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WELL CONNECTED



ANNUAL REPORT 1998-99

BHARTI
TELECOM

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 G.K. Agarwal

Shri V.N. Koura

SECRETARY

Shri Sudhir Khullar

AUDITORS

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

BANKERS

State Bank of India

Bank of Baroda

CORPORATE OFFICE

Qutab Ambience,
(Near Qutab Minar)
H-5/12, Ward No.1,
Mehrauli Road,
New Delhi - 110 030.

REGISTERED OFFICE

Plot No. 6,
Sector-34, EHTP,
Gurgaon, Haryana - 122 001.

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Chairman's Review

The new millennium heralds new hopes, new dreams & new desires. It also instills a renewed resolve to fulfil them. As we enter the new millennium, I take this opportunity to share with you the milestones and achievements of your company.

In the past few decades the telecommunication industry across the world has witnessed a sea change and India has not been far away from this technological revolution. We at Bharti understood the importance of telecommunications in this new world. In all the spheres of telecommunications, Bharti has been at the forefront. Bringing world class products & services in India, Bharti is now considered a true leader.

The year 1998-99 has been a very eventful one for Bharti. The year saw many a milestone being achieved by Bharti Telecom. AirTel, India's first private fixed line service was launched by Bharti Telenet in Madhya Pradesh on June 4th with the inaugural call received by the Prime Minister of India Shri Atal Behari Vajpayee. Initially launched in the Indore region the services have now been extended to the Bhopal, Gwalior, Raipur & Jabalpur. This completes India's first world class telecom state in a record time. We also became India's first private telephone service to set up over 2500 km of our own fiber optic transmission network in Madhya Pradesh.

AirTel, in a record achievement, received the award for the finest cellular phone service in the country. Techies '98, for the second consecutive year. The company also launched Magic ready to use pre-paid cellular cards and has received a very good response. AirTel in Himachal Pradesh also saw an expansion in its service area and launched its Smart Roam service.

Bharti BT gained momentum and made rapid progress in capturing larger share in the VSAT market becoming India's fastest growing VSAT company. The year also saw the birth of Bharti BT Internet Ltd., a third joint venture with British Telecom for providing Internet

service - Christened Mantra Online - India's first truly multinational Internet Service Provider.

On the manufacturing side, Bharti Telecom successfully launched new models, Coral, Slender & Emerald telephone terminals in the market. The Gurgaon and Ludhiana factories became India's first telephone manufacturing units to cross the milestone of 10 lac telephones.

Bharti Dura-Line, made its presence felt-through a large number of national & international projects & saw the first export of HDPE ducts being flagged off to international shores. The company is today making a significant impact in the domestic market, with contracts from MSRDC, IRCON, ITI, Siemens etc.

All this has ensured, that the year 1998-'99 was one of many milestones and proud achievements at Bharti Telecom. My sincere gratitude to all our associates, employees, business associates, partners, and specially the customers, who have made all this possible.

As we enter the new millenium we are committed to achieve our vision of making Bharti emerge as a true global telecom player. A company that will make a difference in the way India communicates and create a world truly well connected.

I wish that the new millennium be full of success and happiness for you.



Sunil Bharti Mittal

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of Bharti Telecom Limited will be held on Wednesday, the 27th day of October, 1999 at 11.00 AM at its Registered Office at Plot No. 6, Sector 34, EHTP, Gurgaon, Haryana - 122 001 to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 1999, 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. G.K. Agarwal, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V.N. Koura, who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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. Bhatta & Company, Chartered Accountants, Statutory Auditors of the Company, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

6. 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 1999-2000 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.

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

RESOLVED that pursuant to the provisions of Section 372 A and other applicable provisions, if any, of the Companies Act, 1956, and to such guidelines and other regulations as may be applicable, the Company be and is hereby authorised to invest upto Rs. 5 Crores in the issued, subscribed and paid-up Equity Capital of Bharti Teletel Limited by subscribing such number of Equity Shares of Rs. 10/- each for cash or for consideration other than cash, and on such terms and conditions as the Board of Directors of the Company may in its absolute discretion determine from time to time.

RESOLVED FURTHER that pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, and to such guidelines and other regulations as may be applicable, the Company be and is hereby authorised to make loans to Bharti Teletel Limited or furnish Guarantees or provide Securities on behalf of Bharti Teletel Limited, on such terms and conditions as the Board of Directors of the Company may determine from time to time provided that the aggregate amount of loans made or security provided and Guarantee(s) furnished in one or more tranches from time to time by the Company to or on behalf of Bharti Teletel Limited shall not exceed an aggregate amount of Rs. 30 Crores.

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

RESOLVED that pursuant to the provisions of Section 372 A and other applicable provisions, if any, of the Companies Act, 1956, and to such guidelines and other regulations as may be applicable, the Company be and is hereby authorised to invest upto Rs. 20 Crores in the issued, subscribed and paid-up Equity Capital of Bharti Telesoft Limited by subscribing such number of Equity Shares of Rs. 10/- each for cash or for consideration other than cash, and on such terms and conditions as the Board of Directors of the Company may in its absolute discretion determine from time to time.

RESOLVED FURTHER that pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, and to such guidelines and other regulations as may be applicable, the Company be and is hereby authorised to make loans to Bharti Telesoft Limited or furnish Guarantees or provide Securities on behalf of Bharti Telesoft Limited, on such terms and conditions as the Board of Directors of the Company may determine from time to time provided that the aggregate amount of loans made or security provided and Guarantee(s) furnished in one or more tranches from time to time by the Company to or on behalf of Bharti Telesoft Limited shall not exceed an aggregate amount of Rs. 30 Crores.

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 the provisions of Section 17(1)(f) and other applicable provisions, if any, of the Companies Act, 1956 as may be required, the objects incidental or ancillary to the attainment of the main objects in the Memorandum of Association of the Company be and are hereby amended by adding the following new sub-clause as sub-clause 28 after the existing sub-clause No. 27 under Clause III(B) of the Memorandum of Association of the Company.

28. To enter into any scheme of arrangement or compromise or demerger with members, creditors or any Body Corporate(s) for transferring/hiving off all or any of its

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undertakings, assets, rights, properties, obligations and/or business activities to amalgamate/demerge either in whole or in part with any other Company or Body Corporate in any manner.

Registered Office:
Plot No. 6, Phase-I,
Sector-34, EHTP,
Gurgaon (Haryana)

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

SUDHIR KHULLAR
Company Secretary

Dated : 25th Sept., 1999

NOTES:

1. The explanatory statement sets out the material facts in respect of the businesses under Item Nos. 6 to 9 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 its Share Department, at H-5/12, Mehrauli Road, New Delhi-110 030 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 has remained closed from Tuesday, the 14th day of September, 1999 to Thursday, the 30th day of September, 1999 (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 Mehrauli Office.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 6**

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 Board of Directors of your Company recommends the passing of Ordinary Resolution as set out under item No. 6 to this notice.

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

Item No. 7

For further growth and diversification of existing manufacturing activities the Company has promoted another Company in the name and style of Bharti Teletech Limited (BTTL). To part finance BTTL's operations and business activities, your Company, being a promoter may be required to invest in its Equity Capital in one or more tranches from time to time. Further to enable BTTL to negotiate term loan(s) and working capital and other banking facility(ies) your Company being, a promoter may be required to make loans or provide guarantees or securities for loans made or facilities granted to BTTL. In view thereof, the Board of Directors of the Company is of the opinion that authority be granted to them to make loans or provide guarantees or securities on behalf of BTTL upto an aggregate amount of Rs. 30 crores.

Section 372A of the Companies Act, 1956 permits the Company to invest in the Equity Capital of other bodies corporate or make loans to provide guarantees or securities exceeding 60% of its paid up capital and free reserves or 100% of its free reserves, whichever is more to other bodies corporate only with the authority of the Shareholders of the Company by Special Resolution.

The Company would make investments/loan(s) or arrange guarantee(s) or provide securities on behalf of BTTL either out of its paid up capital or free reserves and/or by the issue of marketable securities including Bonds/

Debentures or such other debt instruments as may be deemed necessary by the Board of Directors of the Company.

The resolution as set out under item no. 7 is an enabling resolution for providing adequate authority and discretion to the Board and would be operative and given effect as and when deemed necessary in this regard.

The Board of Directors of your Company recommends the passing of resolution as set out under item No. 7 as a Special Resolution.

S/S Sunil B Mittal, Rakesh B. Mittal and Rajan B Mittal, being the Directors in Bharti Teletech Limited, may be deemed to be concerned or interested in the Resolution(s) proposed under Item No. 7 of the Notice.

Item No. 8

For development and export of Computer Software, your Company has promoted another Company in the name and style of Bharti Telesoft Limited (BTSL). To part finance BTSL's operations and business activities, your Company, being a promoter, may be required to invest in its Equity Capital. Further to enable BTSL to negotiate the term loan/working capital and other facilities from banks/institutions, your Company may also be required to make loans or provide guarantees or securities on its behalf. In view thereof, the Board of Directors of the Company is of the opinion that authority be granted to them to make investments upto Rs. 20 crores in the Equity Capital of BTSL and to make loans or provide guarantees or securities on behalf of BTSL upto an aggregate amount of Rs. 30 Crores.

Section 372A of the Companies Act, 1956 permits the Company to invest in the Equity Capital of other bodies corporate or make loans or provide guarantees or securities exceeding 60% of its paid up capital and free reserves or 100% of its free reserves, whichever is more to other bodies corporate only with the authority of the Shareholders of the Company by Special Resolution.

The Company would make investments/loans or arrange guarantee(s) or provide securities on behalf of Bharti Telesoft Limited either out of its paid up capital or free reserves and/or by the issue of marketable securities including Bonds/Debentures or such other debt instruments as may be deemed necessary by the Board of Directors of the Company.

The resolution as set out under item no. 8 is an enabling resolution for providing adequate authority and discretion to the Board and would be operative and given effect as and when deemed necessary in this regard.

The Board of Directors of the Company recommends passing of resolution as set out under Item No. 8 as a Special Resolution.

S/S Sunil B Mittal, Rakesh B. Mittal and Rajan B Mittal, being the Directors in Bharti Telesoft Limited, may be deemed to be concerned or interested in the Resolution(s) proposed under Item No. 8 of the Notice.

Item No. 9

To exploit the potential for further growth and diversification and to enable the manufacturing and marketing activities of the Company to be carried out and dealt with more effectively and advantageously through effecting Demerger/Transfer in favour of another Body Corporate, it is proposed that authority be granted to the Company by incorporating a provision in the Objects incidental or ancillary to the attainment of the main objects, in the manner as stated under Item No. 9 of the Notice.

The resolution as set out under Item no. 9 is an enabling resolution for providing adequate authority and discretion to the Board and would be operative and given effect as and when deemed necessary in this regard.

The Board of Directors of the Company recommends the passing of resolution as set out under Item No. 9 as a Special Resolution.

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

Registered Office:

Plot No. 6, Phase-I,
Sector-34, EHTP,
Gurgaon (Haryana)-122 001

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

SUDHIR KHULLAR
Company Secretary

Dated : 25th Sept., 1999

DIRECTORS' REPORT

The Directors have pleasure in presenting the Fourteenth Annual Report and the Audited Accounts for the financial year ended 31st March 1999.

I. HIGHLIGHTS OF THE YEAR

1. Launch of Fixed Line Services

The Company's subsidiary, Bharti Telenet Limited, a Joint Venture with Telecom Italia became India's first Fixed Line Telephone Operator in the private sector with the inauguration of its Services in the state of Madhya Pradesh by the Hon'ble Prime Minister of India on 4th June, 1998.

2. Launch of ISP Services

Bharti BT Internet Ltd. a Joint Venture with British Telecom launched 'Mantra Online' Internet Services in May, 1999 in the Cities of Delhi, Mumbai and Bangalore.

3. Private placement of Equity with EM Warburg Pincus & Co.

The year also saw the Placement of upto 20% of the Equity Capital of Bharti Tele-Ventures Limited, a subsidiary, in one or more tranches, for an aggregate consideration of upto US\$ 80 million, to an affiliate of EM Warburg Pincus & Co. one of the largest private Equity Investors Globally.

II. BUSINESS REVIEW

1.1 NATIONAL TELECOM POLICY (NTP 99)

The NTP'99 introduced recently has made sweeping changes in the regulatory environment for Telecom Sector in India. The most significant aspect of the NTP'99 is the provision enabling the existing licencees who had bid a fixed licence fee to migrate to revenue sharing w.e.f. 1st August, 1999. The other significant features are the provision for introduction of multiple operators including DoT and/or MTNL in cellular services, opening up of National Long Distance operations to the Private Sector and strengthening of the regulator.

All the existing licencees have opted to migrate to revenue sharing including Bharti Cellular Limited and Bharti Telenet Limited. The migration proposed would have to be ratified by the new Government that would be installed after the ongoing General Elections and would be subject to a disapproval if any, by the Parliament. Considering the benefits that revenue sharing regime would bring not only to the operators but to the consumers, it is hoped that the policy shall be ratified by the new Government. Your directors believe that the new policy would be beneficial for our operations in the long run as it would result in deeper penetration of the telecom services and would open new opportunities in Fixed, Cellular and Long Distance operations.

Pursuant to the proposed changes, which would reduce the cost of the operators, the Telecom Regulatory Authority of India (TRAI) has proposed revised Tariffs for cellular operations. The principal change relates to the introduction of Calling Party Pays (CPP) w.e.f. 1st November, 1999 which your directors believe would result in a much bigger market for cellular services. Earlier during the year, TRAI had made significant changes in the Tariff Structure w.e.f. 1st May, 1999 which had resulted in rationalization of tariffs vis-a-vis fixed rentals, usage charges and long distance charges.

1.2 TELECOM SERVICES

Bharti Cellular Ltd. (Delhi Cellular Licence - Airtel)

Bharti Cellular continued to successfully consolidate its position as a leading operator of cellular services in India. For the second successive year the Company bagged the prestigious 'Techies '98' award for brand excellence, network quality, customer service and value added services.

Bharti Cellular has continued its well chalked out growth path. The growth is a result of a large investment in developing the network through an Intelligent Network (IN) platform, the successful launch of pre-paid services under a new brand 'Magic' through a mass market distribution model and focus on increasing roaming revenues which has resulted in the successful commercial launch of automatic roaming in 160 cities across India and 27 countries across the world.

Bharti Telenet Ltd.

Madhya Pradesh (Fixed Line Licence - Airtel)

The Company's telephone services have been well received in the state of Madhya Pradesh since the historic launch on 4th June, 1998 of India's first Fixed Line Telephone Service in the private sector. Today with over 35000 customers in Indore, Dewas, Pithampur, Bhopal, Mandideep, Gwalior, Malanpur, Raipur, Durg, Bilaspur & Jabalpur the Company is India's largest private telephone service. The Company has also attained the distinction of being the first private sector operator in the country to have connected cities of Bhopal, Indore, Gwalior, Jabalpur and Raipur on its own Optical Fibre Transmission Backbone. The Company through its own network has also started providing Internet Services in Madhya Pradesh. The Company further plans to roll out its network in other major district of the State during the current year.

Himachal Pradesh (Cellular Licence - Airtel)

The Company has further consolidated major parts of Himachal Pradesh cellular network by providing complete coverage in Baddi-Barotiwala-Parwanoo-Barog-Solan-Kasauli-Chail-Shimla-Naldhera-Kufri-Fagu-Dhali-Kullu-Manali-Bhunter. This has resulted in an increase of subscribers and tourist through in roaming subscribers. The Company has already established roaming arrangements with all the major networks and is in the process of adding new networks for Auto Roaming. The extensive efforts on the marketing front have resulted in the Company enjoying a market share of over 80%.

Bharti BT Limited (V-Sat Licence)

During the year the Company registered a significant growth in terms of number of VSAT installations and utilisation of Transponder Capacity, and has established itself as second largest V-SAT service provider in the shared Hub Category and the fastest growing V-SAT service provider in the country.

Bharti BT Internet Limited (ISP Licence).

A joint venture between Bharti Telecom Limited and BT Plc for providing internet services in India, has commenced offering services in Delhi, Mumbai and Bangalore under the brand name **Mantra Online** from May, 1999 - The initial market

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response has been very encouraging. The Company offers dial ups; both PSTN and ISDN, leased lines, web hosting and VPN solutions. It plans to extend these services to other parts of the Country and establish an International Gateway in near future.

1.3 TELECOM EQUIPMENTS :**Bharti Telecom Limited**

The Company continued to maintain its position of the leading manufacturer of telephones both in the private and public sector. The Company alongwith its subsidiary Goa Telecommunications Systems Ltd sold an aggregate of 1.59 Million Telephones during the year.

The Company continues to export telecom instruments to Sprint Corporation, USA. The Company has set up a dedicated export Department. This would enable it to participate in Global Tenders, identify new Customers for OEMs. As a result thereof the Company has secured orders for supply of Telephone sets to Nepal Telecom Corporation against Global Tender. The Company has also successfully developed new models with customer's specification for customers abroad and it is expected that large export orders would be secured by the Company in the coming years.

Goa Telecommunications & Systems Ltd.

The Company registered a turnover of Rs. 166.86 Lakhs by producing over 425000 Telephone sets during the year 1998-99 i.e. an increase of over 39% in numbers over the previous year 1997-98. The Company intends to increase its market share by enhancing the capacity of Telephone sets production to One Million telephones alongwith launching value added products like feature phones, Boss Secretary System, Caller Line Identification Phones etc.

Siemens Telecom Ltd.

During the year ending 30th September, 1998, the Company achieved a turnaround from a loss making Company to a profit making Company by improving its margins, full repayment of bank borrowings, rationalisation of overheads, introducing new products, increasing market share for its mobile phones and Analog Products etc. The Company plans to introduce new products of latest designs at the economical costs to achieve larger market share and to further improve its profitability.

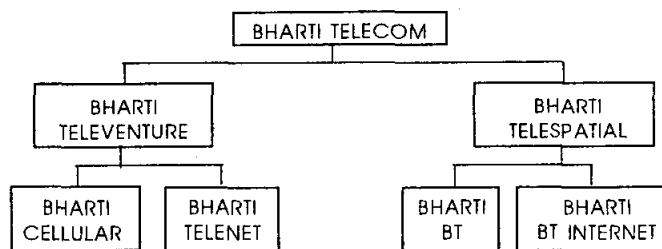
Bharti Dura-Line Limited

During the year the Company registered a sales turnover of Rs. 791.42 Lakhs and Gross Profit of Rs. 86.67 Lakhs. Because of higher interest and depreciation the net loss was Rs. 115.16 Lakhs. The Company continues to differentiate itself from its competitors by laying thrust on providing total engineering solution, providing capability instead of the product. The Company also plans to tap Road, Rail, Defence and Pipeline Sector alongwith focussing on export sales. It is expected that the Company will post higher sales and healthy bottom line. in this financial year.

III. LONG TERM STRATEGY

Following the strategic decision taken by the Group, as reported last year, to focus on its core competence in telecom sector, the Group disinvested its stake in Casio Bharti Mobile Communications Ltd. (CBMC) and MSI Pvt. Ltd., the Joint Ventures with Casio Japan and MSI PLC UK, respectively.

As the next step, based on the advice by international experts and in line with global practices, the Group has decided to clearly demarcate and segregate the services and the equipment side of the business. For this, it is proposed that inter-alia the Company's manufacturing facilities for telephones under Ludhiana and CFE Divisions and Goa Telecommunications Systems Ltd., and its equity interest in Bharti Duraline Ltd. and Siemens Telecom Ltd. be transferred to a separate holding company named Bharti Teletech Ltd. The scheme of demerger whereby the existing shareholders of Bharti Telecom would have a mirror shareholding in Bharti Teletech Ltd. is proposed to be filed shortly. As a result of the above demerger, Bharti Telecom Limited would henceforth only have interests in the services side of the business. The structure for Bharti Telecom Limited after the proposed restructuring would be as under.



The Directors believe that this step would be beneficial to the shareholders in the long run as it would enable the two entities to focus on their specific businesses i.e. services and equipments which clearly require different skill sets.

IV. FUTURE PLANS**a. Telecom Services:**

Besides consolidating the existing operations, the Company believes that the NTP 99' would provide new opportunities to set up/acquire more telecom networks in near future. As stated above, the Company has already taken steps for raising resources by private placement of equity of Bharti Tele-ventures Limited, towards this purpose.

b. Telecom Equipments:

For meeting customer requirements under various segments, the Company has strengthened its R&D Department for developing new models of Telephone Sets. Company's R&D department alongwith Semiconductor India Ltd. and Department of Science & Technology (DSIR) is in the process of developing a new prototype of telephone sets with single chip. Various steps have been initiated to revamp the existing manufacturing activities in line with the latest manufacturing concepts and the Company is going ahead on the TQM (Total Quality Management) activities. Your Company is also in the process of tying up with certain leading manufacturing Companies for contract manufacturing activities and it is expected that with the steps initiated by the Company the target of selling 2 Million Telephone Instruments during the current year to its major customers shall be met.

V. PUBLIC OFFER STATUS AND DELISTING

The Promoters Group (Acquirers) of the Company have made Open Offer for acquisition of its Equity shares pursuant

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to SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997. As a consequence thereof the Public Shareholding in your Company has been reduced to less than 6% of its total paid up Capital.

In terms of SEBI's direction vide its letter dated November 24, 1998 and Shareholders authorisation dated 23rd February, 1999, your Company has moved an application for delisting its shares from all the Stock Exchanges where they are listed. In response thereof SEBI vide its letter dated August 31st, 1999, has advised Delhi and Bombay Stock exchanges to accede to the Company's request for delisting its shares. The Acquirers have in response to said SEBI's letter, furnished an undertaking to continue to provide an exit option to the remaining Shareholders of the Company for a period of one year from the date of delisting.

VI. FINANCIAL AND OPERATIONAL RESULTS

While the aggregate sales and profitability of the Company alongwith its subsidiaries improved significantly during the year, the Company's individual sales and profits for the year were considerably lower than the last year due to lower order volumes from DoT and MTNL as well as lower margins. The financial highlights are as under :-

	Current Year (Rs. in Million)	Previous Year (Rs. in Million)
Sales & Other Income	529.77	748.74
Profit before tax	46.64	104.04
Tax	7.10	24.60
Profit after tax	39.54	79.44

VII. DIVIDEND

Despite lower profits, your Directors are pleased to recommend a dividend outlay of 22.2%, inclusive of Dividend Tax on the paid up capital of the Company for the year ended 31st March, 1999. As per the Income tax Act, the Dividend net of Dividend Tax which works out to 20%, as in the previous year, will be tax free in the hands of Shareholders. The dividend together with dividend tax would absorb a sum of Rs. 37.52 Million.

VIII. REGISTERED OFFICE :

Effective from 30th September, 1998 the Registered Office of your Company has been shifted to Plot No. 6, Sector 34, EHTP, Gurgaon, Haryana - 122 001.

IX. Y2K COMPLIANCE

The Company and its subsidiaries began its Y2K compliance programme by conducting a health check of all information systems and network systems for Y2K compliance, based on which an action is in place. Other systems considered non complaint are also being made complaint and management believes that complete internal Y2K compliance will be achieved by the Company and its subsidiaries in due course. Apart from internal compliance, the Company's operations would be equally affected by non compliance of key vendors, suppliers and customers for which the Company believes Y2K compliance will be achieved.

X. FIXED DEPOSITS

The Company has 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.

XI. AUDITORS' REPORT

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

XII. 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.

XIII. DIRECTORS

During the year under review Mr. Salil Kapur resigned from the Board. The Board places on record the appreciation for the services rendered by Mr. Salil Kapur.

Mr. G.K. Agarwal and Mr. V.N. Koura, Directors retire by rotation and being eligible, offer themselves for reappointment.

XIV. STATUTORY STATEMENTS

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 form part of the Report.

XV. SUBSIDIARY COMPANY

Bharti Tele Spatial Limited became a wholly-owned subsidiary of the Company on 29th August, 1998 by virtue of Bharti Telecom Ltd., acquiring its entire paid-up Equity shares.

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

XVI. ACKNOWLEDGEMENT

Your Directors express their gratitude for assistance, co-operation and support received by the Company from Foreign Collaborators, Various Agencies/Departments of the Government of India especially Department of Telecommunications, State Governments and the Bankers and Financial Institutions supporting Company's projects.

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 and its subsidiaries.

FOR AND ON BEHALF OF THE BOARD

RAJAN B. MITTAL

RAKESH B. MITTAL

JT. MANAGING DIRECTOR MANAGING DIRECTOR

Place : New Delhi

Date : 25th Sept., 1999

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 are being made 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:

FORM - B

1. Research and Development (R&D)

(a) Specific Areas in which R&D carried out by the Company.

Research & 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 a new products design. The Industrial & Engineering Design of New products is done with state-of-the-art, 3D Design. Software & Electronic Designs are with Surface Mount Technology, which has reduced the product development cycle time and cost of production with improved productivity and quality of products.

(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 31-3-1999 (Rs. in Millions)	Year Ended 31-3-1998 (Rs. in Millions)
a) Capital	0.17	—
b) Recurring	15.43	2.99
c) Total	15.60	2.99
d) Total R&D expenditure as a percentage of total Turnover.	2.94%	0.40%

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 confirms 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.

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

Absorption of latest technologies have resulted in faster indigenisation of components, improvement in quality, cost reduction and import substitution.

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.

(b) Total Foreign Exchange Used and Earned.

	Year Ended 31-3-1999 (Rs. in Millions)	Year Ended 31-3-1998 (Rs. in Millions)
Foreign Exchange Earnings	14.18	50.90
Foreign Exchange Outgo	84.55	220.67