

RID	✓		BKL	✓
CS	✓		DPY	NA
RO	✓		DMV	✓
TRA	NA		CC	✓
AGM	✓	✓		✓
YB	✓	✓		✓



BHARTI
TELECOM

Annual Report 1996 - 97

BHARTI TELECOM LIMITED**BOARD OF DIRECTORS****CHAIRMAN**

Shri Sunil B Mittal

MANAGING DIRECTOR

Shri Rakesh B Mittal

JOINT MANAGING DIRECTOR

Shri Rajan B Mittal

DIRECTORS

Shri K.C. Mehra

Shri Akhil Gupta

Shri K.L. Jain

Shri V.N. Koura

Shri Salil Kapur

Shri S. Ratnam

Shri G.K. Agarwal

SECRETARY

Shri Sudhir Khullar

AUDITORS

M/s. J.C. Bhalla & Co.

BANKERS

State Bank of India

Bank of Baroda

The Vysya Bank Ltd.

The Sanwa Bank Ltd.

CORPORATE OFFICE

Qutab Ambience,

(Near Qutab Minar)

H-5/12, Ward No.1,

Mehrauli Road,

New Delhi - 110 030.

REGISTERED OFFICE

Plot No.4, Udyog Vihar,

Phase-I, Dundaheera,

Gurgaon, Haryana - 122 016.

Contents

<i>Chairman's Review</i>	2-3
<i>Notice</i>	4-5
<i>Directors' Report</i>	6-9
<i>Auditors' Report</i>	10-11
<i>Balance Sheet</i>	12
<i>Profit and Loss Account</i>	13
<i>Schedule forming part of Accounts</i>	14-24
<i>Cash Flow Statement</i>	25

SUBSIDIARY COMPANIES :

<i>Bharti Televentures Limited</i>	26-35
<i>Bharti Cellular Limited</i>	36-48
<i>Bharti Telenet Limited</i>	49-58
<i>Goa Telecommunications and Systems Limited</i>	59-69



Chairman's Review

India is celebrating the Golden Jubilee of her Independence. Our accomplishments, as a nation during the past 50 years have been quite remarkable. Liberalisation of the Indian economy has perhaps been the most significant milestone in this period, especially the opening up of the telecom sector. 'Telecommunications' has often been described as the life line of the nation's economy and has a key role in the economic development of the Country.

Bharti Enterprises, which has served the nation over a period of two decades, has been fortunate to spearhead the telecom revolution in India since 1984 by having number of 'firsts' to its credit - the first push button telephone in 1984, first cordless phone in 1990, first Indian manufacturer to export telephone sets in 1992, first mobile telephone service in Delhi in 1995 and now the first private operator for basic telephone service in the Country.

Speedy implementation of new projects and the quick response time to the needs of the consumer have become the major strength of Bharti Enterprises. Bharti Telecom, the flagship Company is now increasingly being recognised as a leading player in the fast growing Telecom Sector in India. There have been some significant developments during the year which have contributed towards Bharti's leadership in the Telecom sector.

Bharti Telenet Limited, a Group Company, became the first private sector Company to sign the licence agreement with the Government of India for the provision of basic telecom services. Implementation of the project for provision of basic services in Madhya Pradesh is under way and the operation of this service is expected to commence before the end of 1997. Prestigious contracts worth Rs. 650 Crores for supply of equipment and project consultancy services have been signed with renowned parties like Alcatel, Motorola, AT&T, Finolex, Optel, Punj Lloyd and L&T. Bharti Telenet also became the first Company to launch cellular services among the circle licensees and commenced cellular operations in Himachal Pradesh during the year. In its second year of operation, Bharti Cellular Limited maintained its presence as the country's

leading mobile cellular operator with the subscriber base having crossed the 1,00,000 mark. To meet the needs of a rapidly expanding market, the Company has undertaken significant investments in a second switching centre, laying of fibre optic cables and installation of additional sites.

Bharti continues to build on its strengths through a policy of strategic alliances with the international telecom majors. STET of Italy have a 20% stake in Bharti Tele-Ventures Limited and over 30% equity investment in Bharti Telenet. During the year British Telecom took up a 22.5% equity share in Bharti Cellular, an event which gives us access to world class resources in Cellular Telephony. Bharti Duraline was formed as a 50:50 joint venture between Bharti Telecom and Duraline Inc., USA for the manufacture of Silicore coated HDPE ducts for fibre optic cables.

We have recently announced the proposed participation in a 50:50 joint venture with British Telecom giving Bharti an entry into the VSAT (Very Small Aperture Terminal) based satellite communications.

On the manufacturing side, Bharti remains the largest manufacturer of telephones in India. With the establishment of a Centre for Excellence in Gurgaon, comprising research, design and Surface Mount facilities we shall have access to the latest technology which will enable Bharti not only to be increasingly competitive but also to gradually increase its capacity upto 5 Million telephones by the turn of this century. The other joint ventures namely Siemens Telecom Limited for marketing of consumer telecom products and Casio Bharti Mobile Communications Limited (CBMCL) for marketing and manufacture of radio pagers have continued to stabilise their operations and increase their market shares. Goa Telecommunications & Systems Ltd. (GTEL), a wholly owned subsidiary, which had significantly improved business this year will also start manufacturing telephone sets.

Having established an early entry and lead in the rapidly expanding telecom sector in the Country, we see the period ahead as one of consolidation for the group, the results of which should be satisfying and rewarding for the shareholders in the years to come.



Sunil B. Mittal

BHARTI TELECOM LIMITED**NOTICE OF THE ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of Bharti Telecom Limited will be held on Monday, the 29th day of September, 1997 at 11.00 AM at Community Centre, Sector 4, Gurgaon-122 001 (Haryana) to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 1997, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Akhil Gupta, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.K.L. Jain, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. V.N. Koura, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

M/s. J.C. Bhalla & Company, Chartered Accountants, Statutory Auditors of the Company, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

RESOLVED that pursuant to Section 228 of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to appoint any person or persons qualified for appointment as Auditor or Auditors of the Company under Section 226 of the Companies Act, 1956 to audit the accounts for the financial year 1997-98 of the Company's Branch Offices and to fix their remuneration (which in the case of the Company's Statutory Auditors shall be in addition to their remuneration as the Company's Auditors) and the terms and conditions on which they shall carry out the audits.

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

RESOLVED that pursuant to provisions of section 198 and 269 read with Schedule XIII and Section 309, 310 and 311 of the Companies Act, 1956 and subject to such approvals as may be required, Mr. G.K. Agarwal, Director of the Company be and is hereby re-appointed as Director(HRD) of the Company for a period of five years w.e.f. 15th December, 1997 at a remuneration not exceeding Rs. 20 Lakhs per annum.

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

RESOLVED that pursuant to provisions of Section 370 and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby granted to the Board of Directors of the Company to give any Guarantee or provide any Security from time to time, on behalf of other Bodies Corporate, whether or not under the same management as the Company to the extent of Rs.200 Crores on such terms and conditions as the Board of Directors may deem fit.

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

RESOLVED that pursuant to the provisions of Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to Central Government Approval, wherever required, the consent of the Company be and is hereby granted to the Board of Directors of the Company to make investment, whether by itself or together with its subsidiaries, in the Shares of any other Bodies Corporate whether or not in the same group as the Company, by way of subscription, so however that the investments to be made by the Company in the shares of other Bodies Corporate alongwith the investments already made, shall not exceed Rs.200 Crores.

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

RESOLVED that in terms of Clause 69 of the Companies Bill, 1997 and subject to all applicable provisions as may be adopted in the Companies Act in this regard and rules framed thereunder (including any Statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals and sanctions and which may be agreed to or accepted by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to acquire/purchase/buy back its Equity Shares, from its Shareholders/ Investors either from the open market or from odd lots or through negotiations or other arrangements, on such terms and conditions for such amount, in one or more tranches, from time to time and that the Board of Directors be and is hereby authorised to do all such other acts, deeds, matters and things as may be deemed necessary or considered expedient to give effect to this resolution.

12. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

RESOLVED that in term of Clause 78 of the Companies Bill, 1997 and subject to all applicable provisions as may be adopted in the Companies Act in this regard and rules framed thereunder (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such approvals, terms and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals and sanctions and which may be agreed to or accepted by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to offer, issue and allot such number of Equity Shares with differential rights as to dividend, voting or otherwise on such terms and conditions upto an over all amount of Rs. 20 Crores of face value of shares excluding share premium as may be determined by the Board of Directors of the Company subject to applicable Provisions/Guidelines, in one or more tranches, from time to time and that the Board of Directors be and is hereby authorised to do all such other acts, deeds, matters and things as may be deemed necessary or considered expedient to give effect to this resolution.

Registered Office:

Plot No.4, Phase-I,
Udyog Vihar, Dundahera,
Gurgaon (Haryana)

By Order of the Board
for **BHARTI TELECOM LIMITED**

SUDHIR KHULLAR
GM (SEC. & LEGAL)

Dated: 27th August, 1997.

BHARTI TELECOM LIMITED**NOTES:**

1. The explanatory statement sets out the materials facts in respect of the businesses under Item Nos. 7 to 12 is enclosed herewith.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll, to vote instead of himself. The proxy need not be a member of the Company. A Blank form of the proxy is enclosed and if intended to be used should be returned duly completed to the Registered Office of the Company or at its Share Department, at B-2/1 Okhla Industrial Area, Phase-II, New Delhi - 110 020 not less than forty eight hours before the scheduled time of the Annual General Meeting.
3. The Register of Members and Share Transfer books of the Company shall remain closed from Monday, the 8th day of September, 1997 to Tuesday, the 30th day of September, 1997 (both days inclusive).
4. Members are requested to intimate change, if any, in their registered address immediately to the Company at its Registered Office or at its Okhla Office.
5. Members are requested to bring their copy of Annual Report alongwith them at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 7**

As members are aware, the Company is having two of its Branch Offices at Ludhiana and Gurgaon. To enable the Directors to appoint Branch Auditors for the purpose of auditing the accounts of the Company's aforesaid Branch Offices, the necessary authorisation of the members is being obtained in accordance with the provisions of Section 228 of the Companies Act, 1956.

The Directors recommend the Resolution for your approval as Ordinary Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 8

Mr. G.K. Agarwal was appointed as Director (HRD) of the Company for two years w.e.f. 15th December, 1995. In view of his experience, knowledge and contribution to the Company it has been proposed to re-appoint him for a further period of two years.

Mr. G.K. Agarwal is an Engineering Graduate from IIT and Post Graduate in Industrial and Management Engineer from U.S.A. over 25 years of experience in various aspects of Human Resource Development in major organisations in Electronics, Manufacturing and Power Industries.

The Directors recommend the Resolution for your approval as Ordinary Resolution.

None of the Directors of the Company except Mr. G.K. Agarwal is concerned or interested in the Resolution.

Item No. 9

The Shareholders of the Company have authorised the Board of Directors to provide any Guarantee/Security on behalf of other Bodies Corporate upto an amount of Rs.125 Crores.

In view of the increasing business operations of the Company and also of its Group/Associates Companies, the Board is of the opinion that the existing authorisation of furnishing Guarantees/Securities be enhanced to Rs.200 Crores.

The Directors recommend the resolution for your approval as a Special Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 10

The Shareholders of the Company have authorised the Board of Directors to invest in the Share of other Bodies Corporate whether or not in the same group as the Company excluding its Subsidiary Companies upto an amount of Rs.100 Crores. In view of the possibility of entering into various Strategic Alliances/Joint Ventures with Equity Participation towards the over all growth/diversification of the Group/Company's existing business, the Board is of the opinion that the overall limit of the aggregate investments be enhanced to Rs.200 Crores. This requires Shareholder's approval pursuant to Section 372 of the Companies Act, 1956.

The Directors recommend the resolution for your approval as an Ordinary Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 11

With a view to enhance the Shareholders value on long term basis through maximising the Shareholders Wealth by optimising the current earnings on shares and increasing the market value of shares by way of capital appreciation, the Board is of the opinion that the Company be authorised to buy back its Equity Shares from its Investors/Shareholders either from the open market or from odd lots or through negotiations or other arrangements upto an aggregate amount of Rs.65 Crores out of its Free Reserves/Share Premium Account within such time limit as may be prescribed under the amended Companies Act and Rules thereto and on such terms and conditions as may be determined from time to time by the Board of Directors of the Company. Clause 69 of the Companies Bill 1997 recently presented in the Parliament for approval contains a provision in this regards. The resolution proposed under item no. 11 of the notice is an enabling resolution for providing adequate authority and discretion to the Board in this regard.

The Directors recommend the resolution for your approval as a Special Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 12

Clause 78 of the Companies Bill 1997 authorises the Bodies Corporate to issue Equity shares with differential rights as to dividend, voting or otherwise. With the issue of Equity Shares with differential rights, Stability of the Management of the Company is ensured. Such Shares would carry a higher dividend for those investors who are not interested in voting rights. The Board is of the opinion that the authority be granted to the Board of Directors of the Company to offer, issue and allot Equity Shares with differential rights on such terms and conditions including premium to be determined in terms of the applicable Provisions/Guidelines as laid down under the Companies Act or under any other Statute in one or more tranches upto an aggregate amount of Rs.20 Crores of face value of Equity Shares.

Clause 78 of the Companies Bill 1997 recently presented in the Parliament for approval contains a provision in this regards. The resolution proposed under item no. 12 of the notice is an enabling resolution for providing adequate authority and discretion to the Board in this regard.

The Directors recommend the resolution for your approval as a Special Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

Registered Office:

Plot No.4, Phase-I,
Udyog Vihar, Dundaheera,
Gurgaon (Haryana)

By Order of the Board
for **BHARTI TELECOM LIMITED**

SUDHIR KHULLAR

GM (SEC. & LEGAL)

Dated: 27th August, 1997.

BHARTI TELECOM LIMITED**DIRECTORS' REPORT**

The Directors have pleasure in presenting the Twelfth Annual Report and the Audited Accounts for the financial year ended 31st March, 1997.

FINANCIAL & OPERATIONAL RESULTS**FINANCIAL**

	Current Year Rs.in Millions	Previous Year Rs.in Millions
Sales & Other Income	803.48	781.82
Profit before tax	108.51	95.96
Tax	38.27	31.00
Profit after tax	70.24	64.96
Profit available for appropriation	84.15	70.15
Appropriations:		
Proposed Dividend	33.80	23.15
Provision for tax on dividend	3.38	—
General Reserve	10.00	35.00
Balance Carried to Balance Sheet	36.97	12.00
Net Worth	1142.61	716.55
Book Value per Share (Rs.)	67.61	42.40

OPERATIONAL

Telephones Produced	1,243,765	1,257,228
Telephones Sold	1,233,466	1,250,988

DIVIDEND

Your Directors are pleased to recommend a dividend outlay of 22%, inclusive of Dividend Tax on the paid up capital of the Company for the year ended 31st March, 1997. As per the Income Tax Act, the Dividend net of Dividend Tax which works out to 20%, will be tax free in the hands of Shareholders. The dividend together with dividend tax would absorb a sum of Rs. 37.18 Million as against Rs.23.15 Million during the previous year.

PERFORMANCE

The Company continues to maintain its position as the Country's leading manufacturer of telephones both in the Private and Public Sector. Production during the year was at the 1.25 Million mark and would have been much higher but for the delayed offtake from the Department of Telecommunications. In the current year the production is expected to cross 2 Million units. The Company's policy is to achieve higher volumes, increased productivity and product development to meet the challenge of increased competition and pressure on margins.

EXPORTS

The Company continues to export telecom instruments to Sprint Corporation, USA. A dedicated team has been set up to explore Global markets where countries like China offer stiff competition. In order to increase penetration into the Global market, the Company is actively participating in Global tenders, enhancing its product portfolio and identifying new customers for original equipment manufacturers.

MAJOR DEVELOPMENTS DURING THE YEAR**A. Bharti Tele-Ventures Ltd. (BTVL)**

The Company was set up as a subsidiary in partnership with STET Group of Italy for the promotion of a variety of telecom services undertaken by the Bharti Group. The net worth of the Company is

in excess of Rs.2000 Millions. BTVL holds 51% of the equity of Bharti Cellular Ltd. and Bharti Telenet Limited. During the year under review, the Company made a bonus issue by capitalisation of reserves and allotted 39.99 Million Shares to Bharti Telecom Ltd. The face value of these shares, which is way below the intrinsic value has been included in the Reserves of Bharti Telecom Ltd.

B. Bharti Cellular Ltd (Delhi Licence - Airtel)

With the rapid growth of the Cellular Market in Delhi, the Company maintains its position as the Country's leading mobile service operator with the largest subscriber base which has crossed the 100,000 mark. To meet the needs of the rapidly expanding market, the Company has undertaken major investments in a second switching centre, laying of optic fibre cables and installation of additional sites. The Company's operations are expected to generate profits in the current year. A significant development during the year was the entry of British Telecom as a shareholder who alongwith the Indian and other overseas investors, give Bharti Cellular access to world class resources in Cellular telephony.

C. Bharti Telenet Ltd. (Telecom Services)

Two major milestones were achieved. The Company was the first to launch Cellular Services among the circle licence and commenced its services in Himachal Pradesh during the year covering the areas of Shimla, Baddi, Barotiwala, Parwanoo, Solan, Kasoti, Chail, Kufri and Highway.

The Company became the first private sector operator to sign a Licence Agreement with the Government of India for provision of Basic Telephone Services. Implementation of the Fixed Line Service Project in Madhya Pradesh has commenced and operations will start by the end of 1997. Prestigious contract for the supply of Equipment and Project consultancy services have been finalised for a value of Rs.650 Crores with well known Companies like Alcatel, Motorola, AT&T, Datecon, Larson & Toubro and Punj Lloyd. In the first 3 year phase the Company proposes to set up 250,000 lines.

D. Goa Telecommunications & Systems Ltd

The Company's turnover increased significantly to Rs.152.00 Millions from Rs.66.90 Millions in the previous year. Apart from the existing products, the Company is exploring the introduction of new technologies for increasing the range of transmission products. The Company intends to expand capacities, add-on new products like EPBT and undertake turnkey installation and commissioning jobs for the service sector.

E. Bharti Duraline Private Limited

The Company is a joint venture between Bharti Telecom Limited and Duraline Inc. USA a wholly owned subsidiary of Jordan Industries, USA. The Company will start manufacturing Silicone coated HDPE Ducts for optic fibre cables in the year 1997. This manufacturing facility is the first of its kind in India and with the opening of the telecommunication sector for private investments under the National Telecom Policy announced by the Government of India, this Company is all set to take a substantial share of the market for telecom ducts.

F. Casio Bharti Mobile Communications Ltd (Radio Pagers)

This is a Joint Venture between Bharti Telecom, Casio and Mitsui of Japan for manufacture and marketing of Radio Pagers in the Country. The Company introduced during the year a state-of-the-art manufacturing facility in Gurgaon with an annual capacity of 0.5

BHARTI TELECOM LIMITED

Million Pagers. The Paging market and the Company's market share are growing and the Company achieved satisfactory market penetration in the first year of operations.

G. Siemens Telecom Ltd. (Subscriber-end-Equipment)

This was the second year of operations of the Joint Venture with Siemens in which your Company has a 49% stake. The Company consolidated its position and continued build up of market shares for Bharti Telecom's "BEETEL" brand and GSM Cellular Phones of Siemens.

H. Centre for Excellence

This project is being set up in Gurgaon at an investment cost of about Rs.100 Million. Construction work is nearing completion and orders for machinery have been placed. It is expected that the facility will be ready for operation during the fourth quarter of the current year.

On completion the Centre will provide the state-of-the-art Surface Mounted Technology (SMT) for assembly of Printed Circuit Boards (PCBs) which will be supplied to the existing manufacturing units. Besides the Centre will also comprise a design unit which will be responsible for the development of new products.

I. MSI India Private Limited

This Company has been set up as a Joint Venture between Bharti Telecom and Mobile Systems International Plc. U.K. (MSI). The Company provides specialised consultancy services for Radio and Network planning and the software/ hardware requirements of the Cellular Mobile Telephone Services. MSI is a Telecom Company of International repute for providing services for Mobile Communications, Radio & Wireless Network Planning and Software Development. The Joint Venture Company which has entered into several consultancy services agreements, will be providing the necessary expertise to the Indian Telecom Industry in the aforesaid areas.

FUTURE PROSPECTS

The Company continues each year to enhance capacity & upgrade the technologies at its factories. With the setting up of the Centre for Excellence the factories will have the benefit of using Printed Circuit Board assemblies based on the latest surface mounted technology. The factories will be geared up for expansion upto a capacity of 5 Million telephones by year 2000. The Company is also well positioned to meet the product quality, service requirements of customers and the demand arising from the DoT as well as the exports and expansion of services pursuant to the telecom liberalisation/privatisation programme. The Company, through its investments in joint ventures and collaborations, will greatly benefit from the Bharti Group's entry into the Cellular and Basic Telephone Services.

AUDITORS' REPORT

Auditors' Report to the Accounts have been considered by the Board and clarified wherever necessary in the schedule NOTES ON ACCOUNTS.

FIXED DEPOSITS

The Company had not accepted any deposits from the public and is therefore not required to furnish information in respect of outstanding deposits under the Non Banking Non Financial Companies (Reserve Bank) Directions, 1966 and Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS

M/s. J.C. Bhalla & Co., Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and being eligible for reappointment have expressed their willingness to be reappointed

as Statutory Auditors of the Company. They have given a certificate to the effect that the appointment, if made, would be within the limits as prescribed under Section 224 (1-B) of the Companies Act, 1956.

DIRECTORS:

Mr. Akhil Gupta, Mr. K.L. Jain and Mr.V.N. Koura, Directors retire by rotation and being eligible offer themselves for reappointment.

STATUTORY STATEMENTS:

The Statements pursuant to Section 217(1) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of board of Directors) Rules, 1988 and pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are annexed hereto and forms part of the Report.

SUBSIDIARY COMPANY:

Bharti Telenet Limited became a subsidiary of the Company on 26.08.97 by virtue of its becoming the subsidiary of a subsidiary namely Bharti Televentures Limited.

The information required under Section 212 of the Companies Act, 1956, in respect of subsidiaries of the Company including Bharti Telenet Ltd. form part of the Directors' Report.

ACKNOWLEDGEMENT:

Your Directors acknowledge with gratitude the assistance, co-operation and support received by the Company from the government of India, State Governments, Financial Institutions, Bankers, Collaborators and International Advisers.

Your Directors also wish to place on record their appreciation of the valuable contribution, unstinted efforts and the spirit of dedication shown by the employees and officers of the Company.

FOR AND ON BEHALF OF THE BOARD

RAJAN B. MITTAL
JT. MANAGING DIRECTOR

RAKESH B. MITTAL
MANAGING DIRECTOR

Place : New Delhi

Date : 27th August, 1997.

ANNEXURE TO DIRECTORS' REPORT.**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.****(A) Conservation of Energy.**

The Company's operations involve low energy consumption. Wherever possible, efforts to conserve and optimise the use of energy through implementation of improved operational methods and other energy saving schemes.

(B) Technology Absorption.

Efforts made in technology absorption as per Form B of the Annexure to the Rules:

PART - B**1. Research and Development (R&D)**

(a) Specific Areas in which R&D carried out by the Company.
Research and Development is carried out for development of new products and for improvements in the production process and quality of products.

(b) Benefits Derived as a Result of the above R&D.

The Company has improved the quality of its existing products and entered into new products and also been able to reduce the cost of production.

BHARTI TELECOM LIMITED

(c) Future Plan of action:

Management is committed to strengthen R&D activities to improve its competitiveness in times to come.

(d) Expenditure on R&D

	Year Ended 31-3-1997 (Rs. in Lakhs)	Year Ended 31-3-1996 (Rs. in Lakhs)
a) Capital	Nil	Nil
b) Recurring	23.69	11.63
c) Total	23.69	11.63
d) Total R&D expenditure as a percentage of total turnover.	0.29%	0.14%

c) Lucky Goldstar International Corp., South Korea (for Cordless Telephones)

ii) Year of Import

- a) April 1986
- b) June 1989
- c) June 1990

iii) Has technology been fully absorbed:

- a) Fully
- b) Fully
- c) Fully

iv) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.

- a) Not Applicable
- b) Not Applicable
- c) Not Applicable

2. Technology Absorption, Adaptation and Innovation.

a) Efforts, in brief, made towards technology absorption, adaptation and innovation.

The Company is continuously making efforts for adaptation of latest technology in all its units which conforms to the highest degree of quality standards and increased productivity. The Company has been able to further strengthen its position both in the domestic as well as in international market. This is evident from the fact that both the manufacturing units of the Company are accredited with ISO 9002.

(b) Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development and import substitution etc.

Absorption of technologies from Siemens A.G., Germany, Takacom Corp., Japan and Lucky Goldstar International Corp., South Korea resulted in faster indigenisation of components, improvement in quality, cost reduction and import substitution.

i) Technology Imported:

- a) SIEMENS A.G., West Germany (for telephone Instruments.)
- b) TAKACOM Corporation, Japan (for telephone answering machine.

3. Foreign Exchange Earnings and Outgo.

a) Efforts:

Exports have continued to be a major thrust area for the Company. During the year the Company exported Telecom Equipments to Sprint Corporation U.S.A. A dedicated team has been set up to explore Global Markets.

Efforts are on to not only increase exports to existing customers but also to explore new market world-wide. In order to increase penetration in to the Global markets, the Company is actively participating in Global tenders, enhancing its product portfolio and identifying new customers for original equipment manufacturers.

b) Total Foreign Exchange Used and Earned.

	Year Ended 31-3-1997 (Rs.)	Year Ended 31-3-1996 (Rs.)
Foreign Exchange Earnings (FOB)	7,14,25,250	10,27,52,085
Foreign Exchange Outgo (CIF)	20,89,40,554	22,52,02,595

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULE, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997.

Name of the Employee(s)	Qualification Designation/ Nature of Duties	Gross Remune- ration (Rs)	Experience (Years)	Date of Commence- ment of Employment	Age	Last Employ- ment and position
EMPLOYED FOR THE FULL YEAR						
Mr. Rakesh B Mittal	Managing Director Electronics Engineer	1,559,461	22	20-09-1985	42	Self Employed
Mr. S. Ratnam	Director (Finance) F.C.A. (England & Wales)	902,800	28	01-04-1996	53	HEG Ltd. (Shilwara Group) Vice President (Finance)
Mr. G.K. Agarwal	Director (HRD), B.Tech. M.S. Dip. in Pers. Management	764,228	25	15-12-1995	48	GM HRD NTPC
Mr. H.S. Manhas	Sr. V.P. Manufacturing B.Tech from I.I.T	625,213	29	25-11-1986	51	Project Manager Central Electronics Ltd.
Mr. V.K. Bhalla	Vice President (Works) B.Sc. Engg.	557,778	28	16-01-1991	47	Reliance Electrical Indl. (India) Pvt. Ltd., Noida
Mr. V.K. Agarwal	V.P. Projects B.Sc. Eng (H) in Electronics MBA	505,169	23	07-03-1995	44	Sr. Sales Manager Larson & Toubro Ltd.

BHARTI TELECOM LIMITED

Mr. S.C. Agarwal	V.P. Materials Mechanical Engineer (3 years Course)	525,814	24	12-04-1988	41	Materials Manager Debikay Information Technology Ltd.
Mr. Sudhir Khullar	G.M. (Sec & Legal) AICWA, FCS	383,236	19	12-04-1990	37	Company Secretary Claridges Hotels Ltd.
Mr. V.S. Bilgi	G.M. (Fin. & Accts.) L.L.B., ACA, ACS	363,525	20	17-10-1995	43	G.M. (Fin. & Sec.) Dee Pharma Limited
EMPLOYED FOR PART OF THE YEAR						
Mr. K.L. Jain	Director (Commercial) B.Sc., MBA	378,230	25	01-09-1995	46	Director Bindal Agro Chemicals Ltd.
Mr. Rajiv Sharma	DGM (Works) B.Sc., Engg., F.I.E.T.E MIMA, C. Engineerings	228,594	25	09-07-1996	45	Head (Mfg.) Precision Electronics Ltd.

1. The Appointment of Mr. Rakesh B. Mittal, Managing Director, Mr. S. Ratnam, Director (Finance) and Mr. G.K. Agarwal, Director (HRD) are contractual and other employees are not contractual.
2. Mr. Rakesh B. Mittal is a relative of Mr. Sunil B. Mittal and Mr. Rajan B. Mittal the Directors of the Company.
3. Remuneration includes, Salary, House rent allowance, Bonus/Ex-Gratia, Leave Travel Assistance, Reimbursement of Medical expenses, Other perquisites and contribution to retirement benefit funds.
4. Other terms and conditions of employment are as per service rules of the Company.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

1. Name of the Subsidiary	Bharti Tele-Ventures Limited	Bharti Cellular Limited	Bharti Telenet Limited	Goa Telecommunications & Systems Ltd.
2. Financial Year of the Subsidiary ended on	31.3.97	31.3.97	31.3.97	31.3.97
3. Shares of the Subsidiary held by Company on the above dates				
a) Nos	40,000,000	Nil	799,950	400,000
b) Face Value	Rs. 10/-	Nil	Rs. 10/-	Rs. 10/-
c) Extent of Holding	80%	Nil	16%	100%
4. Net aggregate amount of profit/(losses) of the Subsidiary for the above financial year so far as they concern members of the company :				
a) Dealt with in the Accounts of the Company for the year ended 31.3.97	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts of the Company for the year ended 31.3.97	73,911,770	Nil	Nil	Rs. 3,142,583
5. Net aggregate amount of profits/(losses) for previous financial years of the Subsidiary, since it became a Subsidiary so far as they concern members of the Company.				
a) Dealt with in the Accounts of the Company for the year ended 31.3.97	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts of the Company for the year ended 31.3.97	Nil	Nil	Nil	Rs. 10,006,781

Notes :

1. Bharti Cellular Ltd. and Bharti Telenet Ltd. are subsidiaries in terms of Section 4 (1)(c) of The Companies Act, 1956, being subsidiaries of Bharti Televentures Limited.
2. Bharti Telenet Ltd. became subsidiary with effect from 26.8.1997.

FOR AND ON BEHALF OF THE BOARD

RAJAN B. MITTAL
JT. MANAGING DIRECTOR

RAKESH B. MITTAL
MANAGING DIRECTOR