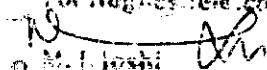


HUGHES TELE.COM (INDIA) LIMITED
AUDITED FINANCIAL STATEMENT 1999-2000



CERTIFIED TRUE COPY

For Hughes Tele.com (India) Limited.


M. L. Joshi

Director, Chief Legal Officer ★
Company Secretary

HUGHES TELECOM (INDIA) LIMITED
 (Formerly Hughes Ispat Limited)

BALANCE SHEET AS AT 31st MARCH, 2000.

	Schedules	As at 31-Mar-00 Rs.	As at 31-Mar-99 Rs.
SOURCES OF FUNDS			
Shareholders Funds :			
Share Capital	1	6,666,600,700	6,666,600,700
Advance against Equity (Refer Note 8 of Schedule 15)		59,386,608	59,386,608
		6,725,987,308	6,725,987,308
Loan Funds :			
Secured Loans	2	1,205,574,950	7,301,458
Unsecured Loans	3	2,130,391,497	795,100,000
		3,335,966,447	802,401,458
Total		10,061,953,755	7,528,388,766
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		11,707,433,895	10,486,466,776
Less : Accumulated Depreciation		1,080,956,186	480,853,151
Net Block		10,626,477,709	10,005,613,625
Capital Work In Progress	5	1,138,544,425	933,683,570
		11,765,022,134	10,939,297,195
Current Assets, Loans and Advances			
Cash and Bank Balances	7	222,653,922	609,177,644
Sundry Debtors	8	99,878,723	16,658,878
Loans and Advances	9	285,430,277	301,781,758
		607,962,922	927,618,280
Less : Current Liabilities & Provisions			
Liabilities	10	6,108,951,450	4,962,421,371
Net Current Liabilities		(5,500,988,528)	(4,034,803,091)
Miscellaneous Expenditure (To the extent not written off or adjusted)	11	472,659,819	67,145
Profit and Loss Account		3,325,260,330	623,827,517
Total		10,061,953,755	7,528,388,766
Significant Accounting Policies and Notes to the Accounts	15		

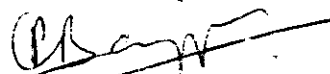
As per our report attached of even date

 For Deloitte Haskins & Sells
 Chartered Accountants

 P.B. Pardiwalla
 P.B. Pardiwalla
 Partner

For and on behalf of the Board


 Directors



President and Chief Executive Officer

 Date : 4th May, 2000.
 Place : Mumbai

HUGHES TELE.COM (INDIA) LIMITED
 (Formerly Hughes Ispat Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2000.

	Schedules	1999-2000 Rs.	18th Dec'98 to 31st Mar' 99 Rs.
Income :			
Revenue from Telephone Services		638,147,588	52,187,274
Other Income	12	31,956,100	12,703,820
Total		670,103,688	44,891,094
Expenditure :			
Operation and Other Expenses	13	1,335,724,966	315,268,027
Interest	14	935,497,524	213,165,900
Depreciation		600,280,218	140,266,665
Total		3,371,502,708	668,700,592
Loss before Tax		(2,701,399,020)	(623,809,498)
Provision for Wealth Tax		(33,793)	(18,019)
Loss for the Year		(2,701,432,813)	(623,827,517)
Balance as per last account		(623,827,517)	-
Loss carried to Balance Sheet		(3,325,260,330)	(623,827,517)

 Significant Accounting Policies and
 Notes to the Accounts

15

As per our report attached of even date

 For Deloitte Haskins & Sells
 Chartered Accountants

 P.B. Pardiwalla
 P.B. Pardiwalla
 Partner

For and on behalf of the Board

Directors

Date : 4th May, 2000.

Place : Mumbai

President and Chief Executive Officer

Hughes Ispat Limited

Particulars of employees as per section 217(2A) of the Companies Act 1956 read with the Companies (particulars of employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31 2000
 Statement pursuant to Section 217(2A) of the Companies Act, 1956

a) Employed throughout the financial year and in receipt of remuneration exceeding Rs. 6 lacs per annum

Sr. No.	Name	Age (years)	Designation	Qualifications	Date of Commencement of Employment	Prior Experience	Remuneration Recd. (Rs.)	Last Employer	Nature of Employment
1	Mr. Louis D'Souza	46	Director - Sites & Material Logistics	B.Com, DMS	01-Aug-87	20 Years	1,137,528	Hutchinson Max Telecom Ltd	Sr Manager, Materials
2	Mr. T.C. Raghavan	63	Chief Technical Advisor (Telecom)	B.E.	01-Nov-87	35 Years	1,570,208	Harris Telecommunications	Advisor India Operations
3	Mr. Kishore M. Salotra	34	Deputy Treasurer	B.Com, ACA, PGDM	24-Nov-87	7 Years	921,072	ITC Limited	Exec Asst to Dy Chairman
4	Mr. Sidhar Ranganathan	41	Director-Accounts	B.Com, ACA	15-Dec-87	14 Years	1,000,527	Gujarat Ambuja Cement Ltd	General Manager - Audit
5	Mr. Gautam M. Chelani	38	Assistant Vice President - HR	B.Sc., MMS	27-Jan-88	13 Years	1,415,458	BPL Mobile Communications Ltd	Head - HR
6	Mr. Suneel Unni	40	Director - Sales	M.A.(Hons), PGDBM	02-Mar-88	13 Years	831,951	Sterling Holiday Resorts (I) Ltd	General Manager (West)
7	Mr. George Varghese	38	Vice President - Sales, Marketing & Customer Service	B.Sc., MBA	01-Apr-88	18 Years	2,620,844	Indian Express Newspapers (Bombay) Ltd	Chief General Manager (Mktg)
8	Mr. Bijoo H. Mehta	42	Director - Product Management	B.Tech	02-Mar-88	15 Years	1,194,068	Matrix Paging (I) Pvt Ltd	Sr Vice President (Tech)
9	Mr. Chandrasekhar R Nene	45	Vice President - Information Technology	BE, D.S.W.T.	22-Apr-88	20 Years	1,755,409	Britia AT&T Communications Ltd	Vice President - Info Systems
10	Mr. Dilip C. Modi	58	Vice President - Program Management	B.Sc. Engg	02-Mar-88	28 Years	1,386,775	British Telecom Plc	Vice President
11	Mr. Haridev Khosla	43	Assistant Vice President - Mumbai Operations	B.E.	02-Mar-88	20 Years	1,082,006	Mahanagar Telephone Nigam Limited	Deputy General Manager
12	Mr. Muky Srinivas Rao	44	Director - Network Implementation	B.Tech	02-Mar-88	19 Years	1,146,951	GEIL Products & Services (I) Ltd	Sr Vice President (Project Services)
13	Mr. B.C. Bhargava	37	Associate Director - Network Planning	M.Tech	01-Apr-88	12 Years	672,141	BPL Mobile Communications Ltd	Head - Network Performance
14	Mr. R. Rengarajan	40	Sr. Manager-Network Operations	B.Sc., A.M.I.E	13-Apr-88	15 Years	682,835	Archana Technology Resource Park	Deputy Manager
15	Mr. Navin Chander Bhasin	51	Director - Revenue Assurance & Customer Service	M.Tech, MBA, DCM	16-Jun-88	28 Years	1,051,102	MTNL Ltd	Deputy Manager
16	Mr. K. Surendran	57	Associate Director - Network Operations	B.E.	18-Jun-88	34 Years	664,889	MTNL Ltd	Divisional Engineer
17	Mr. Shilpi Kumar	46	Director - Transmission	B.E.	14-Jul-88	24 Years	835,231	Hindustan Cables Ltd	General Manager
18	Mr. Milind Khatnagar	41	Director - Sales	B.Com, DMM	15-Jul-88	16 Years	765,823	HCL Infosystems Limited	Group Head (West)
19	Mr. Madhav J Joshi	47	Chief Legal Officer and Company Secretary	B.Com, LLB, FICS	01-Sep-88	26 Years	2,813,019	Bayer Industries Limited	Director and Secretary
20	Mr. U P Joglekar	53	Director - Network Operations (Pune)	B.E., MBA	05-Oct-88	30 Years	1,088,560	Modicon Networks Pvt Ltd	General Manager
21	Mr. D V Iyer	48	Director - Administration	B.Com, MAM	05-Oct-88	19 Years	1,050,030	Airfrighi Limited	Deputy General Manager
22	Mr. Rabintran Samuel	42	Director - Sales	B.A., MSW	15-Oct-88	16 Years	729,957	Modi Entertainment Network Limited	Regional Manager
23	Mr. Gopal S. Pal	43	Director - Sales	B.E., PGDM	29-Oct-88	18 Years	1,118,421	Pagepoint Services India Ltd	Deputy General Manager
24	Mr. Rahul Goyal	38	Associate Director-Program Management	B.E., MBA	01-Jul-88	18 Years	627,214	ONGC Ltd	Executive Engineer

b) Employed for part of the financial year (Drawing not less than Rs. 60,000/- per month)

Sr. No.	Name	Age (years)	Designation	Qualifications	Date of Commencement of Employment	Prior Experience	Remuneration Recd. (Rs.)	Last Employer	Nature Of Employment
1	Mr. Prakash C. Bajpai	44	President and Chief Executive Officer	B.E.	15-Nov-99	19 Years	1,881,036	Tata Lucent Technologies Ltd	Vice President - Marketing & Sales
2	Ms. Nandita Bhargava	44	Senior Manager - Customer Service	M.Sc. DHM	09-Jul-98	18 Years	262,538	Pagepoint Services India Ltd	Operations Manager
3	Mr. Zorden Lobo	48	Vice President - Marketing	B.Tech., MMS	25-Aug-98	20 Years	58,000	The Bombay Dyeing & Mfg Co Ltd	Vice President
4	Mr. K V Nair	46	Manager-Billing Operations	I.C.W.A	14-Jul-98	25 Years	188,764	MTNL Ltd	Sr Accounts Officer
5	Mr. Anish Ganatra	29	Manager-Internal Audit & Controls Assurance	CA	01-Nov-99	4 Years	299,153	Price Waterhouse Associates	Manager - Assurance & Business Adv Services
6	Mr. Rajesh Hemrajani	30	Sr. Manager-Sales	B.E.	22-Dec-99	8 Years	204,001	Pagepoint Services India Ltd	Area Sales Manager
7	Mr. Muralidhar Sarma	33	Sr. Manager-Materials	I.C.W.A	17-Jan-00	11 Years	205,243	Godraj & Boyce Ltd	Manager - Corporate Procurement
8	Mr. Mahadevan Iyer	36	Sr. Manager-Customer Service	B.Sc.	07-Feb-00	11 Years	95,932	Sea Land	Sales Manager
9	Mr. Haramb Ranade	33	Associate Director-Product Development	B.E.	16-Feb-00	10 Years	105,313	Tata Lucent Technologies Ltd	Deputy General Manager-Marketing & Sales
10	Mr. N V Prasad Iyer	34	Sr. Manager-Finance	C.S.	24-Feb-00	9 Years	70,684	MRPL Ltd	Manager - Finance & Secretarial
11	Mr. Satish Mittal	34	Associate Director-Network Design	B.E.	01-Mar-00	13 Years	185,550	Reliance Telecom Ltd	Sr Manager

Notes:

- 1) Remuneration includes Salary Allowance, Contribution to Gratuity and Superannuation scheme with LIC and taxable value of perquisites.
- 2) All appointments are contractual and terminable by notice on either side.
- 3) None of the employee is related to any of the Directors.

HUGHES TELECOM (INDIA) LIMITED
(Formerly Hughes Ispat Limited)

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2000 (Contd.)**

SCHEDULE - 4

FIXED ASSETS

PARTICULARS	Notes	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As at 01-Apr-99 Rs.	Additions during the year Rs.	Deletions during the year Rs.	As at 31-Mar-00 Rs.	Upto 31-Mar-99 Rs.	For the year Rs.	Upto 31-Mar-00 Rs.	As at 31-Mar-99 Rs.
<i>Tangible Assets</i>									
Leasehold assets	(a)	61,465,763	-	-	61,465,763	1,725,057	1,043,051	2,768,108	59,740,706
Land									
Office premises	(b)	62,057,545	6,525,560	-	68,583,085	1,054,129	1,045,442	2,099,571	66,483,514
Buildings		19,880,873	-	-	19,880,873	185,393	664,021	850,414	19,030,459
Plant & Machinery		4,641,737,555	1,175,597,409	-	5,817,334,964	57,307,547	294,118,213	351,425,760	5,465,909,204
Furniture, Fixtures, & Office Equipment		138,667,214	8,425,974	-	147,093,188	6,900,208	8,340,248	15,240,456	131,852,732
Computers		115,105,541	23,909,091	-	139,014,632	7,533,568	21,973,600	29,507,168	109,507,464
Vehicles	(c)	12,891,715	1,469,066	1,484,961	12,875,820	985,980	1,186,332	1,995,129	10,880,691
<i>Intangible Assets</i>									
Licence		5,325,478,904	-	-	5,325,478,904	399,775,676	266,173,945	666,049,621	4,659,329,283
Computer Software		109,181,666	6,525,000	-	115,706,666	5,384,593	5,635,366	11,019,959	104,686,707
		10,486,466,776	1,222,452,080	1,484,961	11,707,433,895	480,853,151	600,280,218	1,080,956,186	10,626,477,709
Previous Year		4,049,323,296	6,437,143,480	-	10,486,466,776	1,533,858	479,319,293	480,853,151	10,005,613,625

Notes:

(a) Includes Rs. 57,974,773 for which lease deeds are pending execution.

(b) The Company had provisional possession of these premises. Lease deeds have been executed after 31st March, 2000.

(c) Includes Rs. 2,341,838 (Previous year 1,787,838) for vehicles acquired on hire purchase basis. Rs. 722,145 (Previous year 485,437) has been paid by the company till date.

(d) Additions during the year include exchange differences of Rs. 54,679,404 (Previous Year Rs. 28,318,059) adjusted in the carrying value of the assets.

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HUGHES TELE.COM (INDIA) LIMITED
(Formerly Hughes Ispat Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31st MARCH, 2000.

SCHEDULE - 1

SHARE CAPITAL

<u>Authorised</u>	As at <u>31-Mar-00</u> Rs.	As at <u>31-Mar-99</u> Rs.
1500,000,000 Equity Shares of Rs.10 each	15,000,000,000	15,000,000,000
	<u>15,000,000,000</u>	<u>15,000,000,000</u>
<u>Issued and Subscribed</u>		
666,660,070 Equity Shares of Rs.10 each fully paid up	6,666,600,700	6,666,600,700
	<u>6,666,600,700</u>	<u>6,666,600,700</u>

SCHEDULE - 2

SECURED LOANS

Term Loans :

From a Financial Institution (Refer Note 1 below)	1,200,000,000	-
From Banks (Refer Note 2 below)	5,574,950	7,301,458
(of the above Rs.1,618,440/- is due for repayment within a year)		
	<u>1,205,574,950</u>	<u>7,301,458</u>

Notes :

1. To be secured by first mortgage on all the assets of the Company including movable and immovable properties, both present and future and by assignment of the Telecom Licence in favour of the Institution.

2. Secured by hypothecation of Vehicles acquired out of the Loans.

SCHEDULE - 3

UNSECURED LOANS

From a Bank	795,100,000	795,100,000
7,951,000, 13.5 % floating rate (Previous Year 15.25% fixed rate) non-convertible debentures of Rs. 100/- each redeemable on the expiry of 89 days from the date of allotment i.e. 10th January, 2000 (Previous Year 20th March, 1999.)		
Bank Overdraft	89,662,009	-
From a Financial Institution	1,245,629,488	-
(Backed by a Standby letter of Credit from an International Bank)		
	<u>2,130,391,497</u>	<u>795,100,000</u>

DHS

HUGHES TELE.COM (INDIA) LIMITED
(Formerly Hughes Ispat Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31st MARCH, 2000. (Contd.)

	As at <u>31-Mar-00</u>	As at <u>31-Mar-99</u>
SCHEDULE - 5		
<u>CAPITAL WORK-IN-PROGRESS</u>		
Building	-	918.141
Plant and machinery		
Cell sites and related equipment	1,111,273,064	914,902,759
Others	-	2,050,903
	<u>1,111,273,064</u>	<u>916,953,662</u>
Computer Software	-	4,000,000
Capital Advances	27,271,361	11,811,767
	<u>1,138,544,425</u>	<u>933,683,570</u>

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HUGHES TELE.COM (INDIA) LIMITED
(Formerly Hughes Ispat Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2000 (Contd.)

SCHEDULE -6

	Rs.	As at 31-Mar-00 Rs.	As at 31-Mar-99 Rs.
<u>PRE-OPERATIVE EXPENDITURE ACCOUNT</u>			
(Pending Allocation)			
Balance as per last account	-	-	274,274.493
Expenses incurred by promoters (Legal, professional consultancy etc.)	-	-	86,991.670
Payments to and provisions for employees:			
(a) Salaries	-	-	28,766.017
(b) Contribution to Provident & other funds	-	-	2,634.160
(c) Staff Welfare expenses	-	-	2,351.608
			<u>33,751.785</u>
Network operation expenses:			
(a) Power for Network	-	-	1,152,340
(b) Interconnect, Leased Lines & Wireless Bandwidth Charges	-	-	9,870.084
(c) Operations Support System Fees & Expenses	-	-	645,963.458
(d) Others	-	-	671.382
			<u>657,657.264</u>
Administration and other expenses:			
(a) Rent	-	-	103,075.281
(b) Rates & Taxes	-	-	8,410.003
(c) Insurance Charges	-	-	19,092.258
(d) Repairs & Maintenance			
Buildings	-	-	11,836,650
Plant & Machinery	-	-	17,169
Other	-	-	4,686,361
			<u>16,540.180</u>
(e) Communication costs	-	-	7,399.837
(f) Electricity	-	-	7,912.105
(g) Travel and conveyance expenses	-	-	13,952.940
(h) Advertisement expenses	-	-	11,702.662
(i) Legal & professional charges	-	-	124,789.107
(j) Printing and stationery	-	-	964.216
(k) Recruitment and training expenses	-	-	5,970.899
(l) Financial charges (i.e. bank guarantee & bank charges)	-	-	3,246.355
(m) Liquidated damages	-	-	52,456.000
(n) Software expenses	-	-	2,082.450
Carried Forward	-	-	<u>1,430,269.505</u>

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HUGHES TELE.COM (INDIA) LIMITED
(Formerly Hughes Ispat Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2000 (Contd.)

SCHEDULE -6 (Contd.)

	Rs.	As at 31-Mar-00 Rs.	As at 31-Mar-99 Rs.
<u>PRE-OPERATIVE EXPENDITURE ACCOUNT</u> (Pending Allocation)			
Brought Forward	-		1,430,269,505
(o) Subscription fees	-		1,355,406
(p) Exchange loss (net)	-		3,818,359
(q) Octroi charges	-		656,092
(r) Equipment Hire Charges	-		3,420,512
(s) Security Charges	-		1,885,105
(t) Miscellaneous expenses	-		1,019,392
Interest			
On Fixed Loans	-		663,523
Other	-		155,911,874
		-	156,575,397
Depreciation and amortization	-		339,052,628
		-	1,938,052,396
Less :			
Billings during Trial Run	-		(1,985,065)
Interest on Fixed Deposits (Gross, Tax deducted Nil, Previous Year Rs.9,556,302/-)	-		(40,691,626)
Other income	-		(2,217,646)
		-	(44,894,337)
		-	1,893,158,059
Less : Apportioned to Plant and Machinery	-		(1,893,158,059)

DHS

HUGHES TELE.COM (INDIA) LIMITED
(Formerly Hughes Ispat Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31st MARCH, 2000 (Contd.)

SCHEDULE - 7

CASH & BANK BALANCES

	As at 31-Mar-00 Rs.	As at 31-Mar-99 Rs.
Cash on hand	107,448	24,716
Cheques on hand	2,503,133	-
Balance with Scheduled Banks in : - Current Accounts	68,513,957	74,717,037
- Term Deposit Accounts	151,529,384	534,435,891
	<u>222,653,922</u>	<u>609,177,644</u>

SCHEDULE - 8

SUNDRY DEBTORS
(Unsecured)

Outstanding for a period exceeding six months

Others

Less: Provisions

Notes :

1. Considered good

Considered Doubtful

2. Sundry Debtors comprises billed trade receivables of Rs. 32,104,753 (Previous Year Rs. 5,656,513) and unbilled trade receivables, not due of Rs. 68,316,398 (Previous Year Rs. 11,002,365)

	480,065	
	99,941,086	16,658,878
	<u>100,421,151</u>	<u>16,658,878</u>
	542,428	-
	<u>99,878,723</u>	<u>16,658,878</u>
	99,878,723	16,658,878
	542,428	

SCHEDULE - 9

LOANS AND ADVANCES
(Unsecured, considered good)

Interest Accrued on Term Deposits

Staff Loans

* [Includes Rs. 1,800,000/- (Previous year Rs. 1,800,000) due from an officer of the Company. Maximum amount outstanding at any time during the year Rs.1,800,000/-]

Advances recoverable in cash or in kind
or for value to be received

Deposits

Income-tax paid in advance (less Provision for taxation)

	1,107,398	4,830,645
	7,838,547	7,845,106
	40,263,384	38,196,787
	225,133,658	240,111,844
	11,087,290	10,797,376
	<u>285,430,277</u>	<u>301,781,758</u>

DHS