various telecom industry associations.

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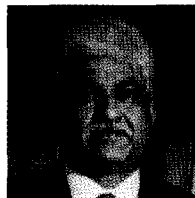
B O A R D O F

Rajan Bharti Mittal,
Joint Managing Director.

A graduate from Punjab University, he has over 20 years of experience in the industry. He is the Chairman of FICCI Telecom Committee as well as PHDCCI Telecom Committee.

**Rakesh Bharti Mittal,**
Non-Executive Director.

An Electronics Engineer from YMCA Institute of Engineering, with over 26 years of industry experience. A member of the apex National Council of the Confederation of Indian Industry (CII), he heads several educational and cultural associations.

**Akhil Gupta,***Joint Managing Director.*

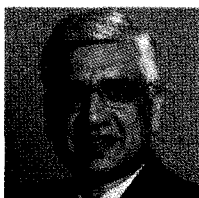
A Commerce graduate and Chartered Accountant, he has done 'Advanced Management Programme' from Harvard Business School (Boston). He has over 20 years of experience in the Electronic and Telecom Industry.

**Bashir Abdulla Currimjee,**
Independent Non-Executive Director.

A graduate from Tufts University, USA, he has done the 'Owner/President Management Programme' from Harvard Business School. He is Chairman of Currimjee Group, Mauritius' one of the largest commercial business groups, which operates in areas like telecommunications, energy, financial services and trading activities.

**Dalip Pathak,***Independent Non-Executive Director.*

He has been with Warburg Pincus since 1994. Presently he manages its London office and is responsible for investment activities in Europe and India. He holds an MBA degree from Wharton School, University of Pennsylvania, USA.

**Lim Toon,***Non-Executive Director.*

He has an Honors degree in Engineering from 'University of Canterbury'. Presently, Chief Operating Officer of SingTel, he is responsible for synergising the operations of the SingTel Group including SingTel, Optus and the associated Companies. Has over 30 years of experience.



I R E C T O R S

Pulak Chandan Prasad,
Independent Non-Executive Director.

An Engineer from IIT, Delhi, he has a post-graduate diploma in management from IIM, Ahmedabad. At present, he is the Managing Director and co-head of the Singapore Office covering South and South East Asian Operations.

**Lung Chien Ping,***Independent Non-Executive Director.*

He retired from Singapore Telecom in 2002 after over 35 years of service with the company. His last position was as the Vice President responsible for the operations of SingTel's overseas ventures. He graduated from the University of Singapore in Electrical Engineering.

**Paul O'Sullivan,***Non-Executive Director.*

A graduate of the Harvard Business School's Advanced Management Programme, he is the Chief Operating Officer for Optus and manages its four trading divisions of Mobile, Consumer, Business and Wholesale/Satellite as well as the Networks, IT and Brand functions

**Chua Sock Koong,***Non-Executive Director.*

Chua Sock Koong is the Chief Financial Officer of SingTel with overall responsibility for all financial functions of SingTel. A certified Public Accountant in Singapore and a Chartered Financial Analyst, she graduated from the University of Singapore (now called the National University of Singapore)

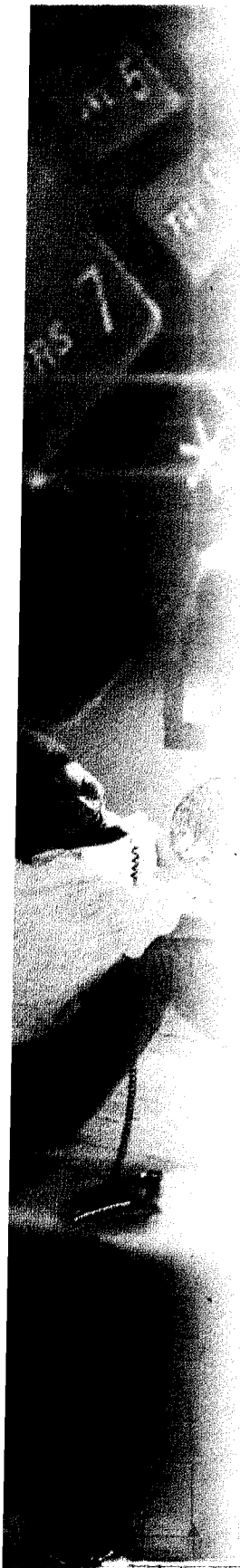
**N. Kumar,***Independent Non-Executive Director.*

An Engineer in Electronics and Communications, he is the Vice Chairman of the Sanmar Group of companies with operations in Chlorochemicals, specialty chemicals, engineering, life insurance, shipping and software.

**Donald Cameron,***Independent Non-Executive Director.*

He is a Chemical Engineer. He has a Masters in Economics and Administration in Petroleum Industry from Loughborough University, UK. Has over 32 years of experience in the petroleum and telecommunications industry.





It's about an energised team. It's about initiatives that build the future. It's about strengthening resolves to manage change. It's about speed of response by getting there first. It's about working together as one. Reaching out. Touching. Communicating. Building telecom. Building partnerships. Building India.

O U R V A L U E S

PERFORMANCE CULTURE

"We benchmark our process and performance against world-class standards. We distinguish between performers and non-performers by valuing achievement at the individual as well as the team level. Ours is a culture of inclusivity where feedback, learning and ideas are actively encouraged, sought and acted upon."

ETHICAL PRACTICES

"We will uphold the highest ethical standards in all internal and external relationship. We will not allow misuse or misrepresentation of any kind."

CUSTOMER FIRST

"We are committed to delivering service beyond the expectations of the customer. Our quality of customer responsiveness clearly differentiates us from others."