



BHARTI TELETECH LIMITED
Annual Report 2000 - 01

BHARTI TELETECH LIMITED

BOARD OF DIRECTORS

CHAIRMAN
Mr. Sunil B Mittal

VICE-CHAIRMAN CUM MANAGING DIRECTOR
Mr. Rakesh B Mittal

DIRECTORS

Mr. Rajan B Mittal
Mr. Akhil Gupta
Mr. K.L. Jain
Mr. G.K. Agarwal
Mr. V. J. Parkash

SECRETARY
Mr. Sudhir Khullar

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

BANKERS
State Bank of India

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

It gives me great pleasure to inform you that the growth drive at Bharti Teletech, the manufacturing arm of Bharti Enterprises, the country's largest integrated telecommunications company, continues to accelerate. It was a year when your company grew from strength to strength.

I take this opportunity to share with you, your company's milestones, achievements and the highlights of its performance.

In line with group's effort to anticipate and keep pace with technological advancements in telecom and information technology, the year 2000 - 2001 witnessed Bharti's high growth restructuring exercise. As a part of this high growth restructuring exercise, the manufacturing and service operations were separated by demerging Bharti Telecom and Bharti Teletech. Bharti Teletech was made the lead engine for all manufacturing operations.

I am pleased to inform you that the benefits of the restructuring exercise are clearly visible in your company's performance & results. The year past was a milestone year for Bharti Teletech. Bharti Teletech created a record in the sale of its beetel brand of telephones. The company achieved a growth of over 90 per cent by producing 3.6 million telephones in its three plants. It is now poised to expand its manufacturing capacity to 10 million phones. All three plants also achieved a distinction by producing over 1 million telephone units each in the year. Bharti Teletech, turned in a sterling performance with a top line growth of 57 per cent.

Bharti Teletech also made major breakthroughs on the export front by shipping substantial number of phones to USA, Europe, Middle East, Africa and the SAARC countries.

The year 2000-2001 also saw the exit of Bharti from the telecom duct business, a joint venture with Duraline Corporation signaling Bharti's strategic desire to only remain, consolidate and grow in telecom terminals.

I am confident that these and other initiatives like the setting-up of world-class Call Centers in the near future will ensure that Bharti Teletech will continue to maintain and even improve on its growth rate in the years to come.

This is not just a dream. It is a tangible confidence reposed in the company by its peers within and outside the country.

In conclusion, let me take this opportunity to thank you - our partners, business associates, bankers, colleagues and, above all, our customers for having inspired us to scale new heights in quality and other key indicators of performance. I am sure that in the months and years ahead your company can continue to rely on your support in driving towards consolidating our company's position as a true industry leader.

I also take this opportunity to wish you a great year full of happiness and success.



Sunil Bharti Mittal

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

NOTICE is hereby given that the Second Annual General Meeting of the Members of Bharti Teletech Limited will be held on Friday, the 28th day of September, 2001 at 11.00 A.M. at its Registered Office at Plot No. 6, Sector-34, EHTP, Gurgaon-122 001 (Haryana) to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2001, Profit & Loss Account for the period 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. Rakesh B Mittal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Rajan B Mittal, 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. Bhalla & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of 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 Mr. Akhil Gupta be and is hereby appointed as Director liable to retire by rotation.

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 Section 31 and other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as under:

The following new Article 4A, be inserted after existing Article 4 of the Articles of Association of the Company.

- 4A. The Company shall be entitled to dematerialise its shares, debentures and other securities held in the Depositories and/or to offer its fresh Shares, debentures and other securities in a dematerialised form pursuant to the Depositories Act, 1956 and rules framed thereunder.

Registered Office :

Plot No. 6, Sector - 34, **for BHARTI TELETECH LIMITED**
EHTP Gurgaon (Haryana)

By order of the Board

SUDHIR KHULLAR

Company Secretary

Dated : 11th August, 2001

NOTES :

1. 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 15th Floor, Devika Tower, 6, Nehru Place, New Delhi - 110 019 not less than forty eight hours before the scheduled time of the Annual General Meeting.
2. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 6 & 7 is annexed hereto.
3. The Register of Members and Share Transfer Books shall remain closed from Wednesday, 26th September, 2001 to Saturday, 29th September, 2001 (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 Nehru Place 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. 6**

Mr. Akhil Gupta was co-opted as an Additional Director on the Board w.e.f. 25th November, 2000. Accordingly, he holds office until the date of the Second Annual General Meeting. In view of his rich and varied experience, it is proposed that Mr. Akhil Gupta be appointed as Director of the Company, liable to retire by rotation.

Your Directors, therefore, recommend the resolution at Item No. 6 of the Notice for your approval.

No Director other than Mr. Akhil Gupta be deemed to be concerned or interested in the resolution proposing his appointment.

Item No. 7

With a view to enable the Shareholders of the Company to hold their Shares in a Dematerialised form, the Company has been registered with the Depositories namely, National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) vide ISIN No. INE367D01019. For the procedure to convert the Shares in Dematerialised Form, Shareholders are requested to refer to **Circular to the Shareholders**, hereafter.

It is therefore, proposed to amend the existing Articles of Association in the manner stated under Item No. 7 above, to incorporate a provision for enabling the Company to convert its Shares in Dematerialised form. This requires approval of the members by way of a Special Resolution, pursuant to Section 31 of the Companies Act, 1956.

The Board of Directors recommends the resolution for your approval.

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

Registered Office :

Plot No. 6, Sector - 34,
EHTP Gurgaon (Haryana)

By order of the Board

for BHARTI TELETECH LIMITED

SUDHIR KHULLAR

Company Secretary

Dated : 11th August, 2001

CIRCULAR TO THE SHAREHOLDERS

Dear Shareholder(s)

We are happy to inform you that we have received overwhelming response to our initiative for dematerialisation of Company's shares and currently, approx. 95.27% of the paid-up share capital is converted in dematerialized form. For the shareholders still holding the shares in physical form, the option for conversion of their shares in demat form is open. The following procedures needs to be followed:

- *Open a demat account with any of the Depository Participants (DPs) - Banks Leading Brokers, etc;*
- *Submit Demat Request Form (DRF) duly signed by the holders alongwith the Share Certificates duly cancelled only to the DPs.*
- *Obtain acknowledgement from the DP for having accepted the Certificates.*
- *Receive a confirmation statement of holding from your DP within 30 days from the lodgement of Certificates with DPs*

PLEASE DO NOT SEND THE SHARE CERTIFICATES/ DOCUMENTS TO THE COMPANY OR OUR REGISTRAR, M/s. MCS Ltd.

BENEFIT OF DEMATERIALIZED OF SHARES :

- a) *Dematerialised Securities are most preferred by the banks and other financiers for providing credit facility against securities.*
- b) *Securities in dematerialized form reduce all risk of loss of Certificates. Under your specific instructions the same can be kept in the "Frozen Mode" by your Depository Participant(DP).*
- c) *Instant transfer of Shares from one account to another account without waiting period.*

In case you need any additional information in this matter, please feel free to contact our Special Advisory Cell at:

MCS Ltd.

Sri Venkatesh Bahwan,
212-A, Shahpurjat,
New Delhi.

Phone : (011) 6491784

BHARTI TELETECH LIMITED**DIRECTORS' REPORT**

The Directors have pleasure in presenting the Second Annual Report and the Audited Accounts for the year ended 31st March, 2001.

FINANCIAL HIGHLIGHTS:

	(Rs. in Lakhs)
Current Year	
01-04-2000 to	
31.03.2001	
Sales & Other Income	9,384.19
Profit before Interest, Depreciation & Tax	906.00
Interest	248.75
Depreciation	244.21
Profit from Operations	413.04
Profit before Tax	50.17
Provision for Tax	4.00
Profit after Tax	46.17
Profit Available for Appropriation	125.37

APPROPRIATIONS

Proposed dividend	76.05
Provision for dividend tax	7.76
Transfer to general reserve	2.31
Profit carried forward	39.25

DIVIDEND :

Your Directors are pleased to recommend a maiden dividend of 15% (net of tax) on the paid-up capital of the Company for the year ended 31st March 2001. As per the Income Tax Act, the dividend will be tax free in the hands of Shareholders. The dividend together with dividend tax would absorb a sum of Rs. 8.38 Million.

BUSINESS REVIEW :

During the first year of operation, the Company, post demerger, alongwith its subsidiaries, has made a record sale of 3.6 million telephone sets as against 1.87 million telephones during the previous year, registering a growth of more than 90% over the previous year. During the year under review, for the first time in the history of Bharti all three production units located at Gurgaon and Ludhiana (under the Company) and at Goa (under Goa Telecommunications & Systems Limited) rolled out more than 1 million telephones each.

Continued thrust towards the export has yielded positive results. The Company has won a Global Tender for supply of 100,000 Telephone sets to Mauritius Telecom in stiff competition with major international players. This has resulted in a growth of 189% in exports over the previous year. On the manufacturing front introduction of new Models of telephones coupled with substantial reduction in the cost of materials, has provided necessary impetus to adopt aggressive pricing strategy, which has resulted in substantial increase in Company's market share in all segments. On the marketing front, beetel brand was

re-launched with a new beetel logo specifically designed to give young, energetic, stylish, contemporary look followed by nationwide campaign on TV and print media on the theme "beetel, India's favourite phone". This effort will help the Company to create a brand equity for its products, which in the post WTO scenario would help the Company to hold its own against competition from international majors.

SIGNIFICANT EVENTS UPTO THE DATE OF THIS REPORT:

In terms of the duly sanctioned Scheme of Arrangement between Bharti Telecom Limited (BTL) and the Company, resulting in transfer and vesting of manufacturing and marketing business activities of BTL in favour of the Company, 3 Equity Shares of the Company of Rs. 10/- each credited as fully paid up were allotted to the Shareholders of BTL against every 10 Equity Shares held by them in BTL. As a result thereof the paid up Equity of the Company has increased to Rs. 5.07 Crores.

Consequent to de-merger of manufacturing and marketing activities of BTL in favour of the Company, the Company has acquired 49% Equity in Siemens Telecom Limited (STL) [the name has since been changed to Bharti Systel Limited (BSL)]. Further due to strategic reasons Siemens Limited divested its shareholding in BSL in favour of the Company. As a consequence thereof BSL has become a wholly owned subsidiary of the Company.

In line with the Company's strategy to focus on its core competency i.e. manufacturing telephone instruments, the Company has decided to exit from M/s. Bharti Dura-line Limited and has dis-invested its stake in Bharti Dura-Line Limited, a Joint Venture with Duraline Corporation Limited. The dis-investment resulted in a profit of approximately Rs. 265.53 Million during the year 2001-02.

To develop the potential for further growth and diversification and to give specialised/exclusive focus and direction to the manufacturing undertakings situated at Ludhiana and Gurgaon, the Company decided to reconstruct its said manufacturing undertakings. Towards the same it has entered into a Memorandum of understanding with its wholly owned subsidiary, M/s. Bharti Systel Limited, in terms whereof its manufacturing undertaking situated at Ludhiana would be transferred and vested, as a going concern, to Bharti Systel Limited w.e.f. 01-04-2001.

FUTURE PLANS :

The telecommunication industry has been witnessing an unprecedented growth in India. The potential in the open market for landline phones is immense. The demand for value added features like Caller Line Identification, Answering Machines, Cordless Telephones etc. is expected to grow rapidly. For the forthcoming year the Company has envisaged a substantial share for itself for the open market operation. For this the Company is formulating an aggressive strategy comprising of :

- Introduction of New models especially in the feature phone segment.

BHARTI TELETECH LIMITED

- Further strengthening of the beetel brand.
- Strengthening the Distribution network.

DIRECTORS' RESPONSIBILITY :

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that in the preparation of the annual accounts: the applicable accounting standards have been followed, appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company during the financial year ended March 31, 2001 and of the profit of the Company for the period 1st April, 2000 to 31st March, 2001. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and the annual accounts have been prepared on a going concern basis.

DIRECTORS :

Mr. Akhil Gupta was co-opted as Additional Director on the Board w.e.f. 25-11-2000 and holds office upto the date of the ensuing Annual General Meeting. In view of his vast experience, the Board of Directors recommends his appointment as Director of the Company liable to retire by rotation.

Mr. Rakesh B Mittal and Mr. Rajan B Mittal, Directors retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS' OBSERVATIONS :

The Auditors' observations are self explanatory and are suitably explained in the Notes to the Accounts. The Board is of the opinion that observations contained in the Auditors' Report had no material impact on the overall financial position of the Company during the period under review.

AUDITORS :

M/s. J.C. Bhalla & Co., Chartered Accountants, New Delhi will retire at the conclusion of the forthcoming Annual General Meeting and being eligible for re-appointment have expressed their willingness to be re-appointed as Statutory Auditors of the Company. They have furnished a Certificate to the effect

that the appointment, if made, would be within the limits as prescribed under Section 224(1B) of the Companies Act, 1956.

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) Directons, 1966 and Companies (Acceptance of Deposits) Rules, 1975.

STATUTORY STATEMENTS :

Statement pursuant to Section 217(1)(e) 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 a part of this Report.

SUBSIDIARY COMPANY :

The information required under Section 212 of the Companies Act, 1956 in respect of subsidiaries of the Company forms part of the Directors' Report.

ACKNOWLEDGEMENT :

Your Directors express their gratitude for assistance, co-operation and support received from Bharti Group Companies, customers, various agencies/departments of the Government of India especially Department of Telecommunication, Government of Haryana and Bankers and Financial institutions supporting Company's projects. The Directors also place on record their appreciation of the work of Company personnel at all levels during the period under review.

FOR AND ON BEHALF OF THE BOARD

RAKESH B MITTAL
VICE CHAIRMAN &
MANAGING DIRECTOR

V.J. PRAKASH
DIRECTOR

Place : New Delhi
Dated : 11th August, 2001

BHARTI TELETECH LIMITED**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 the Result of the above R & D :

The Company has improved the quality of its products design. The Industrial & Engineering Design of New Products is done with state-of-the-art 3D Design software & Electronic Design 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 31.3.2001 (Rs. in Millions)	Year Ended 31.3.2000 (Rs. in Millions)
a) Capital	—	—
b) Recurring	5.81	—
c) Total	5.81	—
d) Total R & D expenditure as a percentage of total Turnover	0.61 %	—

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

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. and other countries.

	Year Ended 31.3.2001 (Rs. in Millions)	Year Ended 31.3.2000 (Rs. in Millions)
a) Foreign Exchange Earnings	76.22	—
b) Foreign Exchange Outgo	168.38	—

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

1. Name of the Subsidiary	Bharti Infotrac Ltd.	Bharti Systel Ltd.	Goa Telecommunications & Systems Ltd.
2. Financial year of the subsidiary ended on	(See Note 1)	31.3.2001	31.3.2001
3. Shares of the Subsidiary held by Company			
(a) Nos.	50,000	27,300,000 (See Note 2)	400,000
(b) Face Value in Rs.	10/-	10/-	10/-
(c) Extent of Holding	100%	100%	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 31.3.2001 (in Rs.)	Nil	Nil	Nil
(b) Not dealt with in the Accounts of the Company for the year ended 31.3.2001 (in Rs.)	N.A.	(2,876,778)	16,327,425
5. Net aggregate amount of profit/(losses) for previous financial years of the Subsidiary, so far as they concern members of the Company			
(a) Dealt with in the Accounts of the Company for the year ended 31.3.2000	Nil	Nil	Nil
(b) Not dealt with in the Accounts of the Company for the year ended 31.3.2000 (in Rs.)	N.A.	N.A.	685,507

Notes :

- Bharti Infotrac Ltd. was incorporated on 10th January, 2001, hence the first financial period for Bharti Infotrac Ltd. would close on 31st March, 2002.
- 27,300,000 Shares of Bharti Systel Ltd. comprise of 16,000,000 fully paid Equity Shares of Rs. 10/- each and 11,300,000 fully paid 11% Cumulative Redeemable Preference Shares of Rs. 10/- each.

FOR AND ON BEHALF OF THE BOARD

RAKESH B MITTAL
VICE CHAIRMAN &
MANAGING DIRECTOR

V.J. PRAKASH
DIRECTOR

Place : New Delhi
Dated : 11th August, 2001