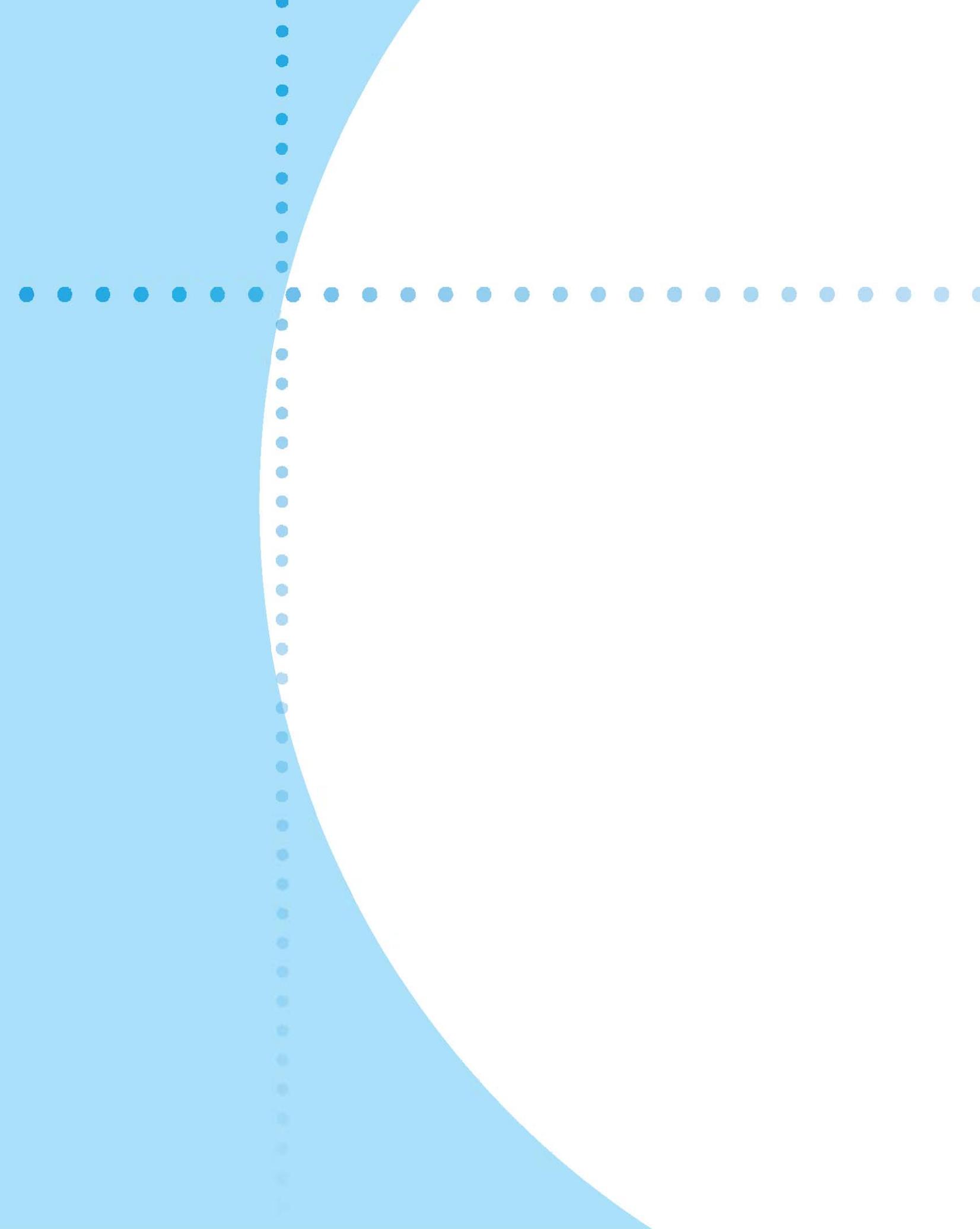


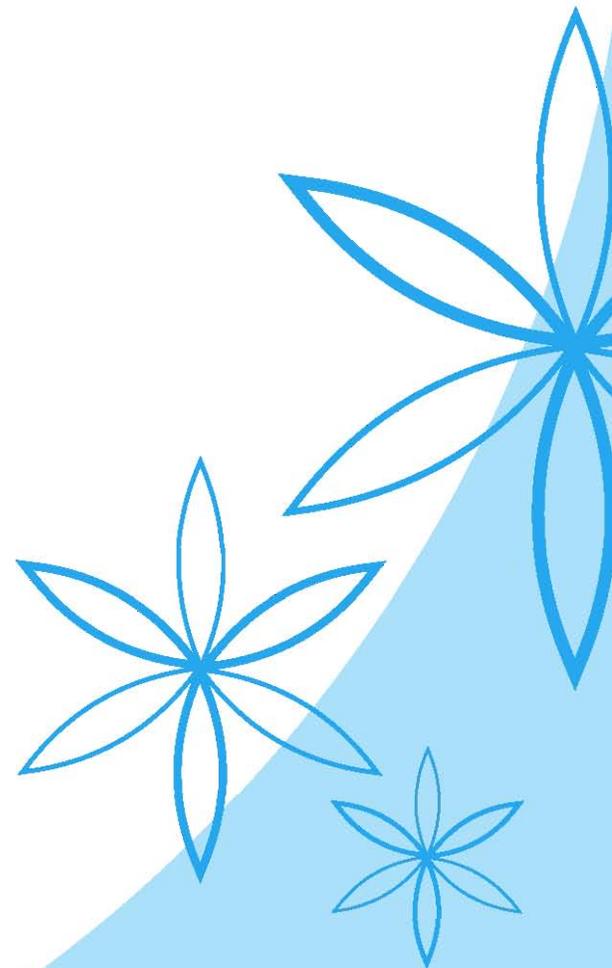
# Dissolving Boundaries

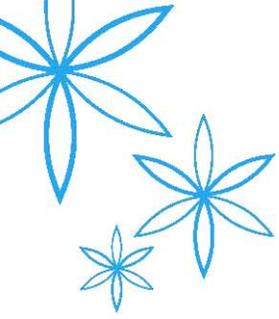




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## **Our Vision**

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**By 2010 Airtel will be the most admired brand in India:**

- \* **Loved by more customers**
- \* **Targeted by top talent**
- \* **Benchmarked by more businesses**

# Introduction

We are living in unprecedented and exciting times. India is propelling itself into a position of economic leadership and the Indian population is experiencing the benefits this brings to their personal lives. Telecommunication is a major catalyst in this process. It is offering a growing number of people a greater sense of genuine personal freedom and opportunity to explore their talents and potential.

At Bharti Airtel, we seek to make a difference to the lives of our customers and ensure that they can pursue personal growth opportunities, while enjoying the warmth of myriad human connections. Connections that can be formed and fostered by means of mobile phone services, broadband, conferencing, satellite services, CSR initiatives, our cross-border investments, IPTV and DTH or any of the other services that we provide. We firmly believe that individual happiness can only be achieved in the embrace of togetherness. We have, therefore, set ourselves the collective task of dissolving boundaries, whether between individuals, communities, companies or countries.

# Chairman's message . . .



Dear fellow shareholders,

The year 2006-07 has been memorable for the Indian economy and telecom industry. The economy continued to grow at over 8%. The potential offered by our vast and growing middle class continued to enthrall the global audience and investors alike. The continued liberalization of the economy, notably in sectors like real estate, retail and telecom added to international investor interest in India.

Globally, there is a revolution in connectivity underway. The ubiquitous mobile phone is at the heart of the revolution. Today, India is the world's fastest growing telecom market. Averaging over 6 mn customer additions every month, our nation proudly joined an elite group of 4 nations with over 150 mn mobile customers. The mobile industry grew from 99 mn customers in March 2006 with a penetration of 9% to 166 mn customers in March 2007 with a penetration of 15% thus exhibiting a growth of 68%. Your Company crossed the 25 mn-customer milestone in July 2006 and became the first Indian private telecom company to join an exclusive list of global telecom operators. This landmark customer base was achieved in just over 10 years, making Bharti Airtel one of the youngest companies in this list. We continued our phenomenal expansion and finished the year at over 39 mn customers. Your Company has thus come to play a decisive role in bringing people together to enable them to enjoy the richness of life.

We believe that the mobile industry in India is 'In the prime of youth' and expect the robust growth in customer addition to continue, given the multiple growth drivers that exist. Increasing per capita GDP, improving demographics, lower handset prices, expansion by mobile operators and lower regulatory levies are some of the factors that would help India to continue racing ahead. We are also excited about the potential for broadband services in India. This would allow our customers access a host of interactive content and features. In the enterprise segment, there is a significant opportunity for growth by providing customers a host of managed services.

Changes on the regulatory front, like reduction in revenue share and license fee for operating long distance service coupled with innovative schemes such as Easy Lifetime Prepaid, that Bharti Airtel pioneered, have led to hyper



growth for the industry. The reduced regulatory costs translate into an opportunity to extend our network and reach. Today, our network is present in 4,676 census towns and 207,327 non-census towns and villages in India, thus covering approximately 59% of the country's population compared to 42% of the population a year ago.

Your Company launched a number of new products and services and expanded into new geographies in a bid to discover new opportunities. Building strong partnerships with world-class companies has not only been our strength but has also enabled us to rapidly scale the learning curve. Your Company entered into innovative partnerships with companies such as Google for mobile-search and the GSMA to launch the global money transfer pilot project in India. The money transfer project will enable over 25 mn Indians abroad to remit money to India through their mobile phones. In the course of the year, your Company also launched services such as 'CallHome' service across 50 states in the United States of America. With this service, we can now connect 2.5 mn NRIs to their loved ones back in India. All these new services have meant a varied and rich experience for our customers and made a fundamental difference to their lives. Our services will go a long way towards dissolving global boundaries and enable more people to stay connected. The fundamental objective will be to bring people closer and empower them to realize their potential as individuals and societies.

With the continued focus to further empower and strengthen the business, leadership roles at Bharti Airtel (India & SAARC) were announced with effect from April 1, 2007. Manoj Kohli, now leads Bharti Airtel as its President & CEO. The three Joint Presidents have been made Presidents of their respective Strategic Business Units and have been given more empowerment to lead their businesses. I am confident that the enhanced roles will provide further focus and lead us to new heights.

It is my pleasure to report your Company's robust performance for the year ending March 31, 2007, in the face of an extremely competitive environment. We closed the year with a consolidated customer base of over 39 mn, a growth of 86% from a year ago and generated gross

revenues of Rs. 184 bn, a growth of 58% from a year ago. Our EBITDA has grown to Rs. 74 bn thus representing an annual growth of 79%. Our PAT has grown to Rs. 41 bn thus representing an annual growth of 100%.

Alongside the impressive strides in business, we are eagerly working towards playing a committed role in the area of Corporate Social Responsibility. I am glad to inform you that Bharti Foundation has received the prestigious Golden Peacock Award for CSR this year. Its flagship program 'Satya Bharti Schools', providing quality primary education to the underprivileged children in rural areas, has set itself an impressive aim of establishing 1000 village-based schools. Schools setup by us in Ludhiana have created a special place in the hearts of villagers with active community involvement and highly passionate teachers who encourage children to participate in an unique environment that thrives on creativity. We have a firm belief in welfare of the people through a Public Private Partnership and have actively sought the help of village panchayats to make our venture successful.

Our success greatly depends on the skills and the dedication of more than 20,000 employees, whom I would like to thank sincerely. Without their support, we could not have accomplished so much over the past year. We continue to rely on their high commitment and motivation.

Our businesses are gaining scale and reach. By executing a strategy based on investment and innovation, we have built world-class networks that cater to customers at home, at work and on the move. With a new leadership structure to drive the business and an extraordinarily robust market situation, I am looking forward to another exciting year ahead. Your Company's leadership acts as a catalyst for growth and makes us an indispensable part of the Indian growth story.

Best Regards,



Sunil Bharti Mittal  
Chairman and Managing Director

# About the Company

Bharti Airtel Limited is a leading Indian telecommunication service provider, with 39.01 mn customers, as on March 31, 2006 .

The Company has three strategic business units i.e. Mobile Services, Broadband & Telephone Services and Enterprise Services.

## Mobile Services

This unit constitutes the largest portion of the Company's business, both in terms of total revenues and total customers. Bharti Airtel offers mobile services in all 23 telecom circles of India, and is, therefore, the first private mobile services operator to have an all-India presence.

The Company's mobile customer base accounts for a 22.9% share of the overall wireless (GSM + CDMA) market as on March 31, 2007, and has a presence in 4,676 census towns and in 207,327 non-census towns and villages, covering an addressable population of 59% of the total population.

## Broadband & Telephone Services (B&TS)

Broadband and Telephone Services (B&TS) provides a wide gamut of voice and data services through a wireline network. Bharti Airtel is the first private operator to provide fixed line and broadband services over the same copper wire. It provides innovative, cost-effective solutions for corporates, small business enterprises and individual homes.

Given the high cost of creating a wireline network, B&TS has adopted a focused approach to network creation and customer acquisition. Currently B&TS provides services in 94 cities across 16 telecom circles. On 31<sup>st</sup> March 2007, the unit had 1.75 mn voice customers and 0.59 mn broadband customers. It has a capacity of more than 3 mn tags with a cumulative investment of over Rs. 40 bn (as on 31/3/07).

This year will witness a continued focus on broadband services and the introduction of IPTV (Internet Protocol Television) that will provide service over the same copper wire that provides telephone and broadband services. The IPTV service offering will include Digital Broadcast TV and Video-on-Demand.

## Enterprise Services

The Enterprise Services strategic business unit has two sub-units: Carriers (long-distance services) and Corporates.

## Enterprise Services - Carriers

Bharti Airtel complements its mobile and broadband and telephone services with national and international long distance services. The Company has over 49,000 route kilometers of fibre on its national long distance network. For international connectivity to the East, it has a submarine cable landing station at Chennai, which connects the submarine cable that provides a direct link from Chennai to Singapore. For international connectivity to the West, Bharti Airtel is jointly with 15 other global telecom operators, and is a founding member of the South East Asia-Middle East-Western Europe 4 (SEA-ME-WE-4) consortium. SEA-ME-WE-4, a 4<sup>th</sup> generation cable system, that supports telephony, internet, multimedia and various other broadband and data services.

## Enterprise Services - Corporates

This business unit provides secure, scalable, seamless, reliable and customized integrated voice and data communications solutions to corporate customers through a single window and dedicated relationship management. It leverages its deep domain knowledge to service specific telecom needs of various industry verticals like Banking, Financial Services & Insurance (BFSI), IT, IT Enabled Services (ITES), Manufacturing & Distribution, Media & Services, Government and PSUs, Education, Telecom, Retail and others.

## Growth and international expansion

The Company has grown from being a single-circle mobile services entity in 1995, to one of the largest integrated private telecom service providers with an all-India mobile footprint, through a combination of organic and inorganic growth.

The strong and sustained growth demonstrated over the years is testimony to the Company's commitment to being a customer focused telecom player with a long-term vision. The management now looks forward to making Bharti Airtel into a global company, starting with Sri Lanka, where Bharti Airtel has obtained a license to operate network.

Irrespective of its global expansion plans, Bharti Airtel continues to capitalize on the growth opportunities in the Indian telecommunications sector to achieve its vision.

# Company history

The Company has an eventful history. Each year of its existence was marked by a number of major events that have helped shape the Company as we know it today.

## 1995-1996 †

- launches mobile service brand Airtel in Delhi and Himachal Pradesh
- British Telecom Plc (BT) acquires a stake in the Company

## 1997-1998 †

- becomes the first private telecom operator to obtain a license to provide basic telephone services in the state of Madhya Pradesh
- forms Bharti BT VSAT Ltd., focused on providing VSAT solutions across India and Bharti BT Internet Ltd.

## 1999-2000 †

- acquires JT mobiles, cellular services operator in Punjab, Karnataka and Andhra Pradesh and becomes the largest private sector telecom operator in India
- expands its South Indian footprint by acquiring Skycell, Chennai
- Singapore Telecommunications Ltd. (SingTel) acquires Telecom Italia's equity stake in the Company

## 2001-2002 †

- launches IndiaOne, India's first private sector national and international long distance service
- becomes the largest cellular operator in the country by entry in the East at Kolkata through acquisition and obtaining licenses for 8 new circles
- incorporates India's first private submarine cable landing station in a joint venture with SingTel
- Punjab cellular license restored by Department of Telecommunications (DoT)
- Initial Public Offering (IPO) through India's first 100% book-building issue
- becomes the first private operator to offer basic telephone services in Haryana, Delhi, Tamil Nadu and Karnataka
- introduces the new Airtel brand campaign, featuring the signature A.R. Rahman melody, that

has meanwhile set a world record with over 4 mn single ringtone downloads

- acquires BT's equity interest in the Company's cellular operations

## 2003-2004 †

- joins the US\$ 1bn revenue club
- enters into historic strategic partnerships with IBM and Ericsson for outsourcing the Company's core IT and network activities
- launches BlackBerry® wireless solution in India, as a result of an exclusive tie-up with Research In Motion (RIM)
- acquires a controlling stake in Hexacom, the leading mobile operator in Rajasthan
- becomes part of the owners' consortium of SEA-ME-WE-4, a 20,000 km next generation cable system connecting India with South East Asia, the Middle East and Europe
- is the first private operator to launch mobile services in Jammu and Kashmir
- becomes a founding member of the Bridge Mobile Alliance, a consortium of seven leading mobile operators in the region

## 2005-2006 †

- acquires an all-India footprint with the launch of mobile services in Assam
- Vodafone, the world's largest mobile service provider, acquires 10% economic interest in the Company
- becomes India's largest integrated private operator based on the total customer base

## 2006-2007 †

- receives a Letter of Offer from Telecommunications Regulatory Commission of Sri Lanka to provide 2G and 3G mobile services in Sri Lanka
- makes a foray into the USA with the launch of Airtel CallHome service for Non Resident Indians based there
- enters into strategic partnership with Google, setting new grounds in mobile search
- enters into strategic tie-up with Microsoft and becomes the first telecom operator to offer Microsoft Windows Mobile 5.0 technology

† The years shown above represent two full calendar years except the last category.

# Top 30 Shareholders<sup>†</sup>

	Holder	%
1	Bharti Telecom Limited	45.36
2	Pastel Limited	15.59
3	Vodafone International Holdings B.V	5.62
4	Morgan Stanley and Co. International Limited A/c Mo	1.84
5	Citigroup Global Markets Mauritius Private Limited	1.29
6	CLSA Merchant Bankers Limited A/c CLSA (Mauritius)	1.26
7	The Growth Fund of America, Inc.	1.11
8	Life Insurance Corporation of India	0.94
9	J.P. Morgan Asset Management (Europe) S.A.R.L. A/c FL	0.81
10	Coment Mauritius Limited	0.78
11	Merrill Lynch Capital Markets Espana S.A. S.V.	0.76
12	Euro Pacific Growth Fund	0.66
13	Federated Kaufmann Fund	0.58
14	J.P.Morgan Asset Management (Europe) S.A.R.L. A/c J	0.56
15	Merrill Lynch Capital Markets Espana S.A. S.V.	0.53
16	T. Rowe Price Associates, Inc. A/c T. Rowe Price G	0.49
17	ICICI Prudential Life Insurance Company Limited	0.49
18	Oppenheimer Funds Inc. A/c Oppenheimer Developing	0.41
19	American Funds Insurance Series Growth Fund	0.40
20	Top 50 ASIEN	0.37
21	Deutsche Securities Mauritius Limited	0.37
22	Fidelity Advisor Series I Fidelity Advisor Mid Cap	0.36
23	The India Fund, Inc.	0.33
24	Janus Growth and Income Fund	0.32
25	Norges Bank A/c Government Petroleum Fund	0.26
26	HSBC Global Investment Funds A/c HSBC Global Invest	0.25
27	Goldman Sachs Investments (Mauritius) I Ltd.	0.22
28	The New Economy Fund	0.21
29	The Master Trust Bank of Japan Ltd. A/c The Master	0.20
30	T. Rowe Price International, Inc. A/c T. Rowe Price I	0.20
	<b>Total</b>	<b>82.57</b>

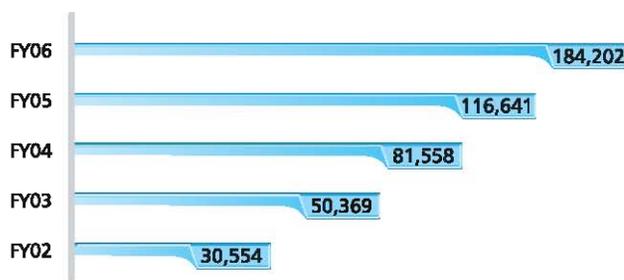
† Data as on April 26, 2007.

# Performance at a glance

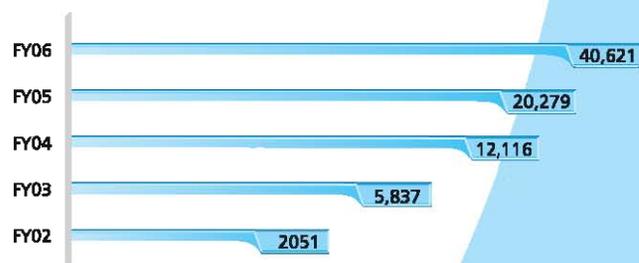
Particulars	Units	Full Year Ended March 31,				
		2003	2004	2005	2006	2007
Total Customer Base	000s	3,443	7,141	11,842	20,926	39,013
Mobile Services	000s	3,071	6,504	10,984	19,579	37,141
Broadband & Telephone Services	000s	372	637	857	1,347	1,871
<b>Based on Statement of Operations</b>						
Revenue	Rs. Mn	30,554	50,369	81,558	116,641	184,202
EBITDA	Rs. Mn	7,634	17,055	30,658	41,636	74,407
Cash Profit from Operations	Rs. Mn	4,904	14,363	28,219	40,006	73,037
Earnings Before Tax	Rs. Mn	(1,762)	5,527	15,832	23,455	46,784
Profit After Tax	Rs. Mn	(2,051)	5,837	12,116	20,279	40,621
<b>Based on Balance Sheet</b>						
Stockholder's Equity	Rs. Mn	48,262	49,146	53,200	73,624	114,884
Net Debt	Rs. Mn	32,395	42,292	41,171	41,738	42,867
Capital Employed	Rs. Mn	80,657	91,438	94,371	115,362	157,750
<b>Key Ratios</b>						
EBITDA Margin	%	25.0%	33.9%	37.6%	35.7%	40.4%
Net Profit Margin	%	-6.7%	11.6%	14.9%	17.4%	22.1%
Return on Stockholder's Equity	%	-4.2%	12.0%	23.7%	32.0%	43.1%
Return on Capital employed	%	0.9%	9.9%	15.7%	21.5%	31.6%
Net Debt to EBITDA	Times	4.24	2.48	1.34	1.00	0.58
Interest Coverage Ratio	Times	2.44	5.24	9.65	17.45	26.47
Book value per Equity Share	Rs.	26.04	26.52	28.70	38.87	60.59
Net Debt to Stockholder's Equity	Times	0.67	0.86	0.77	0.57	0.37
Earnings per Share (Basic)	Rs.	(1.11)	3.15	6.53	10.78	21.43

† The financials provided in the table are derived from amounts calculated in accordance with US GAAP financial statements and this information is not in itself an expressly permitted GAAP measure.

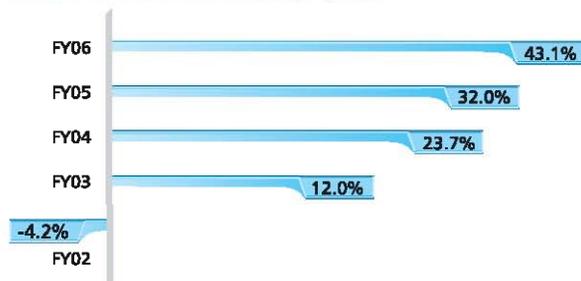
## Revenue (Rupees in Millions)



## Profit after Tax (Rupees in Millions)



## Return on Stockholders Equity (%)



## Net Debt to EBITDA (Times)



# .....President & CEO's message.....



Dear shareholders,

It is our vision to be India's most admired brand by 2010:

- Loved by more customers
- Targeted by top talent
- Benchmarked by more businesses

We have balanced this triad of, at times, conflicting agendas, by sharpening our focus on our unique business model. With our initiatives on managed services and outsourcing, we have been able to leverage the skill and passion of our employees with the knowledge capital and global best practices that our strategic partners bring.

We took 10 years to put up 10,000 base stations (BTSs). Then, in 2005-06, we accomplished 10 years' level of effort in just one year by installing 10,000 BTSs. This year, we further surpassed ourselves by completing almost 11 years' worth of effort by adding approximately 13,000 BTSs. Today, we are adding more than 40 customers every minute.

This sums up the revolutionary change in scale and velocity that Bharti Airtel has experienced in the recent years. I take great pride in the fact that even as we have achieved this growth, we have accelerated our transformation towards being a more customer-centric organization. All this, without compromising on quality, whilst integrating professional management to take over from the iconic leaders that have made this Company what it is today.

Bharti Airtel has lived through a glorious decade and we look back at it with gratitude and immense satisfaction. It is our mission to set even higher standards for our performance in the future.

We believe that the Indian telecom market is at the cusp of significant exponential growth and with various innovations and investments that we have made in our business, we trust that we are poised to gain more than a fair share of this growth. We will do so under our aim of dissolving boundaries, through:

### Making a difference

We believe that with the investments that we have made in innovation and in our network, mobile telephony is now more than just giving a service. It is about making a difference by enabling human potential. You would have noticed that our new network campaigns portray the bonds that we are helping our customers build.

### Igniting curiosity

In a market like India where penetration of the PC is abysmally low, delivering new services on broadband and mobile Value Added Service (VAS) is all about 'igniting curiosity' and creating a 'need' for the product. We believe we have done this successfully through our new broadband campaigns.

### Empowering

At Bharti Airtel, we have always lived the dictum of 'happy employees-happy customers'. In an operation that spreads across the length and breadth of the country, the only way to gain satisfied customers is by building and actively communicating a set of core values, and then empowering employees to act. Our consistently increasing customer satisfaction scores and winning the Best Carrier Award from Telecom Asia again this year, corroborates our empowerment strategy.

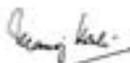
### Connecting

Bharti Airtel has always been about connecting more lives by giving more value. It has always been about taking and then gaining market leadership, by not just doing faster-better and driving affordability, but also, by finding new ways of doing business to be able to give more to the common man, and now beyond, society.

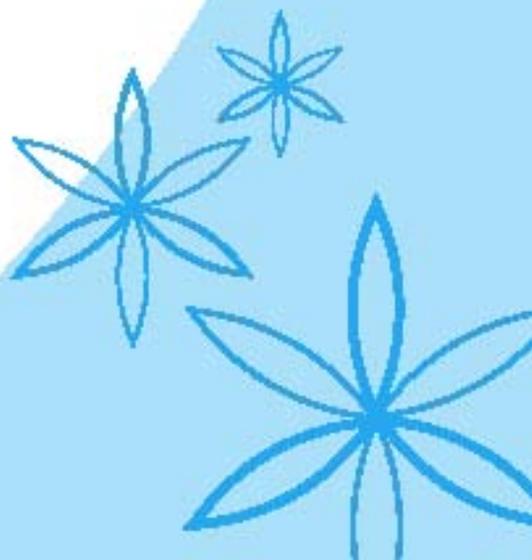
We look forward to new milestones and challenges and remain firmly committed to realising our vision of being India's most admired brand by 2010.

As in the past years, this year too many of you have contributed to our on-going growth and success. I take this opportunity to thank each one of you in recognition of your commitment, passion and energy that has become the DNA of Bharti Airtel and gives us a special edge that steers us towards our pursuit of excellence. It is our collective trust, wisdom and professional guidance that always helps us build and sustain great relationships which in turn, allows us to put our best foot forward.

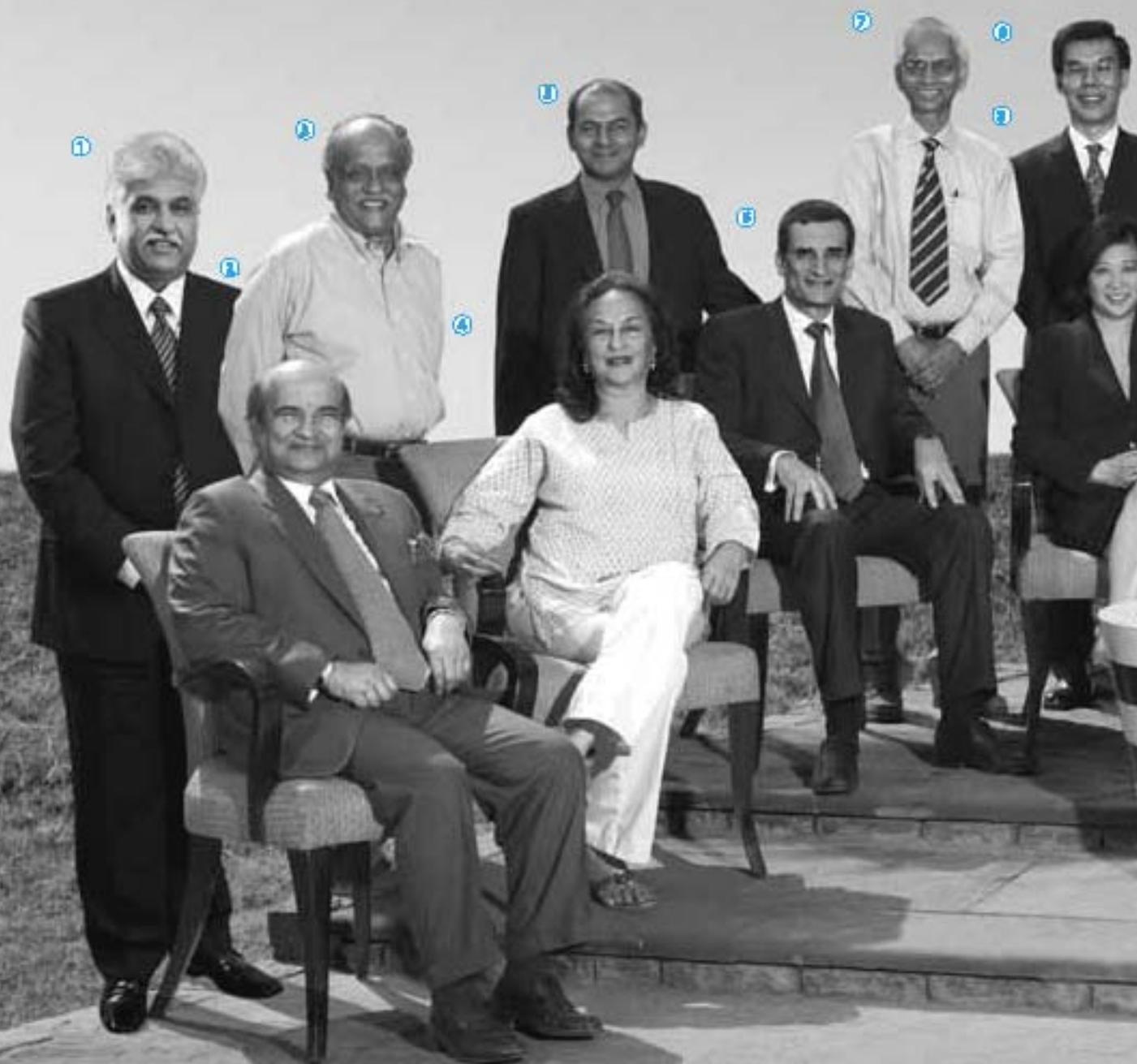
I invite you to join us in this truly unprecedented journey!



**Manoj Kohli**  
President & CEO



# ..... Board of directors .....





- 1 Rajesh Bhardi Mittal
- 2 Bashir Abulqasim Carrimjee
- 3 Arun Bhardi Bhan
- 4 Syed Isam
- 5 Ajay Lal
- 6 Densaki Cameron
- 7 V S Raju
- 8 Chan Sock Keong
- 9 Francis Hoeg
- 10 Rajan Bhardi Mittal
- 11 Surjit Bhardi Mittal
- 12 Kurt Hallstrom
- 13 Paul O'Sullivan
- 14 N Kumar
- 15 Pulak Chandan Prasad
- 16 Abhil Gupta

# Board of directors

## Sunil Bharti Mittal

Sunil Bharti Mittal is the Founder, Chairman and Managing Director of Bharti Airtel.

Sunil is a path-breaking pioneer in the mobile communications industry and is credited with the phenomenal growth of the telecom sector in India over the last ten years. A first generation entrepreneur, he started business in 1976 with a capital investment of Rs 20,000. He initially set up a number of trading concerns, and established the first company to manufacture push button telephones in India. Bharti TeleTech is today, one of the largest manufacturers of telephones in the world.

Apart from his role at Bharti, Sunil is also a member of the Prime Minister's Council on Trade and Industry. He is the President of Confederation of Indian Industry (CII) and serves on several boards including the Board of Standard Chartered PLC, the International Advisory Board of the Center for the Advanced Study of India (CASI); University of Pennsylvania, Harvard Business School India Advisory Board, International Business Council of the World Economic Forum, Global GSM Association, Indo-British Partnership (IBP), Singapore-India Partnership Foundation, the Indian Institute of Management, Lucknow, and the Indian Institute of Technology, Mumbai.

The Government of India conferred on him for his contribution to India's economic growth, one of the highest civilian awards, the Padma Bhushan. He has also been conferred the degree of Doctor of Science (Honoris Causa) by the G.B. Pant University of Agriculture & Technology and is an Honorary Fellow of The Institution of Electronics and Telecommunication Engineers (IETE) of India.

He has received numerous industry awards, such as the Asia Businessman of the Year, 2006 - Fortune magazine, Asia Pacific CEO of the Year - Frost and Sullivan 2006, Best Asian Telecom CEO - Telecom Asia 2005; Entrepreneur of the Year - Ernst & Young 2004; India's Best People CEO - Hewitt Associates 2004; Business Leader of the Year - Economic Times 2005.

Sunil is an Honorary Consul General of the Republic of Seychelles in New Delhi, India and a Trustee of the Bharti Foundation.

Sunil is a graduate from Punjab University and an alumnus of Harvard Business School, USA.

## Arun Bharat Ram

Arun Bharat Ram has been an independent director of Bharti Airtel and a member of the Audit Committee since March 2006. He belongs to a leading family of industrialists, known for its philanthropy and promotion of art and culture and commenced his career with DCM Limited. He is the founder and Chairman of SRF Limited, which has manufacturing facilities in and outside India for nylon tyre cords, engineering plastics, industrial fabrics as well as fluorine based intermediates and advanced intermediates for the pharma industry with market leadership in all its major businesses. His strong support of initiatives of corporate governance, quality, and professionalism in management, led to SRF's Industrial Synthetics Business winning the coveted global Deming Award in 2004.

Arun is a past President of Confederation of Indian Industry (CII) and is currently Chairman, CII Family Business Council. He is the Co-Chairman of the Indo-German consultative group, a Government of India appointment. He takes a keen interest in promoting education and serves on the governing boards of Doon School, Dehra Dun and Lady Shri Ram College in Delhi.

He graduated in industrial engineering from the University of Michigan, USA and holds a diploma from the Technical University of Darmstadt, Germany.

## Donald Cameron

Donald Cameron was appointed as an independent director to the Board in September 2001 and became member of the HR Committee and ESOP Compensation Committee in December 2001. He was elected Chairman of the HR Committee in April 2005.

Donald was involved in establishing and growing mobile operators in the USA, Europe and Asia for British Telecom. Prior to this, he worked in telecommunications manufacturing with Plessey plc, UK Government (The National Economic Development Office), and the oil industry with British Petroleum. Donald served on various boards in the telecom industry, i.e. Airtel Mobile in Spain, SFR Mobile and LG Telecom in Korea.

He is a Chemical Engineer and has a masters degree in Economics and Administration in the petroleum industry from Loughborough University.

#### **Chua Sock Koong**

Chua Sock Koong is a nominee of Singtel and was appointed as non-executive director of Bharti Airtel in May 2001.

Chua Sock Koong joined SingTel in June 1989 as Treasurer. She was appointed Chief Financial Officer in 1999, with responsibility for the Group's financial functions, including treasury and risk management. In February 2006, she assumed the positions of Group CFO and CEO International, looking after the key drivers of SingTel's international business. In April 2007, she assumed the position of SingTel Group CEO.

Chua Sock Koong holds an honours degree in accountancy from the University of Singapore and is a Certified Public Accountant and a Chartered Financial Analyst.

#### **Bashir Abdulla Currimjee**

Bashir Abdulla Currimjee has been an independent director since February 2001. He is also the lead director among the independent directors and a member of the Audit Committee. Bashir is a leading industrialist and the Chairman of the Currimjee Group, which was established in 1890 and today has diverse business interests in manufacturing, trading, energy, financial services and travel in Mauritius.

He was a director of the Central Bank of Mauritius for 15 years and the Chairman of the Mauritius Chamber

of Commerce and Industry, Association of Mauritian Manufacturers and also, the Joint Economic Council.

Bashir is an Arts graduate (major in Economics and Government) of Tufts University, USA. He is an alumni of Harvard Business School where he completed the Executive Course on OPM (Owner/President Management Programme).

#### **Gavin Darby**

Gavin Darby is a nominee of Vodafone and a non-executive director and member of the Audit Committee since January 2006

#### **Paul Donovan**

Paul Donovan, a nominee of Vodafone, was appointed non-executive director to the Board and member of the HR and ESOP Compensation Committees in April 2006.

#### **Akhil Gupta**

Akhil Gupta is Joint Managing Director of Bharti Airtel and a member of the Audit Committee of the Board. He has over 20 years of experience in the industry.

Akhil has been closely involved from the very beginning in the growth of Bharti in the telecommunication services sector, both organically and by way of various acquisitions. He has spearheaded the formation of numerous partnerships for Bharti with leading international operators like British Telecom, Singapore Telecom and Vodafone in addition to introduction of financial investors like Warburg Pincus, Asia Infrastructure Fund and New York Life.

Akhil is closely associated with a range of strategic, financial, M&A and business performance issues of the group. He was the architect behind the Company's path-breaking outsourcing deals with IBM for IT, with Ericsson and Nokia for managed network services and with Nortel, Hinduja TMT, IBM-Daksh, Mphasis and Teletel Services to enhance quality of customer services.

In recognition of his thought leadership in financial management, Akhil has received numerous awards, among which are the first 'CNBC TV18 CFO Awards for India'. The awards panel voted him as 'Best CFO of the Year' and 'Best Performing CFO in the Telecommunications Sector'. In addition, he won the 'Best CFO of the Year - People's Choice Award'.

He is a member of the Advisory Board of Confederation of Indian Industries (CII).

Akhil is a Chartered Accountant. He attended the Advanced Management Program at Harvard Business School, USA.

### Kurt Hellstrom

Kurt Hellstrom joined the Board and the Board HR and ESOP Committees as independent director in 2004.

He has over 34 years of international management experience and retired as Chief Executive Officer of Ericsson. He is a member of the boards of various other companies including Atlas Copco, Kineto Wireless and Far East Tone Telecommunications and is the Chairman of the Board of Symsoft. Kurt also serves as a member of the Swedish Trade Council and the European Institute of Japanese Studies.

Kurt is a graduate from the Royal Institute of Technology in Stockholm with a masters degree in Electronics, and holds an MBA degree from the Stockholm School of Economics.

### Francis Heng

Francis Heng is a SingTel nominee. He has been a member of the Bharti Airtel Board and the Audit Committee since April 2007.

Francis joined SingTel in March 2007 as Group Chief Financial Officer. He is responsible for all SingTel's financial and corporate affairs functions, including investor relations and corporate communications.

Before joining SingTel, Francis was the Chief Financial Officer of Singapore Technologies

Engineering. He previously worked for various leading international business conglomerates, banking and financial institutions, including Jardine Matheson, Tetra Laval, JP Morgan and the Monetary Authority of Singapore, based locally and in New York, London, Switzerland and Hong Kong.

Francis graduated with a Bachelor of Business Administration degree from the National University of Singapore.

### Syeda Imam

Syeda Bilgrami Imam has been an independent director of Bharti Airtel and a member of the Audit Committee since January 2006.

During her 40 years career in communications, she worked with well-known agencies in advertising and helped to establish household brand names in India. As Creative Director of JWT Central Asia, she was responsible for the agency's operations in Nepal, Sri Lanka, Pakistan and Bangladesh. She is also known for her work in public service advertising and her creative work has won many national and international advertising awards including at Cannes and New York. She won the Super Achiever Award from the Institute of Change Management, Pune.

Syeda has conceptualized and written books and is a theatre and literary critic. She is a board member of the All India Management Institute and well-known schools in Dehra Dun and Delhi.

Syeda is a graduate and fellow of English literature from Elphinstone College, Mumbai University.

### N. Kumar

N. Kumar has been an independent director and member of the Audit Committee since 2001. He was elected Chairman of the Audit Committee in August 2003.

A well-known industrialist, he is the Vice-Chairman of the Sanmar Group that has interests in chemicals and

specialty chemicals, engineering, life insurance, shipping and software. Kumar is an active spokesperson of industry and trade and has been the President of CII and other industry associations.

Kumar is the Honorary Consul General for Greece in Chennai, Tamil Nadu, and the Honorary Business Representative of the International Enterprise Singapore (formerly Singapore Trade Development Board). He is also an Electronics and Communications Engineer from Anna University, Chennai.

### Ajay Lal

Ajay Lal was appointed independent director and member of the Audit Committee in March 2006.

Ajay has over two decades of experience in private equity, project finance and corporate banking. He is currently a Senior Partner and Managing Director of AIF Capital, a venture capital fund, prior to which he worked with AIG Investment Corporation and Bank of America.

Ajay is a director on many boards across Asia, in which capacity he provides strategic direction and management guidance, as well as support in the area of corporate governance.

Ajay is an Engineer from IIT New Delhi and an MBA from IIM Kolkata.

### Rajan Bharti Mittal

Rajan Bharti Mittal is the Managing Director of Bharti Enterprises and Group Lead Director of Bharti's wholesale and retail business. He is actively involved in overseeing the activities of the Group at the corporate level and has rich experience in the field of marketing and brand management.

Rajan is associated with several industry organizations in capacities such as Chairman of FICCI (Federation of Indian Chambers of Commerce and Industry) Retail Committee and Member of FICCI's Executive and Steering Committees. He is a member of the Managing Committee and Standing Committees of PHDCCI. He is

also a member of the Council of Management of All India Management Association and a member of Executive Committee of International Chambers of Commerce India Chapter. He was the Chairman of FICCI Telecom Committee in 2001, 2002 and 2003, Chairman of the Telecom & IT Committee in 2004 and 2005 and Chairman of the Infrastructure Committee in 2006. He was the past President of the Association of Basic Telecom Operators (now known as Association of Unified Telecom Service Providers of India - AUSPI) from 1999-2000.

He is a Trustee of Bharti Foundation, which is dedicated to the promotion of education and child welfare.

Rajan is an Arts graduate from Punjab University and an alumnus of the Harvard Business School, Boston, USA.

### Rakesh Bharti Mittal

Rakesh Bharti Mittal is a promoter director of Bharti Airtel. He has been the Chairman of the Board ESOP Compensation Committee since July 2001 and a member of the HR Committee since March 2002.

He is the Vice Chairman of Bharti Enterprises, a business conglomerate with interests in diverse areas including telecom services, manufacturing of telecom equipment, export of fresh produce, BPO, software, realty, insurance and retail. Rakesh is also the Vice Chairman and Managing Director of Bharti TeleTech, one of the largest producers of fixed line phones.

Rakesh has contributed immensely to the industrial, educational, social development and welfare sectors of the country. He has been a member of many trade associations and expert group committees of CII. He takes an active and highly involved interest in philanthropy and education. He is a member of the Advisory Board of Bharti School of Telecommunication, Technology & Management, set up in association with IIT Delhi and other renowned institutes. A passionate advocate of the right to good education, Rakesh serves on the Governing Boards of many educational institutes in India and abroad, such as the International Advisory Council of Southern Methodist University (SMU) in

Dallas (USA), the Advisory Council of IIT Delhi, the Board of Governors of Thapar Institute of Engineering and Technology, Patiala (India), the Board of Governors of the Institute of Integrated Learning in Management, the Board of Governors of Punjab ICT Education Association (PICTES), the Managing Society and Governing Board of Dayanand Medical College & Hospital in Northern India and of the Board of Governors of the YMCA Institute of Engineering. He is the Vice Chairman of the Governing Council of Sat Paul Mittal School and Patron of Arya College, Ludhiana (India). Rakesh is also a Trustee of the Bharti Foundation, which is dedicated to the promotion of education and child welfare and he also devotes time to manage the activities of several charitable institutions in India.

Rakesh is an Electronics Engineer from the YMCA Institute of Engineering.

#### **Paul O' Sullivan**

Paul O'Sullivan is a nominee of Singtel and has been a non-executive director of Bharti Airtel since April 2004. He is also a member of the Board HR and ESOP Compensation Committees.

He is the Chief Executive Officer of SingTel Optus Ltd., Australia's second largest telecom company with six mn customers. Paul is also a member of the Singtel Group management committee and has significant group-wide responsibilities. Prior to joining Optus, he held various international management positions in the Royal Dutch Shell Group in Canada, the Middle East, Australia and the United Kingdom.

Paul is a graduate in Economics from Trinity College, Dublin and has attended the Harvard Business School's Advanced Management Program.

#### **Pulak Chandan Prasad**

Pulak Chandan Prasad is an independent director and member of the Board Audit Committee. He initially joined the Board as a nominee of Warburg Pincus in November 2001.

Pulak is the Founder and MD of Nalanda Capital, a

Singapore based fund management and advisory company. Prior to creating Nalanda, Pulak was Managing Director and co-head of the India office of Warburg Pincus, covering their India, South and South East Asian operations. He joined Warburg Pincus in 1998. From 1992 to 1998, Pulak was a management consultant with McKinsey & Company in India, USA and South Africa.

Pulak has a B. Tech Degree from the Indian Institute of Technology, Delhi and an MBA from the Indian Institute of Management, Ahmedabad.

#### **V.S. Raju**

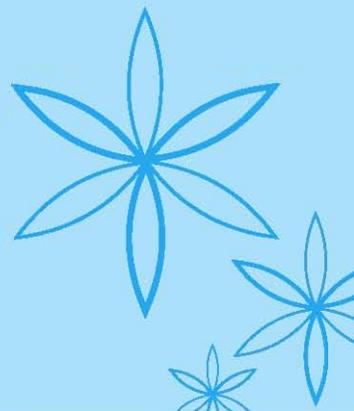
Prof. V.S Raju has been an independent director and a member of the Board HR and ESOP Compensation Committees since 2004.

He was a director of the Indian Institute of Technology, Delhi and Professor and Dean at the Indian Institute of Technology, Madras. During his 40 years academic career, he interacted extensively with the industry as a consultant and at policy level, promoting industry-academia collaboration. For three years, he was a part-time member of the Telecom Regulatory Authority of India. At present, he is Chairman of the Naval Research Board, Defence Research and Development Organization - Government of India and a member of various other committees and task forces concerned with technical education and research. Currently, he is also a director on the Boards of Satyam Computer Services Ltd. Hyderabad and Nagarjuna Construction Company Ltd., Hyderabad.

Prof. Raju is an engineer with a masters degree from the Indian Institute of Science and a doctorate from the University of Karlsruhe, Germany.

# ..... Senior management .....

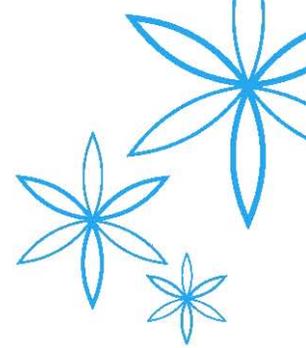
- ① Narender Gupta
- ② Jai Menon
- ③ Gopal Vittal
- ④ David Nishball
- ⑤ Sanjay Kapoor
- ⑥ Manoj Kohli
- ⑦ S Asokan
- ⑧ Don Price
- ⑨ Carol Borghesi
- ⑩ Atul Bindal
- ⑪ Krish Shankar



# Senior management .....

- ① Sanjay Nandrajog
- ② N Arjun
- ③ Harish Dua
- ④ P Swaminathan
- ⑤ Sanjeev Duggal
- ⑥ Sarvjit S Dhillon





- ⑦ Ashok Juneja
- ⑧ Daljit Singh
- ⑨ Viresh Dayal
- ⑩ Tina Uneken
- ⑪ Prakash Nene
- ⑫ Vijaya Sampath
- ⑬ S L Narayanan
- ⑭ Hemant Sachdev



# Senior management

## **Manoj Kohli**

### *President & CEO*

Manoj was appointed President of Bharti Airtel in March 2006, heading the integrated business units of Mobile Services, Broadband & Telephone Services and Enterprise Services.

Manoj started his career in 1979 with DCM Ltd., where he led the HR function. This was followed by various leadership positions across many businesses of the Shriram Group. He spent the next few years at AlliedSignal, where he was Executive Director in charge of their new Industrial Park and operations in India.

Prior to joining Bharti as head of the Mobile Services business unit in 2002, Manoj was Executive Director and CEO of Escotel.

Manoj was the Chairman of Cellular Operators Association of India (COAI) and currently is a member of the Academic Council of the Faculty of Management Studies, New Delhi. He has been awarded the 'Best Alumni Award' by SRCC, University of Delhi and was adjudged 'Telecom Man of the Year'-Techies Award for 2000 by Transasia.

Manoj holds graduate degrees in Commerce and Law and an MBA from Delhi University. He has attended the Executive Business Program at the Michigan Business School and the Advanced Management Program at Wharton, USA.

## **N. Arjun**

### *Executive Director-DTH Services*

N. Arjun was appointed Executive Director DTH Services in April 2007, with the mandate to successfully launch DTH services nationally in India in 2007-08.

Arjun has been with the Bharti Group since 1983, when he became the General Manager of Bharti Healthcare Ltd. This was followed by senior management positions in the Group's telecommunications business. Prior to taking up his current assignment, he was Executive Director-Carriers

and led the team that built and established Bharti Airtel's Carrier business unit as India's foremost private national and international long distance organization.

Arjun is a BCom graduate and holds an MBA degree from the University of Madras - India. He also holds a PGDIT from IIFT, New Delhi India.

## **S. Asokan**

### *Director-Supply Chain*

Asokan was appointed as Director Supply Chain in June 2006. He is a member of the Bharti Airtel Management Board.

His career spans 26 years across a variety of functions in materials, vendor development, sales, marketing and IT in the Automotive and Engineering industries. Having started his career at Bharat Heavy Electricals as a graduate engineer trainee, he moved to the Eicher Group of companies where he was heading Materials function and also took an active role in IT enabled business process re-engineering and ERP implementation.

Prior to joining Bharti, Asokan was at Tata AutoComp Systems, driving auto component exports from India to the US and Europe, and was also responsible for their Engineering Services businesses. As member of the Board of some of the Tata Group companies, he played a key role in improving operational efficiencies.

Asokan is an Honours graduate in Mechanical Engineering from Madurai University and a member of Cost and Works Accountants of India. He also attended leadership training programs from Ross School of Business Management, Michigan University.

## **Atul Bindal**

### *President-Broadband & Telephone Services*

Atul was appointed President of Bharti Airtel Broadband & Telephone business unit in October 2006. He is a member on the Airtel Management Board (AMB) and chairs the Broadband & Telephone Services Management Board (BTMB).

Prior to assuming his current position, Atul was

Executive Director, South, for the Mobile Services business unit. He joined Bharti Airtel in June 2003 as Group Chief Marketing Officer and Director, Mobility.

Before moving to Bharti, Atul was Commercial Director, Asia Pacific with DHL in Singapore, with executive responsibilities for sales, marketing, customer service, pricing and e-commerce for the US\$1.5 bn region.

Earlier, he served with AlliedSignal/Honeywell for almost 7 years across India, Asia Pacific and USA in various operating and functional roles. During the earlier part of his career he worked in marketing, sales and general management with American Express, Lipton and Shell.

Atul is a mechanical engineer from Delhi University and a post graduate in Management from the Indian Institute of Management, Calcutta.

### **Carol Borghesi**

#### *Director-Customer Service*

Carol joined Bharti Airtel and the Airtel Management Board in September 2006 after completing 26 years of building unmatched customer and service standards. She has worked extensively on assignments in the telecom, retail, and technology domains. Prior to joining Bharti Airtel, Carol was the Managing Director of 21st Century Customer Experience, a critical division of 21C, which is responsible for British Telecom's £10 bn investment to transform core network, systems architecture, portfolio and customer experience. Carol is recognized as an exemplary leader in the United Kingdom and Europe, managing and transforming customer service and customer-related operations.

Carol joined BT in 1997, heading the newly developed outbound Call Center operation following a two-year stint as Director of Customer Services. In 2001, she was asked to lead one of the biggest modernization and rationalization programs undertaken by BT. As Director, Next Generation Contact Centers, she led the development and success of a common support management capability for all of BT Retail's Volume Contact Centers. Employers of her pre-BT days include Telus, a Canadian telecommunication company.

Carol's honors include BT Leadership Awards (2001 and 2003), Canada's Top 40 Under 40 (1997), Marketing Executive of the Year (1996), and Who's Who of Canadian Women (1995). She has also been honored for her significant contributions to the Call Center industry and outstanding professional accomplishments and leadership.

Carol is a graduate from British Columbia Institute of Technology in Vancouver, Canada.

### **Sarjit S. Dhillon**

#### *Chief Financial Officer and Director Strategy*

Sarjit has over 19 years of general and financial management experience in multinational and national corporations in various countries, of which nearly 10 years have been in different management positions at Bharti. Sarjit is a member of the Airtel Management Board.

Prior to joining Bharti, he worked with Pitney Bowes Corp, USA and with British Telecom PLC, UK in operational roles in the areas of value added services, internet and data networks.

Sarjit is a BA (Hons.) graduate in Accounting and Finance (Middlesex University, UK) and a qualified Chartered Management Accountant (Chartered Institute of Management Accounts, UK). He also holds an MBA degree from the University of Birmingham (UK), where he specialized in Human Resource Management and Advanced Marketing. Sarjit is a lifetime member of the Stanford University alumni, having completed the SEP (Stanford Executive Program, USA) in 2004 at the Stanford Graduate School of Business.

### **Harish Dua**

#### *Chief of Compliance and Internal Assurance*

He has over 25 years of experience in various positions in finance and audit. Before joining Bharti in 2004, Harish worked with Pepsi Foods India Ltd., initially as VP Planning and later as head of the finance function of the non-cola division. Prior to this, he worked with Pitney Bowes Inc. in the USA for 5 years as Director,

International Finance and Manager, Internal Audit. He also spent 5 years in the audit group at Coopers & Lybrand (now PwC) in the USA.

Currently, Harish is also serving as the President of the Delhi Chapter of the Institute of Internal Auditors, USA and serves on the Board of Governors of their National Body.

Harish is a Chartered Accountant from England and Wales. He also holds a Certified Public Accountant qualification from the USA and is an MBA from the University of Connecticut.

### **Sanjeev Duggal**

*Executive Director & CEO-Bharti Airtel Services Limited*

Sanjeev joined Bharti Airtel Services Limited (BASL), a wholly owned subsidiary of Bharti Airtel Ltd., in August 2006 with the mandate to resource, manage and engage 18,000 employees on its own rolls but also to develop learning solutions for the nearly 40,000 people employed with Bharti Airtel's associates and channel partners.

Prior to joining Bharti Airtel Services Limited, Sanjeev was co-promoter, Managing Director & CEO of India's premier training and consulting organization NIS Sparta Limited, which was acquired by a large corporate house.

He is a member of elite institutions and a frequent speaker on issues related to 'People, Capability and Development' at national and international forums. He is also a visiting faculty at the Indian School of Business Hyderabad, India and an Honorary Trustee of Breakthrough, a leading international Human Rights NGO.

Over the years, Sanjeev has received many honors and accolades including the Udyog Rattan Award awarded by the Institute of Economic Studies. He served as jury member for the CSI National IT Awards 2003-2004 and was recognized for "Creating Corporate Advantage in Global Economy" by the Delhi School of Economics.

Sanjeev holds a masters degree in Sociology from Delhi University.

### **Narender Gupta**

*Director-Legal and Regulatory Affairs*

Narender was appointed Director Legal and Regulatory Affairs on 1st April 2006. He is also a member of the Airtel Management Board.

He joined the Bharti Group in 1999 as head of Regulatory and was also the Company Secretary.

Prior to Bharti, Narender worked for 20 years in prominent corporates such as Shriram Group of companies and DLF Group. Although his main role in those corporates was that of Company Secretary, he took on many additional assignments that provided him with a broad management perspective.

Narender is representing the Bharti Group in various forums i.e. as a member of the Telecom Committee of CII, FICCI and ASSOCHEM, as Vice Chairman of the Regulatory Affairs Committee of COAI and as member of the Public Policy Committee of GSM Association worldwide.

Narender is a law graduate and a fellow member of the Institute of Company Secretaries of India. He also holds a post graduate Diploma in Business Management.

### **Sanjay Kapoor**

*President-Mobile Services*

Sanjay Kapoor was appointed President of Bharti Airtel Mobile Services in March 2006. He is a member of the Airtel Management Board.

Sanjay joined Bharti in 1998, and has since then held a number of senior management positions in the Group. He started as COO for Bharti Cellular Ltd. He was promoted as a board member and CEO of BCL. He then moved on to become the principal architect of the Company's operations in Western India as its Executive Director. As Group Director Corporate Strategy & Planning, Sanjay created and managed the early deployment, of the strategic blueprint for Bharti's telecom activities before moving on to become President and CEO of Teletel Services India Ltd, in the ITES-BPO arena.

Sanjay started his career at Jay Engineering Works Ltd.

Prior to joining the Bharti Group, he worked with Xerox India as Director - Operations Support, where he spent 14 years handling a range of key portfolios in sales & marketing and general management.

During the past 8 years, Sanjay has played an active role in various industry forums, including COAI, CII and NASSCOM. He is also a member of the Board of Bridge Mobile, Asia Pacific's largest mobile alliance group. Sanjay holds a Bachelor's degree in Commerce from Delhi University and an MBA from Cranfield School of Management, UK.

#### **Dr. Jai Menon**

##### *Director-IT & Innovation*

Jai Menon was appointed Director-IT & Innovation in April 2006, and is a member of the Airtel Management Board. He joined the Company in August 2002 as Corporate Director - IT & Technology and was involved in launching the Company's Enterprise business unit as its Joint President. He has developed and implemented technology and business constructs specifically designed for the Company's IT requirements and is also responsible for Bharti Airtel's Innovation Centers, for development, trials, reliability and management of new product development, content and data platforms. He is also a member of the Bharti Airtel Management Board and Bharti Airtel Technology and Innovation Council.

Before joining Bharti, Jai was the Corporate Officer and Executive Vice President at BellSouth, USA where he managed a portfolio of growth businesses and strategic alliances, prior to which he was the CTO for IT. Jai started his career with IBM in the USA and was the Executive Director in IBM's software group.

He has received several national and global recognitions, including NASSCOM IT Innovation award (India, 2007) and CIO Top 100 awards (India-2006, Singapore-2004).

He has authored over sixty international research publications, filed over thirty US patents, served on the editorial board of several international journals and has chaired several international conferences.

He serves on advisory boards of several technology companies, and has recently been elected to the IBM and Teradata worldwide Board of Advisors. He has been a member of IEEE, ASME, ACM, Phi Kappa Phi, NASSCOM IT panel and CII national innovation panel.

Jai holds a B.Tech. from IIT, Delhi and a Masters and PhD from Cornell University, USA. He has also completed various executive management programs, including Harvard, Wharton and Sloan Schools of Business, USA.

#### **Sanjay Nandrajog**

##### *Executive Director & CEO International Operations & Managed Services*

Sanjay was appointed Executive Director International in April 2007. He joined Bharti Airtel in 2003 as CEO for the North Central Region of Airtel Mobility and was promoted to Executive Director, North Hub in 2005.

Prior to joining Bharti Airtel, Sanjay worked for PepsiCo India where he held various senior management positions in Sales and Marketing, the last before leaving the company being Market Unit Director (West). For his achievements he was awarded the PepsiCo President's Ring of Honor Award (1999), as one of the 20 international recipients of this award.

Sanjay has also worked with Lakme India and he started his career as a Management Trainee with ICI's Paints and Fertilizers Division.

He was awarded the 'Indira Achievers Award' from the Indira Group of Institutes, Pune India.

Sanjay is a B. Tech (Chemical Engg) from IIT Delhi and has a MBA (Marketing and Finance) from IIM, Kolkata.

#### **David Nishball**

##### *President-Enterprise Services*

David joined Bharti Airtel as President, Enterprise Services and member of the Airtel Management Board in February 2007.

David leads all business-to-business activities, including carrier wholesale and corporate markets both within India and globally. He is responsible for



providing strategic direction and insight to maximise business profitability and enhance customer satisfaction. David has over 25 years of experience, spanning various roles and functions in the telecommunications industry, including 15 years in international markets.

David joined Bharti Airtel from Orange Business Services (formerly Equant), where he held the position of Senior Vice President, Asia Pacific, based in Singapore. Prior to Orange, David held a number of strategic positions at AT&T, one of which was Head of Business Sales and Managed Services for AT&T Asia Pacific. He also served as Vice President of Concert Asia Pacific, a joint venture between BT and AT&T, where he led the global accounts sales force, carrier services organisation and regional sales support organisation. David was a founding officer of WorldPartners Company, a global telecommunications services venture between AT&T, KDD (Japan), Singapore Telecom and Unisource, serving as the Vice President, Marketing.

David began his career as Manager for Product Planning and Engineering Programs in Ford Motor Company in Dearborn, Michigan. He completed his Masters of Business Administration (Hons.) with focus on Finance and Operation Research from the University of California, at Berkley, Haas School of Business, and also holds a Bachelor of Arts degree in Economics from the same University.

### **Norman Donald Price IV**

#### *Director-Networks*

Don was appointed Director, Networks in April 2006. He is a member of the Airtel Management Board and the Bharti Airtel Technology Council.

Don started his career in the US Navy, where he studied and later taught reactor physics, specializing in nuclear propulsion and communications.

He joined McCaw Communications Group in the US. During his 17 years with McCaw Communications, Don spent considerable amount of time with various telecom operators in Asia. At SmarTone in Hong Kong

Don led the roll-out of the first Asian GSM and DCS1800 networks and in the Shanghai-McCaw Venture Don supported the GSM roll-out in Shanghai. His work at McCaw also led him to Indonesia and provided him the opportunity to deploy Asia's first IDEN network in Manila, Philippines.

Don, meanwhile has more than 25 years of experience in the telecommunications industry, of which he has spent 5 years with Bharti.

### **Krishnamurthy Shankar**

#### *Director-HR*

Krishnamurthy Shankar joined Bharti Airtel in March 2007. He is a member of the Airtel Management Board.

Prior to joining Bharti, Shankar worked with Unilever Asia-Africa as Vice President, Human Resources. He started his career with Eicher Tractors in 1984 as Unit Personnel Officer and thereafter he has held various roles in Hindustan Lever Ltd. and Unilever, spanning the diverse areas of HR, as well as key business partnering functions.

Shankar has over 22 years of professional experience in enterprise level roles, including restructuring, change management, performance, people alignment and driving the HR transformation agenda to deliver strategic value for the business.

He is a member of the Global Mobile HR Steering Board.

Shankar holds a post graduate Diploma in Personnel Management and Industrial Relations from XLRI, Jamshedpur.

### **P. Swaminathan**

#### *Executive Director & CEO-Bharti Infratel Limited*

Swaminathan assumed the leadership of Bharti Infratel Limited in April 2007 with the mandate to build Bharti Airtel's passive infrastructure business into 'the world's largest, most efficient and operator friendly Tower Company'.

Swami has over 11 years of experience in telecom, 8 of

which were with Bharti Airtel. He joined Bharti in 1999 as COO for its fixed line operations in Madhya Pradesh, and has since, held CEO and CEO& Director positions for various fixed and mobile services operations across the country.

Prior to his tenure with Bharti, Swami was with BPL USWest Cellular Ltd. and Shaw Wallace & Co. Ltd. where he gained his extensive FMCG experience.

Swami's passion for quality and business delivery is evident by his receiving the Chairman's Business Excellence Award (2002-03) for Best CEO in the Bharti Group, and the Chairman's Quality Award in 2003-04 and 2005-06.

Swaminathan has a B.Tech degree from IIT Madras and an MBA from IIM, Ahmedabad.

### **Tina Uneken**

#### *Director-Alliance and Corporate Responsibility*

As Director-Alliance, Tina has been the relationship interface for Singapore Telecom (SingTel) since 2001.

Tina has 29 years of work experience, during which she has held operational and management positions in sales, marketing, customer service, logistics and project implementation. She also has extensive experience in the areas of M&A and alliance management. She has worked in the telecom industry for 16 years - 10 years with BT and since 2001 with SingTel. Employers from her pre-telecom days include Rockwell International and General Electric Plastics Ltd.

In addition to her role as Director Alliance, Tina is also the Corporate Ombudsman, Chairperson of the Committee for Prevention of Sexual Harassment and Chairperson of the Diversity Committee of the Company.

A Dutch national by birth, she has worked and lived in the UK, Germany, Sweden, Japan, and for the last 7 years in India. Her work also took her for considerable amounts of time to USA and Korea.

Tina has a Law degree from the University of Leiden, The Netherlands.

### **Gopal Vittal**

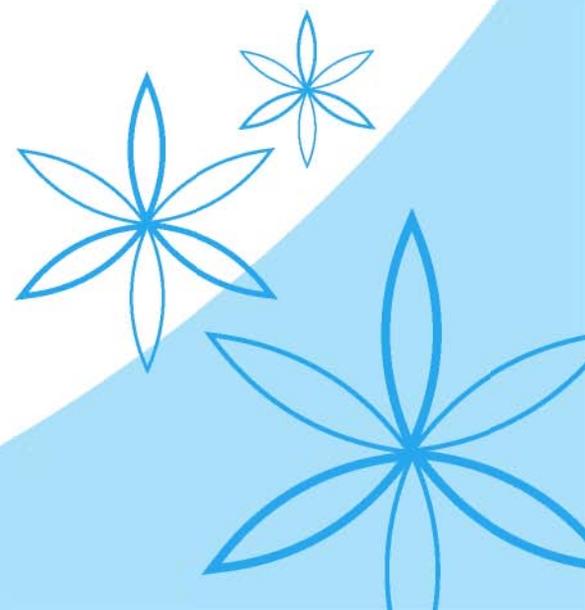
#### *Director-Marketing and Communication*

As Director-Marketing & Communication, Gopal Vittal is responsible for driving Bharti Airtel's marketing, communication and distribution strategy across all business units. Gopal is a member of the Airtel Management Board.

Before joining Bharti Airtel, Gopal was leading the 1.3 bn Euro laundry category in Asia and was a member of the global Laundry Executive at Unilever. He has worked across several categories including soaps, skin care and more recently, the laundry category.

Gopal started his career with Unilever India, working across geographies in India and Asia. He has more than 16 years of rich experience across various aspects of marketing and sales.

Gopal is a post graduate from the Indian Institute of Management, Kolkata. In 2006, he was recognized by Business Today as one of India's Hottest Young Executives.



## Group / corporate directors

### **Viresh Dayal**

#### *Corporate Director-Projects*

As Corporate-Director Projects, Viresh evaluates emerging telecom opportunities in India and internationally. As Group Director, Viresh also works with other parts of the Bharti Group with activities spanning a comprehensive range of telecom and consumer telecom products manufacturing.

He has been associated with the telecom industry for over 28 years, during which period he has worked with Bharti in different positions across the entire spectrum of mobile, fixed, broadband long distance and submarine cable networks. His main focus has been on the area of new Projects and Capex.

Viresh is an Engineering graduate from IIT Delhi and a MBA from IIM, Ahmedabad.

### **Ashok Juneja**

#### *Corporate Director & CTO Bharti Group*

Ashok is responsible for driving new initiatives, such as Bharti's technology strategy, mobile commerce strategies and cost effectiveness arriving out of energy savings and green technology.

Ashok has been with Bharti since 1998 in various positions, such as Director Business Planning and Strategic Projects and CEO of Bharti Broadband Ltd., precursor to Bharti Airtel's current Enterprise Services business unit.

For the first 12 years of his career, Ashok worked in sales and marketing in various companies, such as HCL and UB Group. Prior to joining Bharti, he was the COO of Hutchinson Max in Mumbai. He was also involved in the VSAT and paging industries.

Ashok represents Bharti Airtel on the Executive Management Committee of the Global GSM Association and is the Chairman of the Technology Committee of Cellular Operators Association of India (COAI).

Ashok is an Electronics Engineer from IIT, Kanpur and a MBA from IIM, Kolkata.

### **S. L. Narayanan**

#### *Corporate Director-Finance (Retail and Telecom)*

S. L. Narayanan comes to Bharti Airtel with more than two decades of experience in finance, accounting, taxation and corporate planning.

Prior to joining Bharti Airtel in 2006, SL was Corporate Vice President (Finance) with HCL Technologies Ltd. reporting to the Founder Chairman & CEO. In addition, he oversaw the legal and secretarial departments.

From 1999 until 2001, he was with BPL Telecom Business Group, initially as General Manager Finance and thereafter as the Chief Financial Officer of BPL Cellular Ltd a 51%-49% joint venture with AT&T Wireless.

Between 1986 when he started his career and 1998, S L was with ITC Ltd. where he grew from Management Trainee to Corporate Plans Manager, with successive stints in all areas of finance and performance management of the various Strategic Business Units.

S L is a Chartered Accountant and a Cost Accountant.

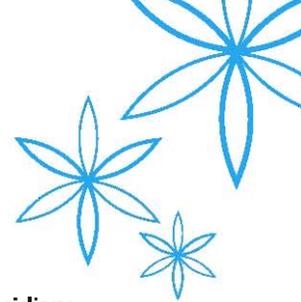
### **Prakash Nene**

#### *Corporate Director-Finance (Emerging Businesses)*

Prakash is responsible for the identification of new business opportunities, for providing direction to the Group's investments and managing the finance function of the emerging businesses at corporate level.

Prakash has nearly 30 years of diverse work experience across hospitality, manufacturing, construction, consumer electronics and private equity markets across India and the Middle East. Prior to joining Bharti, he held the critical portfolio of Director Operations at ICICI Ventures (a 100% subsidiary of ICICI Bank involved in private equity activities) where his responsibilities were to lead-manage large acquisitions, evaluate and approve all acquisitions/divestiture proposals as well as drive operational performance improvement. He was a key member of the Investment Committee of the Company.

Prakash has also held management positions at Jumbo World Holdings Ltd., SRF Limited, DLF Industries Ltd.,



the Indian Space Research Organization (ISRO) and the Oberoi Hotels.

Prakash is an alumnus of the University of Punjab and BITS, Pilani.

### **Hemant Sachdev**

*Group Director-Brand and Corporate Communication*

As Group Director-Brand & Corporate Communication, Hemant is responsible for driving market leadership for all businesses of Bharti with a focus on positioning the Bharti brands in new emerging businesses like retail and international markets.

Hemant has over 20 years experience, of which more than 10 years were with the Bharti Group. He has built the Airtel brand from scratch to a position of national and also, increasingly international leadership. Hemant has led all facets of marketing strategy, with emphasis on business growth, revenue leadership, market growth, innovation, brand management and distribution leadership.

Prior to joining Bharti, he worked for McCann Erickson, Foote Cone & Belding and also had a stint in the retail industry where he developed and implemented new concepts.

Some of the significant recognitions Hemant has enjoyed include 'Marketing Professional of the Year' (2002), 'Chairman of the India Brand Summit' (2003), 'India's Achievers and Leadership Award for Excellence' (2004), 'India's Top Marketing Director Award' (2006). He has also featured as India's Best Brand Builders.

Hemant is a graduate in Business Commerce and has attended global management and leadership programs, such as the 'Leadership at the Peak' program at CCL, USA.

### **Vijaya Sampath**

*Group General Counsel and Company Secretary*

Vijaya is the Group General Counsel and Company Secretary of the Bharti group.

She has been in the legal profession for over 25 years, initially as in-house counsel and company secretary in

Indian Aluminium Company Ltd, the Indian subsidiary of a Fortune 100 company and later as an executive director on its Board. Prior to joining Bharti, Vijaya was a senior partner in law firm J. Sagar Associates.

Vijaya is a member of the Diversity Committee of the Company. She is also the CII representative on the India-UK Corporate Affairs Task Force. She has delivered lectures in national and international forums on various aspects of law and practice.

Vijaya holds degrees in Literature and Law and is also a fellow member of the Institute of Company Secretaries of India. She has attended the Advanced Management Program at Harvard Business School and the Strategic Alliances Program at Wharton, USA.

### **Daljit Singh**

*Group Director-Human Resources*

In his role as Group Director HR, Daljit leads strategic organizational change management for the Bharti Group through the development of an enhanced employee experience and a culture of meritocracy. He also leads the development of various leadership and talent management systems and processes for the organization.

Daljit has a diverse work experience of more than 31 years. Prior to joining Bharti, he worked with American Express as Vice President, HR for Japan, Asia Pacific, Australia and New Zealand, based in Singapore. He also worked with the HCL Group as Head HR and Administration and Advisor to the Group Chairman. Earlier employers include Nestle, Pfizer, Voltas and Indian Oil.

Daljit holds a degree in Law, a Masters degree in Science and an MBA in Personnel Management and Industrial Relations from Punjab University.

# Dissolving boundaries

## Introduction

At Bharti Airtel, we believe that the past and the present are equally important to our lives. Hence, we hold on to what is good while pressing ahead where necessary, to ensure that we continue to support our customers in their personal ambitions and relationships.

## Customer Service Delivery

Now, more than ever, our ability to innovate beyond the traditional boundaries of customer service is critical to our long term success.

Unique to the telecom industry, our Customer Service function has joined forces with Networks, IT and Sales and Marketing to form the Customer Management Community of Practice (CMCoP). This CMCoP has developed a "One Airtel" 2010 customer management strategy that prioritises and aligns the key strategic initiatives we believe will help the Company realise its ambition to be loved by more customers in one of the toughest competitive environments.

The CMCoP has adopted a common mission: "We make it easier for customers to be connected anytime, anywhere."

This mission covers not only network coverage and performance, but self service applications, easy-to-use products and services and informed, empowered people that inspire trust in our customers. We have set aside our functional silos, creating a service climate within and between our areas of accountability. Jointly, we work together to eliminate customer pain points in network performance, billing and payment problems, activation issues and access to responsive customer care. We do this through 6 main strategic thrusts:

1. Equipping our people - creating the industry's most competent and knowledgeable workforce
2. Process as a way of life - building best practice process management into the DNA of the business



A network that connects millions of hearts

In 1.75 lakh villages, 5000 towns across India.

Airtel

Mobile Services

3. Deepening customer relationships through segmented service delivery - expert customer information management to accurately deliver to expectations and extend relationships
4. End-to-end common customer management shared infrastructure - leveraging Network, IT process and partnerships to enable the most comprehensive back-end and front-end integration
5. Innovation - humanising customer interaction, customer experience by leading in delivery supervision, innovatively combining people, process and technology
6. Partner eco - system the industry's best use of partner capabilities, reach and interaction to drive innovation, manage growth and lower total cost to serve.

The first goal in our journey is best captured in our brand credo: "Promise Made, Promise Kept" which has been enthusiastically embraced by all internal and

external stakeholders. To ensure we live up to our credo, we will focus on 4 key behaviours, with one another and with our customers:

- understand first
- be honest
- take ownership and
- be appreciative

### Supply Chain Management

In the B2B arena, both supplier of products and services and recipient organization constantly strive for an effective avenue for interaction to address an opportunity or mitigate a problem in time. Bharti Airtel Supply Chain firmly believes that only through a collaborative approach will it be possible to co-create solutions that suit our specific business requirements.



### Airtel Broadband Setting minds on fire

Curious minds have thousands of questions. Where are all the dinosaurs now? What did dinosaurs eat? The questions just never seem to end. Bring home the new Airtel Broadband and let your children find all the answers. Spark their curiosity with Airtel's high speed 3Mbps\* connectivity and many interactive features. Start all the questions flow.

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To this end, the team has undertaken some breakthrough initiatives during the year.

Prime among them is an exercise to re-engineer the supply chain processes across the entire organization: to make them simple, standard, scalable and sustainable. Some of the best minds in the industry, with involvement of partner organizations like IBM, Wipro and Oracle, are at this task. The outcome will be integrated, instinctive, technology-driven processes that are person independent. This will go a long way in creating a seamless interface between the Company and our suppliers, while significantly enhancing engagement levels.

Having an opportunity to take a peep into its customer's business plans and execution timelines is of vital importance to any supplier. Bharti Airtel Supply Chain organized a Partnership Meet for its critical and major suppliers with the aim to facilitate an intensive interaction with the senior leadership of the Company. On the occasion meritorious partners, who had added value through singular achievements during the year, were recognized. In addition to clarifying our expectations from business associates, we also used this forum to acknowledge the opportunities for improvement and table an action plan.

Another significant initiative is a scheme to measure partner satisfaction with the aim to create an action agenda for strengthening relationships. A 3rd party survey has been commissioned to get feedback from our supplier partners and gain vital insights into the state of the Company's relationship with them. The study will enable us to benchmark ourselves and perform trend monitoring.

The Supply Chain organization, now integrated across 'One Airtel', has been redesigned to separate operations and specialist roles. Dedicated Single Points Of Contact have been appointed for all major partners. These team members will take care of contracting, business share assurances and performance monitoring. In addition to achieving economies of scale through consolidation, this customized structure aims at nurturing relationships while inducing appetite for performance.

## Information Technology and Innovation

The IT function has held the belief of a boundary-less capability delivery through one virtual organization construct called the IT Community of Practice (COP) that was established along with a vision of "Leadership through Technology and Innovation" in 2002. For the past five years, this function has operated as a single factory with common platforms, processes and structures. The first set of single platform decisions were taken in 2002 for intranet and interconnect and this function has not looked back ever since.

A single factory execution virtual organization model was put into place in 2002, even in the presence of multiple business units. The model brought forward a separation of the front end of the IT function called "solutions engagement" and the rest of the factory functions (around architecture, program management and operations), wherein the front-end was distributed into various business units, while the factory back-end was stitched through virtual team processes. The virtual structure was then integrated into a single structure in 2005 which in turn formed the pre-cursor for the One Airtel structural evolution in 2006.

A single COP strategy allowed Bharti Airtel to introduce single strategic IT outsourcing partners in IBM and Nortal for building capabilities across classic IT, contact center technology and service delivery platform. The COP concept of the virtual single structure has now been extended and includes the Bharti Airtel IT team as well as employees of our strategic partners. This has truly set a working example of a globally integrated enterprise function.

As a result, several One Telecom IT platforms (such as Intranet, Interconnect, financials, learning management, self care and business intelligence) were launched in 2002-05 prior to the launch of the One Airtel structure in 2006. Furthermore, all standard group platforms were finalized in 2005 itself for key functions, including CRM, billing, revenue assurance, supply chain and IVRs. This has resulted in a well prepared set of single IT platforms, integrated well

ahead of time of the One Airtel structure, which forms the bedrock for the transformation programs now underway across all business units. The approach to boundary-less IT has also been extended into the innovation area wherein new strategic platforms for content and portal services across three screens mobile, PC and TV has been put into place. The Airtel Innovation Centers form the focal point for customer insights, trials and testing of various innovative content and applications services that are being developed in the product funnel.

One belief, one vision, one virtual team, one set of partners, one set of processes, one architecture and one spirit all embodied in a single IT Community of Practice has been put into place over a five year (2002-07) journey and is now a solid foundation stone to deliver the capabilities and differentiation to deliver Bharti Airtel's 2010 vision.



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## Airtel introduces Voice SMS Service

Now send an SMS in your own voice

All you need to do is dial \* and the mobile number of the person you want to send voice SMS to and record your message in 30 seconds. This message gets a 30sec SMS alert about its use within 10 minutes, or at the convenience. To know all the details, visit [www.airtel.com](http://www.airtel.com)



### Human Resources

Bharti Airtel is at an exciting stage in its evolution where, along with achieving exponential growth through innovative ways, it is consolidating its position in the market. This requires continuous renewal of the organization and building and nurturing of an empowered leadership team across the organization. To aid this renewal, the Human Resources function has to take the lead and proactively drive change along with building people capability in the organization. The key initiatives undertaken this year focused on recruiting, managing and developing the right talent with our leadership competency framework being its bedrock. This includes:

#### Aligning our Leadership Talent

The Bharti Talent Management Program is aimed at a focused development of the leadership team. We

believe that this team should coach and mentor its team members and understand and deliver to our customers. Through this, they became aware of their strengths and development needs as leaders in the organization. Taking this further, we intend to build a tailor-made capability building plan for each leader, aligned to the Bharti Competency framework and the Bharti Leader Behavior. The endeavour is to equip them with the right capabilities and mindsets to lead this organization and remain connected with the future business strategy.

#### Building an engaged workforce

Engaged employees create engaged customers. This has been a belief that has brought us success over the years. We work towards building performance and emotional commitment in our workforce. We use the Gallup philosophy to instill employee engagement by focusing on the factors that affect employees' commitment and interest at work. This spans from initiatives to providing easy access to resources for work, to building programs aimed at enabling success and progress on the job, to institutionalizing reward and recognition mechanisms for employees. It is a holistic view of employee engagement that helps us retain committed and passionate people at Bharti Airtel.

#### Acquiring 'right' talent at all levels

Bharti Airtel is an employer of choice in all top business and engineering schools across the country today. Through our comprehensive 'Young Leader' program, the organization is able to get a fresh talent pool each year, full with energy, new ideas and a mindset to drive innovation which is in our very DNA.

To continually create the talent pool at all levels, we have adopted the Competency Based Selection methodology so that we are confident that the right talent, displaying the expected behavioral traits, joins the star Bharti Airtel team.

### Leveraging technology for driving best-in-class HR processes

Our focus has been to empower our employees by giving them access to all the information and resources that they need to perform their roles in the organization. Through technology enablement of our key processes, like performance management, Internal Job opportunities and employee records, we have moved some distance towards creating transparency and stability in HR processes. Currently, we are embarking on the journey to automate most of our HR processes and systems to build more scalability, reliability and uniformity of HR systems.

### Marketing

When we introduced SongCatcher™, we were overwhelmed by its immediate and unambiguous

success. As the country's first instant music on mobile, SongCatcher™ transforms the way customers download songs of their choice. This service provides the opportunity to search and download songs - as 'Hello Tunes' - anywhere, anytime and in a matter of seconds.

The music recognition technology that enables this quick and easy access to music is based on an algorithm that is capable of identifying patterns in music by matching voice frequencies. The 'DNA' of the requested song is matched with the 25,000 songs available on Hello Tunes and is accurate to the point of distinguishing between the music and the chatting of a DJ or a reporter.

SongCatcher™ is a clear harbinger of new times: it has almost overnight dissolved boundaries of industry, geography and socio-economic traditions and is making dramatic changes in the dynamics of music purchase on mobile phones through its simplicity and ease of access.

SongCatcher™ is only one example of the innovative services Bharti Airtel offers its customers. We aim to create a multitude of magical moments in our customer's lives through enriching connections, engaging entertainment and empowerment through richer information, be it through mobile, fixed line, broadband, IPTV, DTH or any other means of access that we will add to our basket of services.

We will continue to challenge traditional and in many cases obsolete boundaries. Already now, a mobile phone is no longer just a 'talking tool', it has become an indispensable lifestyle assistant. Similarly, broadband is changing the way we think of education, information gathering and commerce. Strategic partners such as Google and Microsoft have joined hands with Bharti Airtel to provide world-class customer experiences and ensure we will at all times remain at the forefront of new developments.



#### Airtel presents SongCatcher™

Getting your music as your Hello Tune was never so simple.

1. Dial 121 from your Airtel mobile.
2. Hold your mobile against any television, music system or radio playing your favourite song for 30 seconds.
3. Get the song as your Hello Tune instantly.
4. Get the Hello Tune and let the world hear your favourite song.

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# Corporate Social Responsibility

## Introduction

At Bharti Airtel, Corporate Social Responsibility (CSR) encompasses much more than social outreach programs: it is an integral part of the way the Company conducts its business. Bharti Airtel's commitment to CSR is guided by the following values:

- look after the needs and interests of all stakeholders
- reach out to the underprivileged
- reach out to communities in which the Company operates, and
- protect and nurture the environment

The Company practices its CSR beliefs and commitments through a three-pronged approach:

- engagement with stakeholders
- implementation of stakeholder-sensitive policies and practices
- development of programs for employees, the community and the environment

The concept of sensitivity towards stakeholders is widely understood and practiced. The Company encourages employees to take decisions and design business-linked processes that are sensitive to communities and environment.

## Employees

Employees are the most important drivers of growth and success and thus the Company strives to support



them with policies and practices that enable the employees to develop themselves and perform to the best of their ability.

A large number of HR policies and practices have been put in place to facilitate the wellbeing of the employees. Some typical examples of these policies and practices include an annual family-day, a half day leave for birthdays, gifts for anniversaries, 10 days of mandatory leave, festival celebration with family, concierge services, call center engagement programs and so on. These policies and practices are applied across the organizational levels without any discrimination.

The Company ensures transparency through various communication policies, strategies and plans. Regular Employee Communication Forums (ECFs) provide platforms for employees to enter into a dialogue with the management or raise issues that require resolution. For everyday communication, the Company has adopted an 'open door policy' which helps resolve issues at an early stage and we encourage people to approach the Office of the Ombudsman for issues relating to a breach of the Code of Conduct. The Ombudsman attempts to resolve the issues raised through a carefully designed process, as laid down in the Ombudsman Policy (whistleblower policy) that ensures confidentiality.

Bharti Airtel provides Flexible Group Mediclaim Insurance to all employees, covering all kinds of illnesses, accidents and hospital coverage for serious ailments. Apart from these specific engagements, we regularly organize health check-up camps, eye check-up camps and stress management sessions. Some of our offices have opened gymnasiums/fitness facilities to ensure that fitness enthusiasts do not have to worry about time constraints.

The Company has instituted a Diversity Committee, consisting of members of the top management, which monitors a wide range of initiatives in the area of minority representation. It is our aim to attract talent from all segments of society, all religions and of course, both genders. Measures include setting targets for minimum percentages of female employees, a women's network, coaching and mentoring processes and cultural awareness creation sessions.



Bharti Airtel is committed to creating an ambience in which all employees can work together in an atmosphere that is free from sexual harassment. The Company has a Policy for prevention of Sexual Harassment that extends to all employees, partner employees and visitors. Grievances can be raised to a two-tiered Committee for prevention of Sexual Harassment.

Airtel launched its Knowledge Management Initiative (KMI), Insights@ Airtel, with the objective to encourage the sharing of best practices within the Company. Insights@Airtel leverages individual knowledge of employees to achieve the Company's strategic objectives. Bharti Airtel's KM Initiative was the winner for the coveted Most Admired Knowledge Enterprise (MAKE)-2008 award.

### Society

Employees of Bharti Airtel across the country support community based initiatives, individually or in groups. Some of these initiatives are:

- Airtel Raipur and Chhattisgarh Handicap Finance & Development Corporation joined hands to provide self-employment to physically challenged people. More than 100 tricycles with PCDs i.e. 'PCD on Wheels' have been committed.
- Airtel Madhya Pradesh and Chhattisgarh Mobility team took up sapling plantation across all its zonal offices on its 4<sup>th</sup> Circle Inception Day. The message emphasized the fact that 'when we heal the earth, we heal ourselves'.
- Airtel Employees Wives Association of Airtel Himachal Pradesh Mobility supported also with employee's contribution collected during Diwali, bought pullovers and gifts for some 80 children from two orphanages (Sarvodaya Bal Ashram for Boys in Shimla and Kasturba Bal Ashram for Girls at Naldhera) and a school for special children called Utsav at New Shimla.
- Airtel Gujarat helped the Ministry of Communications & IT, Gujarat, in disseminating free flood alert messages through SMS. This not only helped in saving lives but also prevented loss of property. Airtel was also at the forefront of flood relief work when Surat was suffering from the onslaught of flood water.
- Airtel Punjab Mobility joined hands with Times of India to organize a children's film festival. Over 50 schools from across Chandigarh, Panchkula and Mohali and 15,000 students participated in a 8-day festival. The purpose of the children's film festival was to give children a much required break from their regular curriculum and an opportunity to gain new experiences and broaden their horizons by interacting with children from different parts of the state.
- The following sports promotion activities were undertaken:
  - Airtel Kolkata organized the Airtel Kolkata Marathon which attracted nearly 20,000 participants.
  - Airtel Himachal Pradesh supported a Special Olympics Camp for 150 mentally challenged athletes from North India.
  - Airtel Masternind, a 4-day inter-school chess tournament was organized under the aegis of the Association for People's Welfare and Development. This chess tournament attracted more than 180 students from different schools.
- ACT (A Caring Touch) flows out of Bharti Airtel's Philanthropy Policy which encourages employees to donate a small portion of their monthly salary and thereby support underprivileged people, especially children. For each contribution made by an employee, Bharti Airtel gives a matching grant, thereby doubling the money that reaches the

beneficiaries. NGOs from various parts of the country, as well as Bhardi Foundation, have been empowered to provide a wide choice to the employees.

#### The environment

Bhardi Airtel is committed to the principles of environment conservation and preservation. This is achieved by minimizing the consumption of energy and optimizing the use of material produced out of natural resources, both in offices and technical spaces. Special emphasis is laid on health, environmental and safety issues affecting our employees in particular and for the neighborhood and community in general. The Company has put in place a process for continuous monitoring and improvement in these areas.

By their very nature, Bhardi Airtel's operations are non-polluting and do not result in hazardous waste. In terms of energy consumption, air conditioning, electronics and lighting we are the largest users of electrical energy. Therefore, maximum attention is paid to select energy efficient and environment-friendly air conditioning equipment and lighting systems, even if doing so results in an incremental increase in capital cost.

The Company maximizes the use of CFL lamps and electronic ballasts that considerably reduce the lighting energy and cost. The HVAC is carefully designed and reviewed for energy efficiency looking at the life cycle cost and savings in energy consumption. The air conditioning chillers are selected for their power efficiency and optimized cycle time. The power factor at all Bhardi Airtel offices and technical facilities is continuously monitored and corrected for optimum use of electrical power. The high capacity DG sets installed at Bhardi Airtel premises are procured from companies that are among the world's leaders in manufacturing fuel efficient diesel engines. A Building Management System (BMS) is included as a standard feature in all new Bhardi Airtel buildings to control the use of air conditioning and lighting during off-use time, using sensors and controllers.

The Company has adopted 'green building' principles for the design of all its new office campuses. This involves maximizing the use of natural light and solar

energy, reducing air conditioning load, and using recycled and environment friendly materials for construction, wherever feasible.

Bhardi Airtel is continually increasing the environment awareness among its employees, motivating them to participate and promote endeavours to protect the environment. This involves reduction of paper usage by double-sided printing and switching off lights when not required. All Bhardi Airtel canteens follow the principle of self-service to reduce food wastage. The facility management staff ensures that there is no wastage of water due to leakage and auto sensors are employed in toilets. The waste from offices is segregated for disposal in an environment friendly manner.

#### Initiatives focused on education

Besides delivering its own programs and initiatives, Bhardi Airtel works closely with Bhardi Foundation, the leading Corporate Social Responsibility vehicle for the Bhardi Group. Bhardi Foundation believes in the power of education to bring about essential and critical growth in India and thus has a strong focus on education, which extends from elementary education to higher education.



In the year under review, Bharti Foundation was awarded the coveted Golden Peacock Award for Corporate Social Responsibility in the NGO category. The award recognizes the education initiatives undertaken by Bharti Foundation, a summary of which can be found below:

#### **Satyajit Bharti Schools (pre-primary and primary schools)**

Bharti Foundation aims to make high-quality education available to poor, out-of-school, and migrant children in rural India, and especially to the girl child. In Satyajit Bharti Schools, the aim is to provide education that is practical, complete and empowers a child to explore and question. The Satyajit Bharti schools follow the local state curriculum to enable easy mainstreaming, with special emphasis on the English language. The schools have computer-aided learning, library and reading facilities and provision for sports and games for an all-round development of the child.

#### **Bharti School of Telecommunication Technology & Management, IIT Delhi**

The Bharti School at IIT Delhi stands out as a centre of



excellence that hosts post-graduate programs in M.Tech, MBA, MS (Research) and Ph.D. The School has consistently lived up to its mandate by admitting outstanding students, attracting the best teachers and making available to them the most conducive environment to learn, teach and conduct research.

Apart from the regular academic and research work, students are given exposure to the latest industry trends by inviting industry leaders. This year, Manoj Kohli, President Bharti Airtel and Frank E. Dangaard, Chairman & CEO of Thomson shared knowledge and experience with the students. Bharti has also instituted 'Bharti Merit Awards' which are given to the top three students of M.Tech and MBA, respectively.

#### **Bharti Library Program**

Bharti Libraries are hubs of activity, focused on specific initiatives such as 'Learning to Read' and 'Reading to Learn' programs, games and activities to teach mathematics, logic and developing story-telling skills in the children. Bharti Libraries are both school-based and community-based. The key highlights of the initiative are: 104 Bharti Libraries are available in 11 states/union territories of India, more than 17,000 children are benefiting with major improvements in reading ability observed, 104 youth - most of them young girls, are employed as librarians.

#### **Bharti Computer Centres (BCCs)**

Bharti Computer Centres are spread across 8 states and reach more than 14,000 underprivileged children and youth in schools and community centres. The major highlights are: remarkable improvement in the learning levels of children, parents keen to send their children to schools with focus on 'computer-based learning', school teachers learning to use computers as a teaching-learning aid.

#### **Bharti Centre for Communication at IIT Bombay**

Bharti Foundation has partnered with IIT Bombay as part of their Golden Jubilee Celebrations to set up 'Bharti Centre for Communication'. The Centre will strive for excellence in research in communication theory and systems, and foster technical collaboration between research and user groups. Some of the broad research areas would include 4G technology, RF

MEMS, next-generation IP/MPLS services, optical fiber communication.

#### **Bharti Scholarship Scheme**

The Bharti Scholarship Scheme has been initiated in 30 premier institutions of higher education in the country. The scholarship is given to students on merit-cum-means basis to pursue higher education in management, engineering (electronics, telecom and software) and agriculture. A Bharti scholar is supported for the duration of the entire course.

#### **Mid-Day Meals**

Bharti Foundation has supported Aashya Patra Foundation in setting up a state-of-the-art kitchen in Vrindavan to provide mid-day meals to the underprivileged children studying in government schools and anganwadis. Currently, the program reaches 63,427 children.

As per a sample survey by ORG Centre for Social Research, the mid-day meal program has been instrumental in improving enrollment by 18%, retention by 27.4% and the attendance rate by 14.6%. Similarly, the proportion of students who obtained the highest Grade A has increased from 14.4% to 25.6% across all classes.

#### **Bharti Centre for Entrepreneurial Initiatives (BCEI)**

The BCEI set up in partnership with the Entrepreneurship Development Institute of India (EDI) has undertaken the following activities to encourage and promote first generation entrepreneurs:

- Mr. Mitesh Talati was presented the Bharti Entrepreneur of the Year Award, 2006. Today, his unit has reached a turnover of Rs. 10,000,000 from a mere Rs. 100,000 in 1993.
- The 2<sup>nd</sup> EDI-Bharti lecture was delivered by Padma Bhushan Dr. J.J. Irani, Director, Tatacons Ltd. in February 2007. The lecture addressed the question "Is Indian Industry ready to take on the rest of the world?".
- The Bharti Student of the Year Award is given to EDI-PG students on the basis of academic

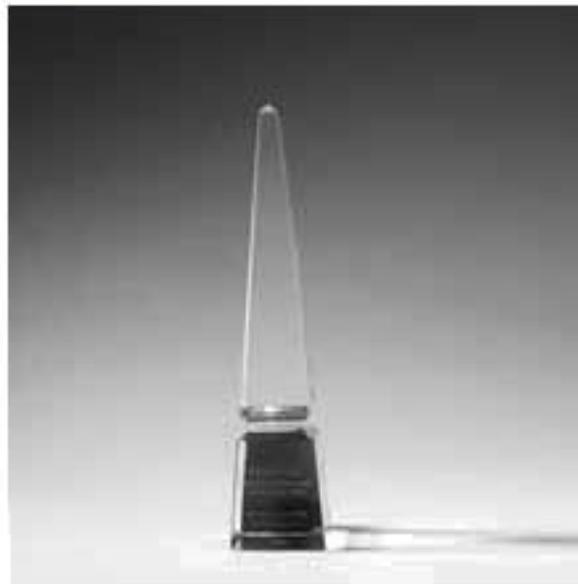
performance, extra-curricular activities, peer rating, faculty rating, and career clarity on the part of the student.

#### **CI-Bharti Woman Exemplar Award 2006**

The CI-Bharti Woman Exemplar Awards for 2006 were handed over by Hon'ble Prime Minister of India, Dr. Manmohan Singh. The Award recognizes exemplary efforts of grassroots community women workers in the field of Primary Education and Literacy, Health and Micro-Finance and Enterprise. The winners for the year 2006 were Sangeeta Phardhe (Pune), Raj Rani (Haryana) and Vanita Jalindar Fise (Madhya Pradesh).



# Awards and recognitions



We are pleased to report that during the year many awards were conferred on both the Company and members of our senior management.

The Company was presented with the:

- 'Best Indian Carrier Award' in the Telecom Asia Awards 2006
- 'Wireless Service Provider of the Year' and the 'Competitive Service Provider of the Year Award' in the Telecom Asia Awards 2006
- 'Most Preferred Cellular Service Provider Award' in the telecom category for the year 2006 at the Auzax Consumer Awards 2006
- 'MIS Asia IT Excellence Award 2006' for Best Knowledge Management
- 'Most Admired Knowledge Enterprises' (MAKE) in 2006, announced at the INFOVISION summit held in Bangalore
- 'Most Customer Responsive Telecom Company' in India by the Asya-Economic Times Global Connect Awards
- 'QC-DL Shah National Award' on Economics of Quality
- 'Nasscom IT Innovation Award' for the Business Model Innovation for the year 2006

Members of the management were presented with the following personal awards:

- The Government of India presented Sunil Bhardi Mittal with the prestigious 'Padma Bhushan' award
- Govind Ballabh (G.B.) Pant University of Agriculture and Technology India, conferred the Degree of Doctor of Science (Honoris Causa) on Sunil Bhardi Mittal
- The Institution of Electronics and Telecommunication Engineers - India (IETE) conferred its highest honour, 'The Honorary Fellowship' on Sunil Bhardi Mittal
- FORTUNE named Sunil Bhardi Mittal as the 'Asia Businessman of the Year 2006'
- Sunil Bhardi Mittal was adjudged 'CEO of the Year' in the service provider category at the Frost & Sullivan Asia Pacific ICT Awards 2006
- Voice and Data named Sunil Bhardi Mittal the 'Telecom Person of the Year 2006'



- Ajith Gupta was adjudged 'Best CFO of the Year' and 'Best Performing CFO in the Telecommunications Sector' by the CNBC TV18 CFO Awards jury
- Ajith Gupta was awarded 'Best CFO of the Year' at the Peoples' Choice Awards
- Hamant Sachdev was adjudged 'Top Marketing Director' at the IMIM Awards for Excellence
- Deljit Singh was adjudged 'Top HR Director' at the IMIM Awards for Excellence

Furthermore, the Company was ranked the 13th best performing company in Asia across all sectors by The Asia Business Week 50.

# Corporate information

## Board of Directors

### Executive directors

Sunil Bharti Mittal  
Ajith Gupta

### Non-executive directors

Ajay Lal  
Anun Bharat Ram  
Bashir Currimjee  
Chua Sock Koong  
Donald Cameron  
Francis Heng Hang Song  
Gavin John Darby  
Kurt Hellstrom  
N Kumar  
Paul Donovan  
Paul O Sullivan  
Pulak Chandan Prasad  
Rajan Bharti Mittal  
Rakesh Bharti Mittal  
Syeda Bilgrami Inam  
V. S. Raju

## Group General Counsel & Company Secretary

Vijaya Sempath

## Auditors

Pricewaterhouse  
Chartered Accountants

## Registered Office

Bharti Airtel Limited  
Qutub Ambience,  
H-5/12, Mehrauli Road,  
New Delhi 110 030  
Tel: +91 11 41 666 111  
Fax: +91 11 41 666 137

## Registrar and Transfer Agent

Karvy Computershare Private Limited  
Karvy House, 46 Avenue 4,  
Street No. 1, Banjara Hills  
Hyderabad 500 034  
Tel: (91-40) 23420815 -20  
Fax: (91-40) 23420814  
Email: mailmanager@karvy.com

## Listing and Stock Code

- The National Stock Exchange of India Limited, Symbol -BHARTIARTL;
- The Bombay Stock Exchange Limited, Mumbai, Scrip code - 532454

## Queries/ Assistance

Company Secretarial Department  
Bharti Airtel Limited  
Qutub Ambience,  
H-5/12, Mehrauli Road,  
New Delhi 110 030  
Tel: +91 11 41 666 111  
Fax: +91 11 41 666 137  
E-mail: compliance.officer@bharti.in

## Website

<http://www.bhartiairtel.in>



## Directors' Report

Dear Shareholders,

The directors are delighted to present the Twelfth Annual Report on the business and operations of the Company together with audited financial statements and accounts for the year ended 31<sup>st</sup> March 2007.

### Overview

The Company is one of India's leading private sector providers of telecommunications services, and was the first private player to have an all India presence. The Company is the largest GSM mobile service provider in the country based on number of customers. The Company's customer base has crossed 39 million as on March 31, 2007, comprising of approx. 37 million mobile and approx. 1.9 million broadband & telephone customers.

During the financial year 2006-07, the Company crossed certain key milestones, and maintained its position as one of the leading telecommunications services provider in India by continuously reviewing its strategy and augmenting its operations.

Some of the key highlights include the following:

- First private telecom operator to cross total customer base of 39 million.
- Nearly doubled mobile customer base by adding 17,562,002 customers in the financial year 2006-07.
- Full year consolidated gross revenues of Rs. 184.2 billion (~US\$ 4.23 billion) and consolidated EBITDA of Rs. 74.4 billion (~US\$ 1,707 million).
- Full year consolidated net profit of Rs. 40.6 billion (~US\$ 932 million).
- Year-on-year growth of total customer base by 86% resulted in a 58% increase in revenues, 79% increase in EBITDA and 100% growth in net profit.

### Financial Results and Results of Operations

- I. Financial highlights of Consolidated Statement of Operations of the Company:

Particulars	In Rs. Million, except ratios		
	Year Ended		Y-o-Y Growth
	March 31, 2007	March 31, 2006	
Gross revenue	184,202	116,641	58%
EBITDA	74,407	41,636	79%
Cash Profit from operations	73,037	40,006	83%
Earnings before taxation	46,784	23,455	99%
Net profit / (Loss)	40,621	20,279	100%

The strong operational performance of the Company during the year culminated into an equally robust financial performance.

The consolidated revenues and EBITDA for the year ended March 31, 2007 was Rs. 184,202 million and Rs. 74,407 million respectively. The consolidated revenues and EBITDA grew by 58% and 79% respectively for the year ended March 31, 2007.

The net finance cost for the year was Rs 2,488 million as compared to Rs 2,244 million for the corresponding period last year. Earnings before tax for the year ended March 31, 2007 was Rs. 46,784 million, and the net profit was at Rs 40,621 million leading to a net profit growth of 100% over the previous year and an earnings per share (basic) of Rs. 21.432.

Net debt for the year ended March 31, 2007 was Rs. 42,867 million resulting in the net debt to EBITDA of 0.58 times and interest (net) coverage ratio of 26.47 times.

- II. Financial highlights of Standalone Statement of Operations of the Company

Particulars	In Rs. Million, except ratios		
	Year Ended		Y-o-Y Growth
	March 31, 2007	March 31, 2006	
Gross revenue	177,944	112,287	58%
EBITDA	72,602	40,167	81%
Cash Profit from operations	70,979	38,530	84%
Earnings before taxation	46,014	22,858	101%
Net profit / (Loss)	40,332	20,121	100%

### Dividend

The directors believe in the tremendous growth potential of the telecommunication sector and the Company should capitalize on these by expanding and strengthening its existing networks. Keeping in view the Company's need for capital, its growth plans and the intent to finance those plans through internal accruals to maximum, the directors do not recommend any dividend for the year ended March 31, 2007. The directors believe this would increase shareholder value and eventually lead to a higher return threshold.

## Subsidiary companies

The Company has the following subsidiaries as on 31st March 2007 viz.

- (i) Bharti Hexacom Limited
- (ii) Bharti Comtel Limited
- (iii) Bharti Aquanet Limited
- (iv) Satcom Broadband Equipment Limited
- (v) Bharti Broadband Limited
- (vi) Bharti Infratel Limited
- (vii) Bharti Telemedia Limited
- (viii) Bharti Airtel (UK) Limited
- (ix) Bharti Airtel (Canada) Limited
- (x) Bharti Airtel (Hongkong) Limited
- (xi) Bharti Airtel (USA) Limited and
- (xii) Bharti Airtel Lanka (Private) Limited

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956 vide letter No.47/72/2007-CL-III dated 29-03-2007, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of directors and Auditors of the aforementioned subsidiaries (as stated in sl. (i) to (xi)) for the year ended March 31, 2007 have not been attached with the Balance Sheet of the Company. We believe that the Consolidated Accounts present a full and fair picture of the state of affairs and the financial condition and is globally accepted. These documents will be made available to Bharti Airtel's investors and subsidiary companies' investors upon request. The annual accounts of the subsidiary companies are also kept at the registered office of the Company and the concerned subsidiary companies for inspection by any investor. Bharti Airtel Lanka (Private) Limited was incorporated in March 2007 only and therefore no financial statements have been prepared till March 31, 2007. The statements required pursuant to the approval letter obtained from the Ministry of Company Affairs for this exemption is disclosed as parts of the Notes to Consolidated Accounts of the Company page no. 172.

In addition the Company has also incorporated a wholly owned subsidiary company, Bharti Airtel (Singapore) Private Limited in Singapore in April 2007.

## Approval under sec 211(4) of the Companies Act

In terms of approval granted by the Central Government under Section 211(4) of the Companies Act, 1956 vide letter No.46/44/2007-CL-III dated 29-03-2007, the Company has been exempted from providing details of movements of investments etc. in the Balance Sheet as on March 31, 2007. Pursuant to the aforesaid exemption, the company is required to provide only selective details of investments. Detailed information will be made available to Bharti Airtel's investors upon request. The detailed information have been kept at the registered office of the Company for inspection by any investor and will also be made available on the Company's website.

## Highlights of the year

### Major agreements and alliances

During the year Bharti Airtel has entered into following major agreements and alliances:

- With **Microsoft** to offer software and services for the Small and Medium Business (SMB) market in India. The partnership will start off by offering to Indian SMBs Microsoft solutions for Hosted Messaging and Collaboration. It will also offer other hosted applications like CRM, Accounting, ERP, Unified Communications and select Microsoft ISV applications;
- With **Google** to offer search services on Airtel Mobile. As part of the agreement, Airtel will bring Google search to the Airtel Live mobile WAP portal. Google will also incorporate advertising through its Mobile Ads product on the Airtel Live mobile portal;
- With **Adani Group** to connect Mundra Port and Special Economic Zone. This is a first-of-its-kind alliance with the Adani group for setting up the Telecommunications Network Infrastructure for its multi-sector Special Economic Zone (SEZ) located at Mundra port;
- A three-year contract with **Nokia** at an estimated value of US\$ 400 mn to expand its managed GSM/GPRS/EDGE networks in eight Airtel circles and deploy a pan India WAP solution across its networks;
- A three-year network expansion contract with **Ericsson** at an estimated value of USD 1 bn . The contract will enable Bharti Airtel to rapidly expand its mobile services footprint further and reach out to all towns and cities in 15 telecom circles in the country;
- With **Microsoft** to offer Microsoft's latest Windows Mobile 5.0 technology to its customer. With this agreement, Bharti Airtel has become the first Indian teleco company to offer Microsoft's latest Mobile 5.0 technology to its customers;
- With **IBM** to deliver India's first 'Service Delivery Platform' (SDP). This platform will enable Airtel to deliver a suite of unique, innovative products, services and applications, to its over 39 million customers spanning mobile, landline and broadband services. Airtel is investing over USD 100 Million in this delivery platform;

### Mergers & Acquisitions

- During the year, the Company has sold 2.36% of its investments in Forum I Aviation Limited which has resulted in reduction of its shareholding in the JV from 16.6% to 14.2%;
- Pursuant to a rights issue made by Bharti Hexacom Limited (BHL) during the year, the Company subscribed to 43,750,000 shares of BHL for an

- aggregate consideration of Rs. 875 mn resulting in increase in its stake from 68.5% to 68.89%;
- On 17 April 2007, the Hon'ble High Court of Delhi approved the amalgamation of Satcom Broadband Equipment Limited (SBEL) and Bharti Broadband Limited (BBL) into Bharti Airtel Limited. On completion of all procedural formalities, SBEL and BBL will stand dissolved (without the process of winding up) into Bharti Airtel Limited. The appointed date of the amalgamation is October 1, 2005;
  - At its meeting held on 26 April 2007, the Board approved the acquisition of 12,25,000 equity shares of Rs. 10 each of Bharti Aquanet Limited ("Aquanet") comprising 49% of the equity from Singtel i2i Limited for the consolidated consideration of Rs. 154.5 mn. Post acquisition, Aquanet will become a wholly owned subsidiary of, and will be merged with Bharti Airtel;

### Capital market ratings

The earlier awarded highest Governance and Value Creation (GVC) rating viz. 'CRISIL GVC Level 1' by CRISIL, was reaffirmed in April 2006 and remains valid. This clearly indicates our capability to create value for all our stakeholders, while preserving the highest standards of ethics and governance. We acknowledge that corporate governance is a continuing and constant process of the standards and we endeavor to establish and benchmark ourselves with global best practices to ensure our commitment to stay at the highest level in the coming year.

### New products and initiatives

During the year, the Company introduced new and innovative products that were received well in the market and enabled the Company to maintain its leadership position in spite of significant competitive pressures:

- Airtel launched 'Airtel SongCatcher' – India's first instant music on mobile in November 2006. The music recognition technology deployed enables an Airtel mobile customer to download as his Hello Tune any song that he/she listens to, it in a matter of seconds;
- In December 2006 the Company announced its foray into the United States of America with the launch of Airtel CallHome service for Non-Resident Indians based there. They will now be able to call their loved ones back in India at rates as low as 7.9 cents a minute. All they need to do is go to the Airtel website [www.Airtelcallhome.com](http://www.Airtelcallhome.com), create their personal account and download the calling service;
- The Company launched 'Airtel Mega' Fixed Wireless Phone (FWP) services in July 2006. Airtel Mega fulfills the customer's need for an innovative home phone service with the advantages of instant availability, feature-rich instruments and mobility within the premises;

- Airtel Broadband & Telephone Services, India's largest private broadband and telephone service provider, introduced its **Games on Demand Service** as part of its endeavour to offer rich broadband content to its customers in July 2006. The online gaming suite offers unlimited play of best selling online games at an affordable subscription;
- The Company launched India's first Easy Lifetime Pre-paid, wherein customers can go mobile for life for Rs. 99 per month in 12 easy installments. With the launch of the Easy Lifetime Pre-paid, Airtel became the first service provider to bring Lifetime Pre-paid in easy installments. This plan is in line with Airtel's continuous effort to drive affordability in the market and bring convenience to the customers;
- The Company introduced the **BlackBerry® 8800™ business phone** in March 2007 and in so doing has made a wider portfolio of Blackberry products available in India, in partnership with Research In motion (RIM);
- Airtel lowered the entry cost of BlackBerry services by reducing the fixed monthly rental from Rs.1099 per month to Rs. 249 per month. In this new plan Airtel BlackBerry users will be charged Rs.0.15/- per Kb of usage, besides the fixed monthly rental;
- Bharti Airtel and the GSM Association launched the Global money transfer pilot project in India. This initiative will eventually enable over 25 million Indians abroad to remit money to India through their mobile phones. For enabling this, Bharti Airtel and State Bank of India have created an innovative public/private partnership to serve Indians at home and abroad;

### Other Company Developments

- Bharti Airtel announced its new apex level strategic organization structure with the objective of enhanced empowerment and strengthening business roles at the operational level. Accordingly, the following changes are effected in April 2007;
  - Rajan Bharti Mittal has relinquished his position as Joint Managing director w.e.f. April 1, 2007 and will now continue as a non- executive Director on the Board of the Company;
  - Akhil Gupta, Joint Managing Director has relinquished his role as CFO but will continue as Joint Managing Director of Bharti Airtel Limited;
  - Manoj Kohli has been appointed as President and CEO of the Company. Manoj will lead Bharti Airtel towards achieving the One Airtel vision and becoming a benchmark in innovative practices, operational efficiency and customer value. He will be responsible for business strategy, operations and its results and report to the Chairman and Managing Director;

- The three Joint Presidents have been given enhanced empowerment to lead their respective businesses. Sanjay Kapoor will now be President-Mobile Services, Atul Bindal will be President-Broadband and Telephone Services and David Nishball will be President-Enterprise Services. It is expected that the changes will enable them to provide deeper focus and be fully accountable for their business results. They will continue to report to Mr. Manoj Kohli, President and CEO;
- SL Narayanan has been appointed the Corporate Director Finance for the telecom business;
- Sarvjit Singh Dhillon has been appointed as Chief Financial Officer and Director-Strategy of the Company;
- Bharti Airtel received a letter of offer from the Telecommunications Regulatory Commission of Sri Lanka to provide 2G and 3G mobile services in Sri Lanka on January 18, 2007. This will be the first international operation of the Company and in line with the Company's plans to expand its telecom operations in the South Asian region;
- Bharti Airtel (USA) Limited, Bharti Airtel (UK) Limited, Bharti Airtel (Canada) Limited, Bharti Airtel (Hong Kong) Limited, have been incorporated as/have become, the wholly owned subsidiaries of Bharti Airtel Limited. These companies have been incorporated for providing international calling services and wholesale voice switching and data products in the respective countries;
- Bharti Infratel Limited has been incorporated as a wholly owned subsidiary with an initial investment of Rs. 500,000. The Board of directors in its meeting held on January 22, 2007 approved a scheme of transfer by de-merger of the passive infrastructure for mobile communications and related passive infrastructure into Bharti Infratel Limited for enhanced operational efficiencies;
- Bharti Telemedia Limited was incorporated as a wholly owned subsidiary of Bharti Comtel Limited, which is a wholly owned subsidiary of Bharti Airtel Limited for carrying on the business of Direct to Home Services. In order to comply with the guidelines on foreign direct investment in direct to home ("DTH") broadcasting sector, Bharti Airtel's economic interest in Bharti Telemedia Limited ("Telemedia") is being restricted to 40% and the balance 60% will be held by a Bharti Group company. Bharti Airtel has also decided to hold its stake in Bharti Telemedia directly;
- The Board of directors at its meeting held on January 22, 2007 approved the acquisition of a submarine network cable system from Network i2i (jointly owned by Singtel and a Bharti Group company) by way of purchase of all the assets or equity for an overall consideration of US\$ 110 million, subject to obtaining the requisite approvals;

Bharti Airtel and Vodafone entered into a Memorandum of Understanding covering certain services and infrastructure sharing. Bharti Airtel will be preferred vendor of Vodafone for NLD, ILD and Leased Line services. Vodafone will also give 50% of its in-bound international roaming traffic to Bharti Airtel for a period of three years. The two companies will also work on passive infrastructure sharing options for towers enabling rapid network expansion to connect sub urban and rural areas across India. The parties propose to enter into definitive agreement for this purpose;

## Business Review

### Mobile Services

During the financial year, the Company expanded its operations to 4,676 census towns and over 207,327 non-census towns and villages covering approximately 59% of the country's total population. The Company added 17.56 million mobile subscribers during the year, garnering a 22.9% share of the all India wireless market. The Company's strong performance helped consolidate its leadership in the market and has given it the opportunity to take full advantage of the rapidly growing telecom market;

The revenues from the mobile services for the financial year were Rs.141,189 million, a growth of 70% over the revenues in the previous financial year. The mobile services business contributed 76% to the consolidated revenues. The growth in revenues happened despite reductions in tariffs and intense competition. With mobile tariffs in India being among the lowest in the world, the Company's prime focus is on ensuring customer satisfaction through network quality, superior customer service and continuous innovation in value-added services that would help expand its mobile subscriber base and drive up volumes;

The key financial results of the mobile segment for the year ended March 31, 2007 are presented below:

#### Financial highlights of Mobile Services:

Particulars	In Rs. Million, except ratios		
	Year Ended		Y-o-Y Growth
	March 31, 2007	March 31, 2006	
Gross revenue	141,189	83,095	70%
Earnings before interest & taxation	34,909	16,854	107%

### Broadband & Telephone Services

The Company provides broadband (DSL) and telephone services in 15 circles spanning over 94 cities across India. As on March 31, 2007, the Company had 1,871,387 customers (a growth of 39%), of which 32% (598,844) were also subscribing to broadband services.

The revenues from the broadband and telephone services were Rs.22,492 mn, a growth of 49% over the revenues in the previous financial year.

The key financial results of Broadband & Telephone Services for the year ended March 31, 2007 are presented below.

In Rs. Million, except ratios

Particulars	Year Ended		Y-o-Y Growth
	March 31, 2007	March 31, 2006	
Gross revenue	22,492	15,075	49%
Earnings before interest & taxation	1,698	606	180%

### Enterprise Services

The Enterprise Services group has two sub-groups, viz. Carriers (Long Distance Services) and Corporates.

#### Enterprise Services – Carriers

The Company complements its mobile and broadband and telephone services with national and international long distance services. The Company has over 49,000 route kilometers of fibre on its national long distance network. For international connectivity to the east, it has a submarine cable landing station at Chennai between Chennai and Singapore. For international connectivity to the west, it is, jointly with 15 other global telecom operators, a member of the South East Asia-Middle East-Western Europe – 4 (SEA-ME-WE-4) consortium that has commissioned the fourth generation cable system.

During the financial year, the Company saw significant growth in the long distance traffic carried on its network. With reductions in ADC and license fees the tariffs were reduced drastically, which has helped augment usage by our customers.

The key financial results of the Long Distance Services division for the year ended March 31, 2007 are presented below.

In Rs. Million, except ratios

Particulars	Year Ended		Y-o-Y Growth
	March 31, 2007	March 31, 2006	
Gross revenue	34,950	24,674	42%
Earnings before interest & taxation	11,637	7,794	49%

#### Enterprise Services – Corporates

This sub-group of Enterprise Services provides secure, scalable, seamless, reliable and customized integrated

solutions of voice and data communications to corporate, small and medium scale enterprises, thus offering total telecom solutions through a single window. The group focuses on delivering telecommunications services as an integrated offering including mobile services, broadband and telephone services, national and international long distance and data connectivity services to key account corporate customers through business relationship management.

The key financial results of the enterprise services division for the year ended March 31, 2007 are presented below.

In Rs. Million, except ratios

Particulars	Year Ended		Y-o-Y Growth
	March 31, 2007	March 31, 2006	
Gross revenue	9,304	6,933	34%
Earnings before interest & taxation	3,293	1,762	87%

### Regulatory and key industry developments

Update on regulatory and key industry developments forms part of the Management Discussion and Analysis report.

### Share capital

During the year the Company allotted 165400 equity shares on exercise of stock options to the employees of the company under the Company's ESOP Scheme 2005.

The Company also allotted 1889453 equity shares upon conversion of Foreign Currency Convertible Bonds (FCCBs) by their holders. Due to these corporate actions, the issued, subscribed and paid-up equity share capital increased from 1893879304 (March 31, 2006) to 1895934157 equity shares as of March 31, 2007.

### Corporate Governance

The Company is committed to maintain the highest standards of corporate governance and benchmarking industry best practices. The Company meet the standards of the Securities and Exchange Board of India's Corporate Governance guidelines and have implemented all the stipulations prescribed.

A detailed report on corporate governance pursuant to the requirements of Clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the auditors of the Company, Price Waterhouse, Chartered Accountants, confirming compliance of conditions of corporate governance as stipulated under the aforesaid Clause 49 is annexed to the Corporate Governance Report.

### Management Discussion and Analysis Report

In accordance with the Listing Agreements, the Management Discussion and Analysis Report is

presented in the separate section forming part of the Annual Report.

### **Corporate Social Responsibility**

At Bharti Airtel, Corporate Social Responsibility (CSR) encompasses much more than social outreach programs - is an integral part of the way the Company conducts its business.

Employees of Bharti Airtel across the country support community based initiatives, individually or in groups. During the year, a large number of such initiatives were undertaken in e.g. the areas of education, the environment and sports promotion.

The Company is strongly committed to the principles of environment conservation and preservation. This is achieved by minimizing the consumption of energy and optimizing the use of material produced out of natural resources, both in offices and technical spaces. Special emphasis is laid on health, environmental and safety issues affecting the employees in particular and for the neighborhood and community in general. The Company has put in place a process for continuous monitoring and improvement in these areas.

Besides delivering its own programs and initiatives, Bharti Airtel works closely with Bharti Foundation, the leading Corporate Social Responsibility vehicle for the Bharti Group. Bharti Foundation believes in the power of education to bring about essential and critical growth in India and thus has a strong focus on education, which extends from elementary education to higher education. Bharti Foundation is in the process of building a large number of high-quality pre-primary and primary schools (Satya Bharti Schools) which will provide education that will allow the students easy mainstreaming, with special emphasis on the English language. Bharti Foundation's programs further include Bharti Computer Centres, Bharti Libraries, the Bharti School of Telecommunication Technology & Management at IIT Delhi, Bharti Scholarships, Mid-day Meals and so on.

In the year under review Bharti Foundation was awarded the coveted Golden Peacock Award for Corporate Social Responsibility in the NGO category in recognition of its education programs and plans.

### **Employees Stock Option Plan**

The Company offers two ESOP Schemes i.e. the Bharti Airtel Stock Option Plan 2001 and Bharti Airtel ESOP Scheme 2005. Both schemes endeavour to incentivise and retain high performance employees who contribute to the growth of the Company.

Disclosure in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999), as amended, are provided in annexure A to this report.

A certificate from M/s. Price Waterhouse, Chartered Accountants, Statutory Auditors, with respect to the implementation of the Company's Employee Stock Option schemes, will be placed before the shareholders in the next Annual General Meeting, and a copy of the same shall be available for inspection at the registered office of the Company on all working days (Monday to Friday) between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.

### **Directors**

Paul O' Sullivan, Kurt Hellstrom, N. Kumar, Pulak Prasad and V.S. Raju retire by rotation at the forthcoming Annual General Meeting and all of them except Prof. Raju, being eligible, offer themselves for re-appointment. Prof. V.S. Raju has expressed his intention to retire and not offer himself for re-appointment. The Board places on record its deep appreciation for the services rendered by Prof. Raju during his tenure on the Board.

Further, Rajan Bharti Mittal has relinquished the position of Joint Managing Director of the Company w.e.f. April 1, 2007. He will continue to be a non-executive director on the Board of Bharti Airtel.

Since the last Directors' Report, York Chye Chang has resigned and Francis Heng was appointed as director to fill the casual vacancy caused by the resignation of York Chye Chang. The Board places on record its sincere appreciation for the services rendered by York Chye Chang during his tenure on the Board.

The Company has received notice from a member under section 257 of the Companies Act, 1956 proposing the appointment of Francis Heng as a non-executive director of the Company.

A brief resume, nature of expertise, details of directorships held in other companies and shareholding in the Company as stipulated under Clause 49 of the Listing Agreement with the Stock exchanges is appended as an annexure to the notice of the ensuing annual general meeting.

### **Fixed Deposits**

The Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

### **Auditors**

In terms of the rotation policy on statutory auditors and internal auditors adopted by the Company, M/s. Price Waterhouse, Chartered Accountants, New Delhi who retire as statutory auditors of the Company at the conclusion of the forthcoming Annual General Meeting, will relinquish their office as statutory auditors and do not offer themselves for re-appointment. The company has received a special notice from the members proposing M/s. S. R. Batliboi & Associates, Chartered Accountants, New Delhi, a member firm of Ernst & Young Global for

appointment as statutory auditors of the Company from the conclusion of the forthcoming Annual General Meeting. M/s S. R. Batliboi & Associates have also confirmed that their appointment, if made, will be within the limits under Section 224(1B) of the Companies Act, 1956.

#### **Auditors' Report**

The Board has duly examined the statutory auditor's report to accounts and clarifications, wherever necessary, have been included in the Notes to Accounts section of the Annual Report.

#### **Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo**

For the Company, being a service provider organization, most of the information as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, as amended is not applicable. However, the information as applicable has been given in Annexure B to this report.

#### **Particulars of Employees**

Pursuant to the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the information as are required to be provided in terms of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, have not been included in the report. The members who desire to obtain this information may write to the Company Secretary at the Registered Office Address of the Company.

#### **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the directors to the best of their knowledge and belief confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed

along with proper explanation relating to material departures;

- (ii) they have selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

#### **Acknowledgements**

Your directors place on record their gratitude to the Department of Telecommunications (DOT), the Central Government, the State Governments and Company's Bankers for the assistance, co-operation and encouragement they extended to the Company and to the employees for their continuing support and unstinting efforts in ensuring an excellent all round operational performance. Last but not the least the Directors would like to thank various partners viz. Bharti Telecom, Singapore Telecommunications Ltd., and other valuable shareholders for their support and contribution. We look forward to their continued support in the future.

For and on behalf of the Board

**Sunil Bharti Mittal**  
*Chairman and Managing Director*

New Delhi  
April 27, 2007

## Annexure A

### INFORMATION REGARDING THE EMPLOYEES STOCK OPTION SCHEME (as on March 31, 2007)

Sl. No.	Particulars	ESOP Scheme 2005	ESOP Scheme 2001
1)	Total Number of Stock Options granted	3,753,250	*18,143,442
2)	Pricing Formula as on March 31, 2007	<p>The Exercise Price of the Options for the purpose of grant of Options will be higher of the following:</p> <p>(i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceeding the relevant date;</p> <p>(ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceeding the relevant date.</p> <p>However, the exercise price in respect of employees who meet the eligibility criteria, as on June 1, 2005 was Rs. 221/-</p>	<p>14,507,843 @ 22.5</p> <p>2,190,000 @ 70</p> <p>71,265 @ 0</p> <p>20,000 @ 120</p> <p>1,354,334 @ 10</p>
3)	Total Option Vested	278,300	15,823,803
4)	Total Number of Options exercised	165,400	12,356,176
5)	Total Number of shares arising as a result of exercise of option	165,400	**Nil
6)	Total Number of option lapsed	567,700	3,626,040
7)	Variation of terms of option	NA	NA
8)	Total Money realized by exercise of options	39,309,800	324,389,053
9)	Total number of options in force	3,020,150	2,161,226
10)	Employee-wise details of options granted to		
	i) Senior Managerial Personnel during the year		
	a) Mr. Manoj Kohli	Nil	75,000
	b) Mr. Sarvjit Singh Dhillon	Nil	50,000
	c) Mr. Akhil Gupta	20,000	150,000
	d) Mr. Vinod Sawhny	Nil	50,000
	e) Ms. Vijaya Sampath	Nil	30,000
	f) Mr. Harish Dua	Nil	20,000
	g) Mr. Jai Menon	Nil	50,000
	h) Mr N Arjun	Nil	30,000
	i) Mr Sanjay Kapoor	Nil	50,000
	j) Mr Atul Bindal	20,000	30,000
	k) Mr Gopal Vittal	Nil	15,360
	l) Mr Sanjay Nandrajog	20,000	30,000
	m) Ms Carol Borghesi	Nil	54,465
	n) Mr Don Price	Nil	50,000
	o) Mr Narender Gupta	Nil	20,000

## Annexure A

Sl. No.	Particulars	ESOP Scheme 2005	ESOP Scheme 2001
	p) Mr Sanjeev Duggal	Nil	27,620
	q) Mr Rajan Swaroop	Nil	30,000
	r) Mr S L Narayanan	Nil	6,093
	s) Mr Hemant Sachdev	Nil	30,000
	t) Mr P Swaminathan	20,000	20,000
	u) Mr David Nishball	Nil	31,997
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil	Nil
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil	Nil
11)	Diluted earning per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'	0.00 031	N.A.
12)	In case, the employees compensation cost is calculated on the basis of intrinsic value of Stock Option, the difference between the employees compensation of the Stock Option cost based on intrinsic value of the Stock and the employees compensation of the Stock Option cost based fair value for the year ended March 31, 2007 and the impact of this difference on profits and on EPS of the Company.	N.A. N.A.	9,022,446 0.0048
13)	For options whose exercise price either equals or exceeds or is less than the market price of the stock the following are disclosed separately:		
	a) Weighted average exercise price	a) 287.66	a) Rs. 22.5; Rs. 70; Rs. 0; Rs. 120; Rs. 10
	b) Weighted average fair value	b) 203.46	b) NA; NA; Rs. 139.40; Rs. 168.87; Rs. 370.27

## Annexure A

Sl. No.	ESOP Scheme 2005	ESOP Scheme 2001
14) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information		
(i) risk free interest rate,	i) The Government securities curve yields are considered as on valuation date Weighted average information – 6.68% per annum to 8.11% per annum	
(ii) expected life'	ii) SEBI guidelines on ESOP have been strictly followed Weighted average information – 48 to 66 months	
(iii) expected volatility'	iii) Analyzing the stock price behaviour of Bharti Airtel Limited since February 2002, the historical volatility is 41.77% annualized. Such volatility is annualized using daily price data and assuming 250 trading days to annualize the same. Weighted average information – 41.77% to 46.16%	
(iv) expected dividends,	iv) The dividend rate is assumed to be zero.	
(v) the price of the underlying share in market at the time of option grant	v) Weighted average stock price – Rs. 389.29	

\* Grants of 3,635,600 number of shares were made out of the options lapsed over a period of time.

\*\* As per ESOP Scheme 2001, since the shares were allotted to the Trust at the time of implementation of the Scheme, no new shares arise at the time of exercise of options. The shares arising upon exercise of options are transferred by the Trust to the employees as and when they exercise the options.

## Annexure B

INFORMATION RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT AND FOREIGN EXCHANGE EARNING AND OUTGO FORMING PART OF DIRECTORS' REPORT IN TERMS OF SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988.

### Conservation of energy

Bharti Airtel Limited, being a telecommunications service provider requires minimal energy consumption and every endeavour has been made to ensure the optimal use of energy, avoid wastage and conserve energy as far as possible.

### Technology absorption

The Company, in its endeavour to obtain and deliver the best, has entered into a number of agreements and alliances with major global telecommunications companies to harness and tap the latest and the best technology to the industry.

### Foreign Exchange Earning and Outgo

- (i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;

**International Long Distance Business** - We have seen significant growth in our long distance business. With India's increasing integration into the global macro economy, we anticipate significant further growth in this domain. We have strong relationships for under-sea networks and we will continue to invest in major cable systems to increase our presence and share of the global traffic.

**International Calling Card Services** - Airtel CallHome, our international calling service through wholly owned subsidiary companies, connects the widespread NRI population in USA to their families and friends in India at a cost effective and reliable manner. The service was launched in December 2006. The launch marked Bharti Airtel's foray into the US market. In the next few months, the company plans to extend its services through its wholly owned subsidiary companies, across the globe to address the needs of the Indian diaspora through our global network.

**Telecom Services in other countries** : Sri Lanka will be the first international operation of Bharti Airtel and is in line with the company's plan to expand its telecom operations internationally in select markets. Bharti Airtel received a letter of offer in January 2007 after a competitive bidding process, from the Telecom Regulatory Commission of Sri Lanka to offer 2G and 3G services in Sri Lanka. Bharti Airtel would be providing these services through its wholly owned subsidiary company Bharti Airtel Lanka (Private) Limited, Sri Lanka.

- (ii) Total foreign exchange used and earned for the year:

(i) Total Foreign Exchange Earning      15,756 mn

(ii) Total Foreign Exchange Outgo      41,203 mn

# Management Discussion & Analysis

## 1. INDUSTRY STRUCTURE AND DEVELOPMENTS

### 1.1. Indian telecom industry

Driven by rising income levels and favourable demographics (42% of the population is less than 20 years in age), India is poised to at least double its GDP in nominal terms from current levels by FY 2010. This era of rapid economic growth has been accompanied by an exponential growth in the telecom sector, particularly on the wireless side. India has reached a wireless penetration of 14.7% in FY 2007 registering an annual growth of 68%. With increased coverage and affordability this growth is expected to continue in the medium term.

With about 39.01 mn mobile and fixed line customers on March 31, 2007, our Company is the largest integrated telecom player in India. It has invested more than USD 7.4 bn in the telecom sector and had annual revenue of USD 4.3 bn in the year under review. The Company has a market capitalisation of USD 38 bn and is among the top 5 listed entities in India.

### 1.2. Recent developments

The telecom industry is one of the most dynamic industries in the country today and is characterized by a constantly evolving regulatory environment. The relative importance of the regulatory changes should be viewed in light of the challenges and opportunities that the industry is facing today (as detailed in Section 2 of this report). From a balanced view point, the direction and pace of regulatory changes is positive for the industry and augurs well for the Company.

The following list captures regulatory changes that were implemented by the DoT/ TRAI in 2006-07:

#### Regulatory changes

- **Access Deficit Charge (ADC) regime**

A revised ADC regime has been implemented w.e.f. April 01, 2007 wherein revenue-share ADC reduced to 0.75% of AGR and per-minute ADC on outgoing ILD calls has been abolished. ADC on incoming calls reduced to Rs.1.00 per minute. The revised estimate for ADC for 2007-08 is Rs. 20.5 bn

- **Universal Service Obligation (USO) Tender**

The DoT has finally extended the USO subsidy to wireless networks with the successful conclusion of bidding under the USO scheme. 7,954 towers are entitled to the subsidy - in 19 service areas (except Metros).

- **National roaming tariff**

Domestic roaming tariffs have been revised with effect from February 15, 2007. Under the new structure, there is no rental/surcharge for national roaming and lower ceiling for the 'per-minute charges' for roaming calls. Incoming SMS while roaming is free though outgoing SMS rates continue under forbearance.

- **Subscriber re-verification**

In November 2006, DoT directed all service providers to complete the re-verification of their entire prepaid subscriber base by March 31, 2007, in terms of collation of their identity/address proofs and updating of their database with subscriber details. As DoT had imposed a penalty of Rs.1,000 per unverified subscriber after the expiry of the deadline, most operators had to disconnect some subscribers whose documentary proofs could not be collected until March 31, 2007.

- **Increase in Foreign Direct Investment (FDI) cap from 49% to 74%**

On November 03, 2005, Government of India announced enhancement of FDI ceiling from 49% to 74% in the telecom sector, subject to certain preconditions. In view of the complications involved in implementation of

the preconditions, DoT had granted several extensions to the telecom licensees to ensure compliance. On April 19, 2007 DoT finally notified the FDI limit with a deadline of July 18, 2007 to report compliance.

- **Terms and Conditions of resale in IPLC segment**

DoT has accepted the recommendations of TRAI on the terms and conditions on which reselling of international bandwidth is to be permitted in India. The broad conditions include entry fee at Rs.10 mn, License Fee at 6% of AGR, term of license being 10 years and identical terms for FDI ceiling as applicable to ILDOs.

- **Port Charges Regulation**

In February 2007, TRAI amended the existing Port Charges Regulation 2001, by reducing the port charges payable by private operators to BSNL /MTNL w.e.f. April 01, 2007. Another significant change is that the slab rate for ports shall now be determined on the basis of the demand made and not on the basis of ports finally allotted by BSNL.

- **Regulation on QoS for broadband services**

In October 2006, TRAI issued a regulation on QoS for broadband services offered by all access and internet service providers pursuant to a public consultation conducted in June 2006. This regulation was implemented on January 01, 2007.

- **TRAI decision on Interconnect Usage Charge for Short Message Service (SMS)**

On August 21, 2006, TRAI published its decision to refrain from specifying any termination charge for SMS, thus leaving it under the "Forbearance" category. At the same time TRAI has expressed its concern that the tariff for premium rate SMS is high and apparently unrelated to cost, hinting to operators to voluntarily reduce these tariffs.

- **TRAI decision on roaming revenue sharing**

After a public consultation, TRAI published its decision on September 11, 2006 disallowing any revenue sharing on roaming calls. TRAI reiterated that the termination charges prescribed by them are cost based and since no additional cost is incurred in terminating roaming traffic, there is no justification for higher payout to the terminating network.

- **Regulation for interconnection of Intelligent Networks (IN) of all service providers**

On November 27, 2006, TRAI issued a regulation mandating all service providers to provide interconnection to all eligible service providers so that subscribers of all access providers can access the IN services offered by other service providers. Service providers are required to enter into reciprocal and non-discriminatory agreements for technical and commercial aspects of such connectivity within three months.

#### **Regulatory work-in-progress**

- **Infrastructure sharing**

In April 2007, TRAI made recommendations to DoT to incentivise infrastructure sharing, especially in rural areas, through amendment in licenses and USO subsidy. The idea is to enable sharing of antenna, backhaul facilities between operators who are not beneficiaries of the USO scheme for which bidding was recently concluded.

- **Recommendations on allocation and pricing of spectrum for 3G services and Broadband Wireless Access (BWA)**

TRAI's recommendations encompass issues such as bands for GSM and CDMA, auction mechanism, reserve price, annual spectrum charge, roll-out obligations and penalty.

- **Public consultation**

During FY 2007, several consultation papers were floated. The outcome, in the form of TRAI recommendations, is awaited for the following:

- Review of Internet Services
  - Issues relating to DTH service
  - access to essential facilities (including landing facilities for submarine cables) at cable landing stations
  - Measures to enhance competition in domestic leased circuits
  - Redressal of consumer grievances
  - Unsolicited commercial communications
- **Recommendations on the items of revenue includable in Adjusted Gross Revenue (AGR)**

On July 07, 2006, TDSAT sought TRAI's recommendations on individual components of revenue that can be considered as part of AGR. In September 2006, TRAI submitted its detailed recommendations on the same.

## 2. OPPORTUNITIES AND THREATS

### 2.1. Opportunities

#### *A strong economy and a growing market*

The Indian telecommunication industry is amongst the fastest growing telecom markets in the world and is poised to deliver solid growth as a result of several economic reforms that have led to strong GDP growth pegged at approximately 9.2% for FY 2007. Higher per capita income and appetite for increased consumption is resulting in a greater-than-proportionate impetus for telecom growth. As India still remains a largely under-penetrated market with over a billion people, it is one of the most attractive telecom markets in the world today.

#### *New technologies and paradigms*

The trend towards adoption of Next Generation Networks (NGN) is global and the discussions in India are still at a preliminary stage. Bharti Airtel will partake in the discussions regarding the feasibility and the model for adopting 3G and other NGN related technologies in the Indian context.

Technologies like Triple Play, wherein a single cable can deliver voice, data and video on demand and IPTV, provide us with a unique opportunity as we are an integrated player and are well positioned to deliver this service.

There exists a tremendous potential for direct to home broadcast (DTH) in the Indian market. The low levels of reach, quality and service standards of existing cables, coupled with growing demand for digital content and introduction of conditional access system (CAS) by the Government of India will help DTH grow manifold in the next few years. Bharti Telemedia, the subsidiary of Bharti Airtel Limited has applied for DTH Licence and the DTH services are expected to be launched in the course of the financial year".

Sri Lanka will be the first international operation of Bharti Airtel and is in line with the Company's plan to expand its telecom operations internationally in select markets. At the end of 2006, after a competitive bidding process, Bharti Airtel received a letter of offer, from the Telecom Regulatory Commission of Sri Lanka to offer 2G and 3G services in Sri Lanka. We believe that Sri Lanka is a very promising market for telecom services. Bharti Airtel with its extensive experience and a unique business model is very well placed to address this opportunity and create value for its customers. Bharti Airtel is in the process of preparing a detailed business plan for rolling out GSM operations in Sri Lanka within the next financial year.

#### *Strong strategic partnerships*

Singtel continues to be an investor and a strategic alliance partner and we expect to leverage the strengths and experience of Singtel in years to come.

Vodafone has won a bid for acquiring the majority stake in our competitor Hutchison Essar, subject to obtaining requisite government clearances. The Company has entered into a MoU with Vodafone that sets out the intention of the parties with regard to sharing of telecom, infrastructure, provisioning of domestic/long distance services and leased line services by the Company to Hutchison Essar and grant of a preferred status to the Company for international roaming traffic of Vodafone group companies.

## 2.2. Threats

### *Increased competition may reduce market share and/or revenue*

Many of our competitors are likely to raise funds either through borrowing or from public listings. They are likely to retain the funds to expand their network and provide greater quality of service. However, given the under-penetration in the market, we view such expansions positively. This would not only help to increase the overall market but also aid in generating greater awareness of telecommunications services and offerings.

## 3. SEGMENT WISE PERFORMANCE

Bharti Airtel has had an overall robust performance in all segments in which it operates. In all, the Company added 17,562,002 mobile customers in FY 2006-07, representing a customer addition of 89.7% over the previous year. As on March 31, 2007, the Company had an aggregate of 39,012,597 customers, consisting of 37,141,210 mobile and 1,871,387 Broadband and Telephone customers. Our total customer base increased by 86.4% compared to the customer base on March 31, 2005.

### 3.1. Mobile Services

This unit constitutes the largest portion of the Company's business, both in terms of total revenues and total customers. Bharti Airtel offers mobile services in all 23 telecom circles of India and is, therefore, the first private mobile services operator to have an all-India presence.

The Company's mobile customer base accounts for a 22.9% share of the overall wireless (GSM + CDMA) market as on March 31, 2007. The Company has a presence in 4,676 census towns and in 207,327 non-census towns and villages, covering an addressable population of 59% of the total population.

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Particulars	FY 2005 - 06	FY 2006 - 07	Commentary
Customers	19,579,208	37,141,210	Growth of 89.7% Y-o-Y
Gross Revenue	Rs. 83,095 mn	Rs. 141,189 mn	Growth of 70% Y-o-Y
EBIT	Rs. 16,854 mn	Rs. 34,909 mn	Growth of 107% Y-o-Y

### 3.2. Non-Mobile Services

Non-Mobile Services comprises of Broadband and Telephone Services and Enterprise Services. Enterprise Services is further divided into two sub-business units, i.e. Enterprise Services-Carriers (Long Distance) and Enterprise Services-Corporates.

#### 3.2.1 Broadband and Telephone Services

Particulars	FY 2005 - 06	FY 2006 - 07	Commentary
Customers	1,346,740	1,871,387	Growth of 39% Y-o-Y
Gross Revenue	Rs. 15,075 mn	Rs. 22,492 mn	Growth of 49% Y-o-Y
EBIT	Rs. 606 mn	Rs. 1,698 mn	Growth of 180% Y-o-Y

#### 3.2.2 Enterprise Services

##### *Enterprise Services Carriers- (Long Distance)*

Particulars	FY 2005 - 06	FY 2006 - 07	Commentary
Gross Revenue	Rs. 24,674 mn	Rs. 34,950 mn	Growth of 42% Y-o-Y
EBIT	Rs. 7,794 mn	Rs. 11,637 mn	Growth of 49% Y-o-Y

*Enterprise Services- (Corporates)*

Particulars	FY 2005 - 06	FY 2006 - 07	Commentary
Gross Revenue	Rs. 6,933 mn	Rs. 9,304 mn	Growth of 34% Y-o-Y
EBIT	Rs. 1,762 mn	Rs. 3,293 mn	Growth of 87% Y-o-Y

#### 4. OUTLOOK

We believe that Bharti Airtel will benefit from the overall economic growth and the potential for further growth of telecom services in the Indian market. We are the first and only private mobile GSM operator to have an all India footprint. We believe that we are in a strong position to enhance our leadership, based on: -

- our rich Human Resource talent pool;
- the growth potential of new services in the data market and our track record in innovation;
- the expansion of our networks to rural markets;
- our ability to maximize returns on investment;
- the ability to leverage on the strengths of our business partners and our integrated player status;
- our focus on building a strong brand and enhancing customer experience.

We have consistently been the first to market many successful and innovative products that add to superior customer experience and satisfaction. For instance, we were the first to kick-start the trend in India towards a validity free world.

We firmly believe that we will continue to provide unique and innovative products and services to our customers that will help us further consolidate our market leadership.

#### 5. RISKS AND CONCERNS

***Our business is subject to extensive regulation by the Government; which could have an adverse effect on our business.***

Our business units compete with government-owned or government controlled companies and it may seem that the regulatory environment may tend to benefit them over the private operators.

We, however, do not perceive adverse changes in the regulatory environment. We are confident that the government will continue to ensure a level playing field for all operators keeping the customers' best interest in mind.

***Technical failures and natural disasters could damage our telecommunication networks.***

We maintain insurance for our assets, equal to the replacement value of our existing telecommunications network which provides cover for damage caused by fire, special perils, and terrorist attacks. However, there can also be no assurance that any claim under the insurance policies maintained by us will be honored. Further, technical failures and natural disasters even when covered by insurance, may cause disruption in our operations.

As a normal course of business, we have implemented back-up solutions in the event such issues arise, which we believe will enable us to continue with normal operations under most circumstances.

***Changes in available technology could increase competition and our capital costs***

In order to remain competitive, we consistently introduce new sophisticated technologies. If the new technologies we have adopted, or on which we intend to adopt, fail to be cost-effective and acceptable by customers, our ability to remain competitive could be affected.

We have prudently deployed new technologies after assessing the experience our international partners have had in the deployment processes before choosing to do so ourselves.

***Skilled Manpower and Talent***

The growth of the Indian economy has led to an increased requirement for talented managerial personnel. We

believe that talented manpower is a key strength. Given the track record and success of our employees, other companies often look to Bharti Airtel as a hunting ground for talent.

As a retention strategy, the Company has issued ESOPs. Further, in order to mitigate the risk we place considerable emphasis on development of leadership skills and on building employee motivation.

## 6. INTERNAL CONTROL SYSTEMS

The Company deploys a robust system of internal controls to allow optimal use and protection of assets, facilitate accurate and timely compilation of financial statements and management reports and ensure compliance with statutory laws, regulations and company policies. The Company has also put in place an extensive budgetary and other control and review mechanism, whereby the management regularly reviews actual performance with reference to the budgets and forecasts.

The Corporate Audit Group is responsible for performing regular internal audit reviews to ensure adequacy of the internal control systems and adherence to management policies and statutory requirements. The Corporate Audit Group deploys an annual internal audit plan based on assessment of major risks in each of the businesses. Risk assessment helps in identifying and focusing on all high-risk areas. The internal audit review covers all the business-critical functions, such as Revenue Assurance, Collection, Credit and Risk, MIS, Information Technology and Network Security and Procurement and Financial Reporting.

The Corporate Audit Group functionally reports to the Board Audit Committee and administratively to the Chairman and Group Managing Director. The Board Audit Committee periodically reviews the audit plans, audit observations of both internal and external audits, risk assessment and adequacy of internal controls

## 7. DISCUSSION ON FINANCIAL PERFORMANCE

Particulars	FY 2005 - 06	FY 2006 - 07	Commentary
Customers	20,925,948	39,012,597	
Gross Revenue	Rs. 116,641 mn	Rs. 184,202 mn	Growth of 58% Y-o-Y
EBITDA	Rs. 41,636 mn	Rs. 74,407 mn	Growth of 79% Y-o-Y
PAT	Rs. 20,279 mn	Rs. 40,621 mn	Growth of 100% Y-o-Y
Gross Assets	Rs. 190,488 mn	Rs. 281,199 mn	Increase by Rs. 90,711 mn
Capital expenditure	Rs. 51,667 mn	Rs. 93,940 mn	
Capital Productivity	61.23%	65.51%	

## 8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

With the ongoing economic growth in India and increasing competitiveness in the services sector, it was imperative to align our structures, systems and process with the vision. To capitalize on diverse opportunities in the telecom sector, all our business lines have been structurally synergized to provide the 'One Airtel' experience. This not only ensures enhanced sustainability and scalability for future business opportunities but also leverages our diverse strengths to address prospective competitive challenges. To align people capabilities with the revamped organizational design, the company has developed a comprehensive leadership competency framework.

Bharti Airtel announced its new apex level strategic organization structure with the objective of enhanced empowerment and strengthening business roles at the operational level. Accordingly, the following changes are effected in April 2007:

- Rajan Bharti Mittal has relinquished his position as Joint Managing Director w.e.f. April 1, 2007 and will now continue as a non- executive Director on the Board of the Company.
- Akhil Gupta, Joint Managing Director has relinquished his role as CFO but will continue as Joint Managing Director of Bharti Airtel Limited.

- Manoj Kohli has been appointed as President and CEO of the Company. Manoj will lead Bharti Airtel towards achieving the One Airtel vision and becoming a benchmark in innovative practices, operational efficiency and customer value. He will be responsible for business strategy, operations and its results and report to the Chairman and Managing Director.
- The three Joint Presidents have been given enhanced empowerment to lead their respective businesses. Sanjay Kapoor will now be President-Mobile Services, Atul Bindal will be President-Broadband and Telephone Services and David Nishball will be President-Enterprise Services. It is expected that the changes will enable them to provide deeper focus and be fully accountable for their business results. They will continue to report to Mr. Manoj Kohli, President and CEO.
- SL Narayanan has been appointed Corporate Director Finance for the telecom business.
- Sarvjit Singh Dhillon has been appointed as Chief Financial Officer and Director-Strategy of the Company.

The Company's continuing growth, coupled with quantum developments in the services segments and transferability of skills has resulted in significant risk attributable to talent retention across senior / critical positions. In order to address these risks the Company has introduced a talent management process. The Company has Employee Stock Option Scheme(s) in force, for the employees of the Company and its subsidiaries.

A combination of these structural and systemic Human Resources measures would ensure the Company to realize its vision of being targeted by top talent and simultaneously enable it to fulfill its growth agenda.

## Report on corporate governance

### THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate governance refers to a combination of law, regulation, compliances and adoption of certain mandatory practices voluntarily by the board and company that enables an organization to perform efficiently and ethically, generate long term wealth and value for all its stakeholders and respect the interests of society as a whole, besides attracting the best talent and raise capital and funding optimally.

The principals of corporate governance practices in Bharti Airtel Ltd. are based on the following broad principals:

- Transparency in disclosure and communication of relevant financial and operational information in timely manner;
- Accountability, supported by robust internal processes of management oversight and control for monitoring of performance and evaluation of risk;
- Integrity and ethics in our dealings with all stakeholders;
- Balancing the enforcement and protection of the rights of all stakeholders, thus creating wealth and value in the long term;
- Independence of directors in reviewing and approving corporate strategy, major business plans and activities as well as senior management appointments;
- Well-defined corporate structure that establishes checks and balances and delegates decision making to appropriate levels in the organization.

The implementation of Clause 49 of the listing agreement with the stock exchanges will undoubtedly raise the standards of corporate governance in India. However, regulatory directives and enforcement will not be sufficient to create a best in class transparent organization. We believe that establishing trust with our customers, investors, employees, business partners, shareholders and the public at large requires that we go beyond regulatory compliance and adopt a culture and process for credible self-regulation that transcends mere form.

### Corporate governance rating

The earlier awarded highest Governance and Value Creation (GVC) rating viz. 'CRISIL GVC Level 1' by CRISIL, has been reaffirmed this year. This clearly indicates our capability to create value for all our stakeholders, while preserving the highest standards of ethics and governance. We acknowledge that corporate governance is a continuing and constant process of the standards and we endeavour to establish and benchmark ourselves with global best practices to ensure our commitment to stay at the highest level in the coming year.

### Governance structure

The Chairman and Managing Director of Bharti Airtel is supported by a Joint Managing Director, the President & CEO.

The organization is structured in three strategic business units, i.e. Mobile Services, Broadband & Telephone Services (B&TS) and Enterprise Services headed by three Presidents who report directly to the President & CEO of the Company. The functional directors are responsible for various functions including Supply Chain, IT & Innovation, Network, Marketing, Customer Service, Finance & Strategy, Legal and Regulatory etc.

The President & CEO, the three Presidents of the strategic business units and the functional directors are members of the Airtel Management Board, the governing body that decides the business strategy and reviews operational performance.

The group apex level of Bharti Enterprises comprises of the Group Chairman & CEO, a lead director for each of the conglomerate businesses and Group functional directors in Finance, Legal, Human Resources, Marketing and Internal Assurance who will focus on macro strategy, governance, manage relationships with external stakeholders and act as custodians for the Group's values and interests.

The functional directors of the Company have a matrix reporting relationship to the Group functional directors of Bharti Enterprises, all of whom are the resource and link to the function at the group apex level.

The corporate governance structure of the Company comprises governing boards at various levels, each of which are interlinked with the other in the following manner:

- (a) Strategic supervision and direction – by the board of directors;
- (b) Strategic design – by the senior management;
- (c) Strategic control and implementation - by the Airtel Management Board (AMB);
- (d) Operations management – by the management boards of the three strategic business units (SBU), assisted by their respective circle Executive Committees (EC). There are 23 circle in the Company, each with its own Executive Committee comprising of functional heads of divisions for day-to-day management and decision making;
- (e) Technology management – by the Airtel Technology Council.

This multi-tier structure for corporate governance ensures that:

- i. Strategic supervision can be conducted by the board based on independent judgment, thereby increasing accountability;
- ii. Strategic design outlines the Company's strategy for future growth;
- iii. Strategic control and implementation activities have a clear focus on specific business areas, and on achieving synergies with cross-business linkages, while maintaining a culture of customer centricity and meritocracy in the Company;
- iv. Operations management of the strategic business units remains focused on enhancing the efficiency and effectiveness of the respective businesses; and
- v. Technology management concentrates on assessing emerging trends of technology, and achieves consensus on future technology initiatives and action plans.

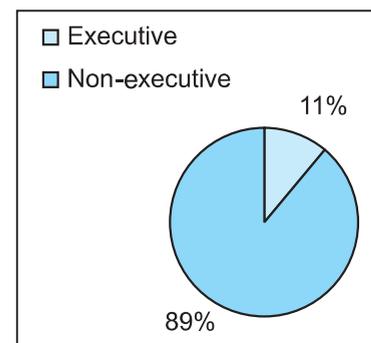
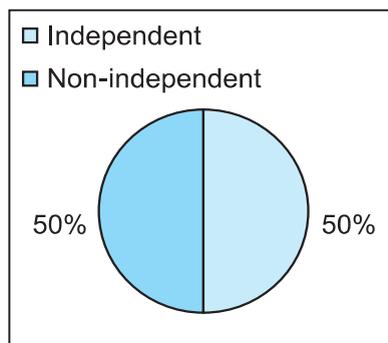
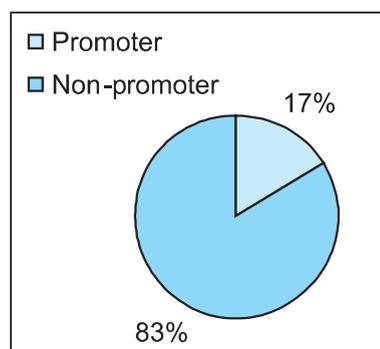
Our governance structure and process helps in clearly determining the responsibilities and entrusted powers of each of the business entities, thus enabling them to perform those responsibilities in the most effective manner. It also allows us to maintain our focus on the vision, mission and values we have defined, besides enabling effective delegation of authority and empowerment at all levels.

## **BOARD OF DIRECTORS**

### **Composition of the Board**

The business of the Company is conducted by the management, under the direction of the Board, which oversees its performance. The Board currently comprises of eighteen members, sixteen of whom are non-executive as on date of this report. A resume of each of our directors is available on the website of the Company at [www.bhartiairtel.in](http://www.bhartiairtel.in).

Sunil Bharti Mittal is the executive Chairman and Managing Director. In accordance with the stipulations of the revised clause 49 of the Listing Agreement half the board members are independent directors, as is illustrated by the below graph. The table sets out the names of directors, status and number of directorships held in other companies.



Composition of the Board is provided below.

Name of director	Category	Number of Directorships <sup>1</sup> and committee <sup>2</sup> memberships & chairmanships		
		Directorships	Chairmanships	Memberships
Sunil Bharti Mittal	Executive director - promoter	6	-	-
Akhil Kumar Gupta	Executive director	8	3	4
Rajan Bharti Mittal <sup>3</sup>	Non-executive director - promoter	5	2	1
Rakesh Bharti Mittal	Non-executive director - promoter	4	2	1
Chua Sock Koong	Non-executive director	2	-	1
Paul O' Sullivan	Non-executive director	2	-	-
York Chye Chang <sup>4</sup>	Non-executive director	1	-	-
Francis Heng <sup>5</sup>	Non-executive director	1	-	1
Gavin John Darby	Non-executive director	2	-	2
Paul Donovan	Non-executive director	1	-	-
Bashir Currimjee	Independent director	1	-	1
Donald Cameron	Independent director	1	-	-
Kurt Hellstrom	Independent director	1	-	-
N. Kumar	Independent director	8	2	1
Pulak Chandan Prasad	Independent director	2	-	1
V.S. Raju	Independent director	4	-	4
Ajay Lal	Independent director	4	-	2
Syeda Bilgrami Imam	Independent director	1	-	1
Arun Bharat Ram	Independent director	9	1	3

1. The directorships held by the directors, as mentioned above, do not include the directorships held in foreign companies, private limited companies and companies under Section-25 of the Companies Act;
2. The committees considered for the purpose are those prescribed under clause 49(I)(C)(ii) of the Listing Agreement(s) viz. Audit Committee and Shareholders/Investors Grievance Committee of Indian public limited companies;
3. Rajan Bharti Mittal relinquished the position of Joint Managing Director w.e.f. April 1, 2007;
4. York Chye Chang resigned from the Board w.e.f. April 26, 2007;
5. Francis Heng was appointed as director on the board w.e.f. April 26, 2007 to fill the casual vacancy caused due to resignation of York Chye Chang.

All our directors have professional skills and experience in different and complementary fields. They have proven judgment and competence in understanding and guiding company performance and strategy. The present strength and composition of the Board reflects the diverse nature of the business environment in which we operate. The Board reviews its strength and composition from time to time to ensure it remains aligned with the requirements of the business.

None of the non-executive directors holds any equity shares in the Company, save for Bashir Currimjee, who – through a relative holds 700 shares.

#### **Independent directors**

The independence of a director is determined by the criteria stipulated under the revised clause 49 of the listing agreement as set out below

None of our independent directors

- a. apart from receiving his/ her remuneration, have any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;
- b. is related to promoters or persons occupying management positions at the board level or at one level below the Board;
- c. has been an executive of the Company in the immediately preceding three financial years;
- d. is a partner or an executive or was partner or an executive during the preceding three years, of any of the following:
  - i) the statutory audit firm or the internal audit firm that is associated with the Company and
  - ii) the legal firm(s) and consulting firm(s) that have a material association with the Company
- e. is a material supplier, service provider or customer or a lessor or lessee of the Company which may affect independence of the director; and
- f. is a substantial shareholder of the Company i.e. owning two percent or more of the block of voting shares.

We follow a self-certification process for ensuring that the criteria are fully met and the certificates are tabled before the Board.

#### **Meeting of independent directors and lead independent director**

All independent directors meet separately prior to the commencement of all board meetings, without the presence of any executive directors or representative of management to discuss and form an independent opinion on the

agenda items and other board related matters. Bashir Currimjee has been designated as the lead independent director. The role of the lead independent director is to:

- Preside over all executive and news sessions of the independent directors;
- Provide objective feedback of the independent directors as a group to the Board on various matters including agenda and other matters relating to the Company;
- Undertake such other assignments as may be requested by the Board from time to time.

#### **Number of board meetings**

During the year 2006-07, the Board met four times, on following dates:

- April 27 and 28, 2006
- July 25 and 26, 2006
- October 26, 2006
- January 22, 2007

The time gap between two meetings was not more than 4 months. The calendar for the Board and Committee meetings is fixed in advance for the whole year. Meetings are generally held at the registered office of the Company in New Delhi, though a few meetings are held in other cities and/or locations for logistical reasons.

#### **Information available to the Board**

The Board has complete access to all the relevant information within the Company, and to all our employees. The information regularly supplied to the Board specifically includes:

- Annual operating plans, budgets and any updates therein;
- Capital budgets and any updates therein;
- Quarterly results for the Company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee and other committees of the Board of the Company and minutes of the meeting of Boards of subsidiary companies;
- Information on recruitment/remuneration of senior officers just below board level;
- Material show cause, demand, prosecution notices and penalty notices, if any;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any;
- Any material default in financial obligations to and by the Company or substantial non-payment for services provided by the Company;
- Any issue which involves possible public or product liability claims of substantial nature, if any;
- Details of any joint venture or collaboration agreement;
- Transactions involving substantial payment towards goodwill, brand equity or intellectual property;
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations like signing of wage agreement, implementation of Voluntary Retirement Scheme etc;
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service;

- Various other disclosures;
- All proposals requiring strategic decisions;
- Regular business updates.

The above information is generally provided as part of the agenda papers of the board meeting and/or is placed at the table during the course of the meeting. The President & CEO and other senior management staff are also invited to the board meetings to present reports on the Company's operations and internal control systems.

The Company Secretary, in consultation with the Chairman, prepares the agenda. The detailed agenda is sent to the members a week before the board meeting date. All Board members are at liberty to suggest agenda items for inclusion. Board meetings are held quarterly to coincide with the announcement of quarterly results and committee meetings are held on the same dates as board meetings.

#### Attendance of directors in the board meetings and AGM

Name of director	Number of board meetings		Attendance at last AGM held on August 21, 2006
	Held	Attended	
Sunil Bharti Mittal	4	4	Yes
Akhil Gupta	4	4	Yes
Rajan Bharti Mittal	4	4	Yes
Rakesh Bharti Mittal	4	4	Yes
Chua Sock Koong	4	4	No
Paul O' Sullivan <sup>1</sup>	4	4	No
Paul Donovan <sup>2</sup>	3	2	No
York Chye Chang <sup>3</sup>	4	4	No
Francis Heng <sup>4</sup>	N.A.	N.A.	N.A.
Gavin John Darby	4	3	No
Bashir Currimjee	4	4	No
Donald Cameron	4	4	No
Kurt Hellstrom	4	2	No
N Kumar	4	4	Yes
Pulak Chandan Prasad	4	3	No
V.S.Raju	4	4	No
Ajay Lal	4	3	Yes
Syeda Bilgrami Imam	4	3	No
Arun Bharat Ram	4	3	No

1. One meeting attended through alternate director;
2. Appointed as an additional director w.e.f. April 27, 2006 and appointed as director liable to retire by rotation at AGM held on August 21, 2006;
3. Resigned from the Board w.e.f. April 26, 2007;
4. Appointed as director w.e.f. April 26, 2007 to fill the casual vacancy caused due to resignation of York Chye Chang.

## Code of Conduct

The Board has laid down a Code of Conduct for all directors and senior management staff of the company, which is also available on the website of the company ( [www.bhartiairtel.in](http://www.bhartiairtel.in)). The Code is applicable to all directors (executive and non-executive), corporate directors-Chairman's Office, Presidents, Group Chief Financial officer, Chief Controller, General Counsel & Company Secretary, Chief Internal Auditor, collectively referred to as "Senior Management". A declaration signed by the Chairman & Managing Director (CMD) regarding affirmation of the compliance with the Code of Conduct by Board and senior management is appended at the end of this report. Employees of the Company also confirm compliance with the Code of Conduct that is applicable for all employees.

## Insider Trading Policy

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulation 1992, (as amended from time to time) and to preserve the confidentiality of all unpublished price sensitive information as well as to prevent misuse of such information, the Company has adopted an Insider Trading Policy for specified employees and directors of the company, relating to dealing in the shares of Bharti Airtel, that provides for periodical information from employees as well as pre-clearance of transactions by such persons.

As per the Insider Trading Policy, the trading window for dealing in the Shares of the Company was closed from 15<sup>th</sup> June/15<sup>th</sup> September/15<sup>th</sup> December/15<sup>th</sup> March of every financial year till 24 hours after the declaration of financial results for the relevant quarter. The Company also closes the trading window during and after of certain events, if any, mentioned in the Insider Trading Policy.

Compliance of Insider Trading Policy is strictly monitored by the Compliance Officer of the Company.

## COMMITTEES OF THE BOARD

In compliance with the Listing Agreements (both mandatory and non-mandatory), the SEBI Regulations, and to focus effectively on the issues and ensure expedient resolution of the diverse matters, the Board has constituted a set of committees with specific terms of reference and scope. The committees operates as empowered agents of the Board as per their charter/terms of reference. The details of the committees constituted by the Board are given below:

### Audit Committee

During the financial year 2006-07, the Audit Committee comprises of nine members, two-third (6) of which are independent directors. The Chairman of the Audit Committee is an independent director. The majority of the Audit Committee members, including the Chairman, N Kumar have accounting and financial management expertise.

The Chief Internal Auditor, CFO and the representative of the statutory auditors are permanent invitees to the Audit Committee. The Company Secretary is the secretary to the Committee.

The key responsibilities of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are true and accurate and provide sufficient information;
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the determination of their audit fees;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the directors' responsibility statement, which form part of the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

- b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions;
  - g. Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
  - Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
  - Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department availability and deployment of resources to complete their responsibilities and the performance of the out-sourced audit activity;
  - Discussion with internal auditors with respect to the coverage and frequency of internal audits as per the annual audit plan, nature of significant findings and follow up thereon;
  - Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
  - Obtaining an update on the risk management framework and the manner in which risks are being addressed;
  - Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  - Review the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any;
  - Reviewing the functioning of the whistleblower mechanism and the nature of complaints received by the Ombudsman;
  - Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee also specifically reviews the un-audited/audited quarterly financial results of the Company before these are submitted to the Board for approval. Minutes of each Audit Committee meeting are placed before the Board for noting.

The Audit Committee is empowered, pursuant to its terms of reference, to:

- Investigate any activity within its terms of reference and to seek any information it requires from any employee;
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

We have instituted internal process and systems to ensure that the Audit Committee has access to all the material information, and reviews on a regular basis the following:

- Management Discussion and Analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;

- Management certificates on internal controls and compliance with laws and regulations, including any exceptions to these;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses;
- The appointment, removal and terms of remuneration of the Chief Internal Auditor;
- The financial statements, in particular the investments, if any made by the unlisted subsidiary companies.

The Audit Committee is also presented with the following information on related party transactions (whenever applicable):

- A statement in summary form of transactions with related parties in the ordinary course of business;
- Details of material transactions with related parties, which are not in the normal course of business;
- Details of material transactions with related parties or others, which are not on arms' length basis along with management's justification for the same.

The Audit Committee meeting were held four times during 2006-07, on the following dates:

- April 27 and 28, 2006
- July 25 and 26, 2006
- October 26, 2006 and
- January 22, 2007.

The time gap between any two meetings was less than four months. The composition of the Audit Committee as on date and the attendance of members at the meetings held during the financial year 2006-07, are given below:

Member director	Category	Number of Audit Committee meetings	
		Held	Attended
N Kumar, <i>Chairman</i>	Independent director	4	4
Akhil Gupta	Executive director	4	4
Chua Sock Koong <sup>1</sup>	Non-executive director	4	4
Gavin John Darby	Non-executive director	4	3
Bashir Currimjee	Independent director	4	4
Arun Bharat Ram	Independent director	4	3
Pulak Chandan Prasad	Independent director	4	3
Syeda Bilgrami Imam	Independent director	4	3
Ajay Lal	Independent director	4	3
Francis Heng <sup>2</sup>	Non-executive director	N.A.	N.A.

1. Ceased to be the member of the Audit Committee w.e.f. April 26, 2007;

2. Appointed as member of the Audit Committee w.e.f. April 26, 2007.

### **Audit Committee report for the year ended March 31, 2007**

To the shareholders of Bharti Airtel Limited,

Two-third of the Audit Committee members are independent directors, according to the definition laid down in Clause 49 of the Listing Agreement with the relevant stock exchanges.

The management is responsible for the Company's internal controls and financial reporting process. The statutory auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the Indian GAAP (Generally Accepted Accounting Principles) and for issuing a report thereon. The Company also has in place an internal audit group responsible for reviewing all the operations of the Company to evaluate the risks, internal controls and governance processes.

The Audit Committee is responsible for ensuring the proper discharge of the above noted responsibilities of management and auditors. It is also responsible for overseeing the processes related to the financial reporting and information dissemination.

In this regard the Committee discussed with the Company's internal auditors and statutory auditors the overall scope and plan for their respective audits. The Committee also discussed the results of their examination, their evaluation of the Company's internal controls and the overall quality of financial reporting. The management presented to the Committee the Company's financial statements and also affirmed that the Company's financial statements had been drawn up in accordance with Indian GAAP.

The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. Based on its review and discussion conducted with the management and the statutory auditors, the Audit Committee believes that the Company's financial statements are in conformity with the Indian GAAP.

In line with emerging international practices, the Company has adopted a rotation policy for statutory auditors and internal auditors. Accordingly, M/s Price Waterhouse, Chartered Accountants, New Delhi would retire as statutory auditors of the company at the conclusion of forthcoming annual general meeting and M/s. S. R. Batliboi & Associates, Chartered Accountants New Delhi are recommended to be appointed as the statutory auditors of the company in place of M/s Price Waterhouse, Chartered Accountants, New Delhi.

In conclusion, the Committee is sufficiently satisfied that it has complied with the responsibilities as outlined in the Audit Committee's charter.

N Kumar

*Chairman, Audit Committee*

### **Human Resources (HR) Committee**

In compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement, we have constituted a Remuneration Committee (which is known as HR Committee).

The committee comprises of six non-executive directors, out of which three members including the Chairman of the Committee, Donald Cameron are independent directors. The Company Secretary acts as the secretary of the Committee.

The key responsibilities of the HR Committee include the following:

- Attraction and retention strategies for employees;
- Employee development strategies;
- Compensation (including salaries and salary adjustments, incentives/benefits bonuses, stock options) and performance targets for the Chairman and Managing Director and Joint Managing Director;

- All human resource related issues;
- Other key issues/matters as may be referred by the Board or as may be necessary in view of clause 49 of the Listing Agreement or any statutory provisions;

During the year, the Committee met four times, on the following dates:

- April 27, 2006
- July 25, 2006
- October 26, 2006 and
- January 22, 2007

The composition and members' attendance at the Committee meetings is presented below:

Member director	Category	Number of meetings	
		Held	Attended
Donald Cameron (Chairman)	Independent non-executive director	4	4
Kurt Hellstrom	Independent non-executive director	4	2
V. S. Raju	Independent non-executive director	4	4
Rakesh Bharti Mittal	Non-executive director	4	4
Paul O'Sullivan <sup>1</sup>	Non-executive director	4	4
Paul Donovan <sup>2</sup>	Non-executive director	3	2

1. One (1) meeting attended through alternate director;
2. Appointed as member of the HR committee w. e. f. April 27, 2006

#### Remuneration Policy For Directors

The remuneration paid to the executive directors, i.e. Sunil Bharti Mittal - Chairman and Managing Director, Rajan Bharti Mittal (during his tenure as Joint Managing Director) and Akhil Gupta – Joint Managing Director is reviewed and recommended by the HR Committee and approved by the Board of directors and the shareholders of the Company. The performance-linked incentives paid to the executive directors are based on the performance of the Company as well as that of the directors as reviewed by the Remuneration/HR Committee and approved by the Board.

The non-executive directors representing the key shareholders namely Bharti Telecom Limited, Singtel and Vodafone are not entitled to any remuneration or reimbursement of any expenses in terms of the shareholders' agreements executed amongst themselves. The independent non-executive directors are paid sitting fees within the prescribed limits for the Board/Committee meetings attended by them. Further a commission, duly approved by the shareholders, not exceeding 1% of the net profit of the Company for the year calculated as per the Companies Act, 1956 is also payable to the non-executive independent directors. As a matter of better corporate governance, the Board of directors in their meeting held on January 23-24, 2006 have approved and adopted a policy on all payments including sitting fees, commission, reimbursement of expenses etc. to independent directors. Compensation of non-executive independent directors is linked with the number of meetings attended by the respective director during the year.

#### ESOP Compensation Committee

The ESOP Compensation Committee of the Board constituted in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, comprises of four members of whom three are

independent and all are non-executive.

The key responsibilities of the ESOP Compensation Committee include the following:

1. To formulate ESOP plans and decide on future grants;
2. To formulate terms and conditions on followings under the present two Employee Stock Option Schemes of the Company:
  - i. the quantum of options to be granted under ESOP scheme(s) per employee and in aggregate;
  - ii. the conditions under which options vested in employees may lapse in case of termination of employment for misconduct;
  - iii. the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
  - iv. the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
  - v. the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
  - vi. the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
  - vii. the grant, vest and exercise of option in case of employees who are on long leave; and
  - viii. the procedure for cashless exercise of options.
  - ix. Any other matter, which may be relevant for administration of ESOP schemes from time to time.
3. To frame suitable policies and systems to ensure that there is no violation of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995.
4. Other key issues as may be referred by the Board.

During the year, the Committee met four times on following dates:

- April 27, 2006
- July 25, 2006
- October 26, 2006 and
- January 22, 2007.

The composition and members' attendance at the Committee meetings is presented below:

Member director	Category	Number of meetings	
		Held	Attended
Rakesh Bharti Mittal (Chairman)	Non-executive director	4	4
Donald Cameron	Independent non-executive director	4	4
Kurt Hellstrom	Independent non-executive director	4	2
V. S. Raju	Independent non-executive director	4	4

### Investors' Grievance Committee

The Shareholders/Investors Grievance Committee of the Board oversees redressal of shareholders'/ investors' complaints like transfer of shares, non-receipt of annual reports and other such issues.

The key responsibilities of the Investor Grievance Committee includes the following:

1. Redressal of shareholders and investor complaints e.g. transfer of shares, non receipt of balance sheet, non receipt of declared dividend;
2. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
3. Issue of duplicate share certificates in place of original certificate, which may be lost/ torn/ mutilated;
4. To approve and effect transmission of shares arising as a result of death of the sole/ any one joint shareholder.

The meetings of the Committee are generally held on monthly basis, to review and ensure that all investor grievances are redressed within a period of 7-10 days from the date of receipt of complaint. These, however, do not include complaints/requests which are constrained by legal impediments/procedural issues.

The Committee has three members. Rakesh Bharti Mittal, non-executive director is the Chairman of the Committee.

During the year, the Committee met ten times on the following dates:

- April 10, 2006
- April 28, 2006
- June 9, 2006
- July 17, 2006
- August 21, 2006
- October 4, 2006
- November 23, 2006
- December 26, 2006
- January 23, 2007
- March 7, 2007

The composition and members' attendance at the Committee meetings is presented below:

Member director	Category	Number of meetings	
		Held	Attended
Rakesh Bharti Mittal ( <i>Chairman</i> )	Non-executive director	10	10
Rajan Bharti Mittal	Non-executive director	10	10
Akhil Gupta	Executive director	10	10

### COMPLIANCE OFFICER

Vijaya Sampath, Group General Counsel & Company Secretary acts as Compliance Officer of the Company for complying with the requirements of the Listing Agreement with the Stock Exchanges and requirements of SEBI .(Prohibition of Insider Trading) Regulations, 1992.

### Nature of Complaints and Redressal Status

During the past financial year, the complaints received by the Company were general in nature, which include issues relating to the change of address, non-receipt of shares, annual reports, dividend warrants etc. As on date, all these complaints/ queries were resolved to the satisfaction of investors. Details of the investors' complaints as on March 31, 2007 are as follows:

Type of complaint	Number of complaints	Redressed	Pending
Non-receipt of any shares (Remat/ Transfer/Electronic Credit)	8	7	1*
Non-receipt of annual report	9	9	0
Non-receipt of dividend warrants	12	12	0
Miscellaneous	1	1	0
<b>TOTAL</b>	<b>30</b>	<b>29</b>	<b>1*</b>

\* one complaint regarding non receipt of shares in IPO, pending as on March 31, 2007 has been resolved and therefore, as on date no investor complaint/query is pending.

The above table does not include the responses furnished by the Company on clarifications sought by stock exchanges from time to time on various markets related information.

We have processed and completed all requests for share transfers and other related matters except those which are disputed and sub-judice.

### SUBSIDIARY COMPANIES

The revised Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

We do not have any material non-listed Indian subsidiaries.

### GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

Financial Year	Location	Date	Time
2005-2006	Air Force Auditorium, Subroto Park, New Delhi	August 21, 2006	03.30 P.M.
2004-2005	Air Force Auditorium, Subroto Park, New Delhi	September 6, 2005	03.30 P.M.
2003-2004	Air Force Auditorium, Subroto Park, New Delhi	August 20, 2004	03.30 P.M.

### Special resolutions passed at the last 3 AGMs

1. **2005-06** - Annual General Meeting held on August 21, 2006:  
No special resolution was passed.

2. **2004-05** - Annual General Meeting held on September 6, 2005:
  - a) Approval of the ESOP scheme 2005;
  - b) Applicability of ESOP scheme 2005 to the employees of holding and subsidiary companies;
  - c) Amendments in the Articles of the Company consequent upon reduction in shareholding of one of the strategic shareholders, viz. Brentwood Investment Holdings Limited.
2. **2003-04** - Annual General Meeting held on August 20, 2004:
  - a) Authorising the payment of commission to non-executive directors of the Company not exceeding 1% of the net profits of the Company in each financial year;
  - b) Authorising amendments to the Company's existing ESOP scheme and
  - c) Authorising sponsored ADR issue of the Company.

#### POSTAL BALLOT

During the year under review, in pursuance of Section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, we have conducted two postal ballots for seeking approval of the shareholders for :

- a) amalgamation between Satcom Broadband Equipment Limited, Bharti Broadband Limited and Bharti Airtel Limited. Mr. Mohit Jolly, Advocate was appointed as scrutiniser by the Hon'ble High court of Delhi for conducting the postal ballot.
- b) re-appointment of Sunil Bharti Mittal as Managing Director, Rajan Bharti Mittal as Joint Managing Director and Akhil Gupta as Joint Managing Director. Mr. S. K. Jain, Chartered Accountants, New Delhi were appointed as scrutiniser.

The results of the postal ballot were published in *Business Standard*, *Financial Express* (English Daily) and *Jansatta* (*Hindi newspaper*). The gist of the results is as follows:

Date of declaration of results	Particulars of the Resolutions passed	Total valid votes	In favour (%)	Against (%)
04.11.06	Amalgamation between Satcom Broadband Equipment Limited, Bharti Broadband Limited and Bharti Airtel Limited	1464559793 (100%)	1464559733 (99.99%)	60 (0.0001%)
23.11.06	Reappointment of Sunil Bharti Mittal as Managing Director	1397435967 (100.00%)	1397433335 (99.9998%)	2632 (0.0002%)
	Reappointment of Rajan Bharti Mittal as Joint Managing Director	1397435967 (100.00%)	1397433335 (99.9998%)	2632 (0.0002%)
	Reappointment of Akhil Gupta as Joint Managing Director	1397435967 (100.00%)	1396906466 (99.9621%)	529501 (0.0379%)

#### DISCLOSURES

##### i Disclosure on materially significant related party transactions

The required statements/disclosures with respect to the related party transactions, are duly made to the Audit Committee on a quarterly basis in terms of Clause 49(IV)(A) and other applicable laws. For the financial year

ended March 31, 2007, there were no transactions of material nature with related parties which are not in the normal course of business.

The Company's major related party transactions are generally with its subsidiaries and associates. The related party transactions are entered into, based on consideration of various business exigencies such as synergy in operations, sectoral specialization, liquidity and capital resource of subsidiary and associates.

Further for the financial year ended March 31, 2007 there were no material individual transactions with related parties or others, which were not on an arms' length basis .

The related party transactions have been disclosed under Note 27 of Schedule 22 forming part of the Annual Accounts.

**ii Details of non-compliance with regard to the capital market**

There have been no instances of non-compliances by us and no penalties and/or strictures have been imposed on us by stock exchanges or SEBI or any statutory authority on any matter related to the capital markets during the last three years.

**iii. Ombudsman Policy**

We have implemented an Ombudsman Policy (includes Whistleblower Policy), which outlines the method and process for stakeholders to voice genuine concerns about unprofessional conduct that may be in breach of our Code of Conduct for employees. The policy aims to ensure that genuine complainants can raise their concerns in full confidence, without any fear of retaliation or victimization. The corporate Ombudsman administers a formal process to review and investigate any concerns raised, and undertakes all appropriate actions required to resolve the reported matter. Depending on the gravity of the concern, the Ombudsman will constitute a meeting of the Code Compliance Committee to undertake a full investigation, which may involve both internal and external investigative bodies. Instances of serious misconduct dealt with by the Ombudsman and the Code Compliance Committee are reported to the Audit Committee. Members of this Committee comprise the Ombudsman as Convenor, the Chief Internal Auditor, Corporate Director HR and the Group General Counsel & Company Secretary. No employee of the Company has been denied access to this policy.

**iv. Disclosure of accounting treatment**

There is no deviation in following the treatments prescribed in any accounting standard (AS) in the preparation of financial statements of the company.

**v. Disclosure – risk management**

The Enterprise Risk Framework has been rolled out to ensure mitigations against key risks. This involved:

- Download on the risk methodology and the framework has been given to the businesses, by way of risk workshops;
- Risk Registers documenting the key risks have been formalized along with proposed mitigation plans;
- Basis the impact and the likelihood of each risk on the business a Gross Risk Rating has been assigned;
- Risk owners have been identified against each risk;
- A monitoring mechanism has been put in place to track adherence to mitigating controls for all business segments which forms the basis to derive the Net Risk Rating and for taking corrective action.

Going forward the Risk Framework will be further strengthened accross the company by way of enhancing the ownership levels.

**vi Details of public funding obtained in the last three years**

We have not obtained any public funding in the last three years.

**vii. Remuneration of directors**

The details of the remuneration paid to all directors during the last financial year is as under:

Name of director	Sitting fees	Salary and allowances	Performance Linked Incentive	Perquisites	Commission	Stock options	Total
<b>Executive director</b>							
Sunil Bharti Mittal	-	64,206,840	84,000,000	1,354,820	-	-	149,561,660*
Akhil Gupta	-	20,546,184	18,080,000	465,910	-	170000**	39,092,094*
<b>Non-executive director</b>							
Ajay Lal	60,000	-	-	-	872,000	-	932,000
Arun Bharat Ram	60,000	-	-	-	872,000	-	932,000
Bashir Currimjee	80,000	-	-	-	872,000	-	952,000
Chua Sock Koong	-	-	-	-	-	-	-
Donald Cameron	80,000	-	-	-	4,100,000	-	4,180,000
Gavin John Darby	-	-	-	-	-	-	-
Kurt Hellstrom	40,000	-	-	-	1,090,000	-	1,130,000
N.Kumar	80,000	-	-	-	872,000	-	952,000
Paul O' Sullivan	-	-	-	-	-	-	-
Paul Donovan	-	-	-	-	-	-	-
Pulak Chandan Prasad	60,000	-	-	-	-	-	60,000
Rajan Bharti Mittal***	-	15,923,292	13,900,000	887,552	-	-	30,710,844*
Rakesh Bharti Mittal	-	-	-	-	-	-	-
Syeda Bilgrami Imam	60,000	-	-	-	872,000	-	932,000
V.S.Raju	80,000	-	-	-	872,000	-	952,000
York Chye Chang	-	-	-	-	-	-	-
<b>Total</b>	<b>600,000</b>	<b>100,676,316</b>	<b>115,980,000</b>	<b>2,708,282</b>	<b>10,422,000</b>	<b>170,000</b>	<b>230,386,598</b>

\* Besides this Sunil Bharti Mittal, Akhil Gupta and Rajan Bharti Mittal (during his tenure as executive director of the Company), were also entitled to Company's contribution to Provident Fund, to the extent not taxable, and gratuity and other benefits as per the rules of the Company.

\*\* 170,000 stock options were granted to Akhil Gupta, Joint Managing Director, as per the details given below, during the financial year 2006-2007:

- 150,000 stock options were granted on June 1, 2006 pursuant to ESOP scheme 2001 of the Company at an exercise price of Rs. 10/- per option. The said options will vest as per the vesting schedule prescribed in the scheme at the end of 3<sup>rd</sup> year and 4<sup>th</sup> year from the grant date. The number of options granted under the scheme will be adjusted in accordance with the formula laid down in the scheme at the time of exercise of options. Vested options can be exercised within 7 years from the grant date.
- 20,000 stock options were granted on December 1, 2006 under ESOP scheme 2005 of the company at an exercise price of Rs. 221/- per option. The options granted will vest over a period of four years from the grant date as per the vesting schedule prescribed in the scheme. Vested options can be exercised within 7 years from the grant date.

\*\*\* Relinquished the position of Joint Managing Director w.e.f. 1<sup>st</sup> April, 2007

Actual payment shall be subject to applicable laws and deduction of tax at source, wherever applicable.

The Company has entered into contracts with the executive directors each dated October 3, 2006. These are based on the approval of the shareholders obtained through postal ballot. There are no other contracts with any other director. No notice period or severance fee is payable to any director.

**viii. Management**

Detailed report on Management Discussion and Analysis (MD&A) forms part of the Directors' Report. We have a system in place whereby senior management makes disclosures on quarterly basis to the Board relating to all material financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large.

**ix. CEO/CFO Certificate**

The certificate required under Clause 49(V) of the Listing Agreement duly signed by the CEO and CFO was placed before the Board and the same is annexed as annexure A.

**x. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement**

Particulars	Clause of Listing Agreement	Compliance status Yes/No
<b>I. Board of directors</b>	<b>49 I</b>	
(A) Composition of Board	49(IA)	Yes
(B) Non-executive directors' compensation and disclosures	49 (IB)	Yes
(C) Other provisions as to Board and Committees	49 (IC)	Yes
(D) Code of Conduct	49 (ID)	Yes
<b>II. Audit committee</b>	<b>49 (II)</b>	
(A) Qualified and independent Audit Committee	49 (IIA)	Yes
(B) Meeting of Audit Committee	49 (IIB)	Yes
(C) Powers of Audit Committee	49 (IIC)	Yes
(D) Role of Audit Committee	49 (IID)	Yes
(E) Review of information by Audit Committee	49 (IIE)	Yes
<b>III. Subsidiary companies</b>	<b>49 (III)</b>	Yes
<b>IV. Disclosures</b>	<b>49 (IV)</b>	
(A) Basis of related party transactions	49 (IV A)	Yes
(B) Disclosure of accounting treatment	49 (IV B)	Yes
(C) Board disclosures	49 (IV C)	Yes
(D) Proceeds from public issues, rights issues, preferential issues etc.	49 (IV D)	N/A
(E) Remuneration of directors	49 (IV E)	Yes
(F) Management	49 (IV F)	Yes
(G) Shareholders	49 (IV G)	Yes
<b>V. CEO/CFO certification</b>	<b>49 (V)</b>	Yes
<b>VI. Report on corporate governance</b>	<b>49 (VI)</b>	Yes
<b>VII. Compliance</b>	<b>49 (VII)</b>	Yes

The Chairman of the Audit Committee, N Kumar, was present at the AGM held on August 21, 2006 to answer shareholder queries.

Besides complying with all the mandatory requirements of clause 49, we have a Remuneration Committee of the Board (Known as HR Committee), which comprises of non-executive directors. The scope of the Committee, among other things, includes consideration and recommendation of remuneration of executive directors. We have also established an Ombudsman Policy for employees to report to the management about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. Our objective is to comply with other applicable non-mandatory requirements of Clause 49 as well.

#### Means of Communication

- The quarterly audited results are published in prominent daily newspapers, viz. *Business Standard*, *Financial Express* and *Jansatta* (vernacular newspaper) and are also posted on our website. At the end of each quarter we organize an earnings call with analysts and investors, which is also broadcast live on the Company's website, and the transcript is posted on the website soon after.
- Our financial results are also posted on SEBI's EDIFAR System and can be viewed on SEBI's EDIFAR website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).
- Our website address is [www.bhartiartel.in](http://www.bhartiartel.in) and up-to-date financial results, official news releases, financial analysis reports, latest presentation made to the institutional investors and other general information about the Company is available on the website.

#### General Shareholders' Information

(i) The 12<sup>th</sup> Annual General Meeting will be held on July 19, 2007 at 3.30 p.m. at Air Force Auditorium, Subroto Park, New Delhi – 110010.

(ii) **Financial Calendar for the year 2007-2008**

*Tentative Schedule:*

Accounting year	April 1, 2007 to March 31, 2008
First quarter results	July 2007
Second quarter and half yearly results	October 2007
Third quarter results	January 2008
Fourth quarter results/annual results	April 2008
Annual General Meeting	August/ September 2008

(iii) Book closure date: July 6, 2007 to July 19, 2007 (both days inclusive)

(iv) We have not recommended any dividend for the financial year 2006-07

(v) **Listing on Stock Exchanges and Stock Code**

Our equity shares are listed on:

- The National Stock Exchange of India Limited, Symbol -'BHARTIARTL'; and
- The Bombay Stock Exchange Limited, Scrip code – 532454.

The Company's Foreign Currency Convertible Bonds (FCCBs) are listed on Singapore Exchange Securities Trading Limited.

We have paid listing fees for the year 2007-2008 to both the stock exchanges in India, i.e.. The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited, where our equity shares are listed and to Singapore Exchange Securities Trading Limited where FCCBs are listed.

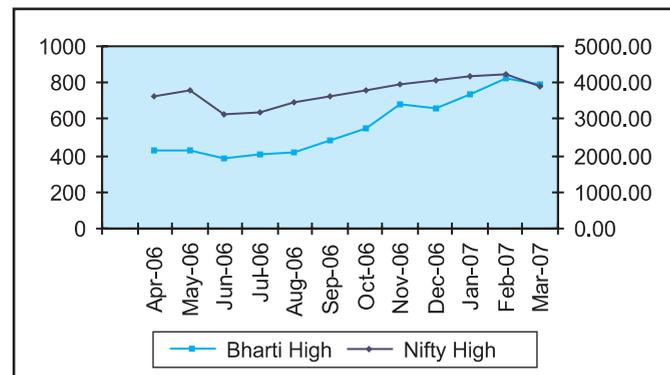
(vi) **Stock market data for the period April 1, 2006 to March 31, 2007**

**Share price performance in comparison with NSE Nifty and BSE Sensex**

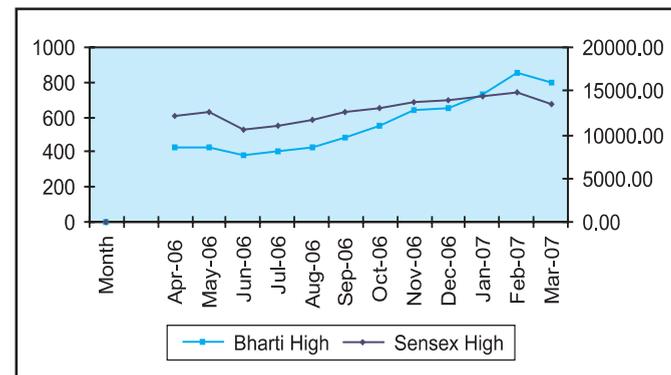
Month	NSE					BSE				
	BHARTI			NIFTY		BHARTI			SENSEX	
	High	Low	Volume (Nos.)	High	Low	High	Low	Volume (Nos.)	High	Low
Apr-06	427.00	336.85	11818904	3598.95	3290.35	425.00	377.00	3860141	12,102.00	11,008.43
May-06	432.50	345.00	17573338	3774.15	2896.40	432.50	345.05	4219544	12,671.11	9,826.91
Jun-06	384.00	307.30	20669478	3134.15	2595.65	381.90	310.20	5133970	10,626.84	8,799.01
Jul-06	404.80	345.40	18991251	3208.85	2878.25	400.00	346.10	5788040	10,940.45	9,875.35
Aug-06	420.00	377.10	16557260	3452.30	3113.60	431.00	377.00	4633057	11,794.43	10,645.99
Sep-06	485.70	410.00	18687513	3603.70	3328.45	483.95	410.00	6119527	12,485.17	11,444.18
Oct-06	545.50	395.00	13329059	3782.85	3508.65	545.60	455.10	3569797	13,075.85	12,178.83
Nov-06	680.00	525.00	22174538	3976.80	3737.00	644.90	528.00	5307438	13,799.08	12,937.30
Dec-06	653.90	556.35	20840800	4046.85	3657.65	651.90	560.00	4217765	14,035.30	12,801.65
Jan-07	738.00	606.35	16377717	4167.15	3833.60	735.15	543.60	3801781	14,325.92	13,303.22
Feb-07	829.00	670.00	29836993	4245.30	3674.85	850.00	661.25	6521658	14,723.88	12,800.91
Mar-07	795.00	628.00	27963132	3901.75	3554.50	797.00	671.00	6760201	13386.95	12316.10

Source : [www.nseindia.com](http://www.nseindia.com)      Source : [www.bseindia.com](http://www.bseindia.com)

**Bharti Share Price VS NSE Nifty**



**Bharti Share Price vs BSE Sensex**



**(vii) Registrar and Share Transfer Agent**

Our share transfer work is handled by M/s. Karvy Computershare Private Limited (previously Karvy Consultants Limited), the Registrar and Share Transfer Agent (RTA). Their complete address is as under:

Karvy Computershare Private Limited

'Karvy House', 46 Avenue 4,

Street No. 1, Banjara Hills

Hyderabad – 500 034

Tel. (91-40) 23420815 -20

Fax. (91-40) 23420814

Email: [mailmanager@karvy.com](mailto:mailmanager@karvy.com)

**(viii) Share transfer system**

Our equity shares are traded on the stock exchanges through the depository system. The ISIN of our Scrip is: INE 397D01016.

All requests received by us/RTA for dematerialisation/ re-materialisation/ transfer are dealt with expeditiously. Share certificates duly endorsed are issued/transferred to all those shareholders who opt for shares in the physical form.

**(ix) Distribution of shareholding by number of shares held as on March 31, 2007**

Sl.No.	Category	No. of shareholders	% to holders	No. of shares	% to shares
1	Up to - 5000	92263	98.59	12715076	0.67
2	5001 - 10000	331	0.35	2398047	0.13
3	10001 - 20000	203	0.22	2953806	0.16
4	20001 - 30000	90	0.10	2246950	0.12
5	30001 - 40000	50	0.05	1755255	0.09
6	40001 - 50000	39	0.04	1763953	0.09
7	50001 - 100000	130	0.14	9550285	0.50
8	100001 and above	475	0.51	1862550785	98.24
	<b>TOTAL</b>	<b>93581</b>	<b>100.00</b>	<b>1895934157.00</b>	<b>100.00</b>

## (x) Shareholding pattern as on March 31, 2007

Category code	Category of shareholder	Number of shareholders	Total number of shares	Total shareholding as a percentage of total number
<b>(A)</b>	<b>Shareholding of promoter and promoter group</b>			
<b>1</b>	<b>Indian</b>			
(a)	Individuals/Hindu Undivided Family	NIL	NIL	NIL
(b)	Central Government/State Government(s)	NIL	NIL	NIL
(c)	Bodies Corporate	1	859986028	45.36
(d)	Financial Institutions/Banks	NIL	NIL	NIL
(e)	Any others	NIL	NIL	NIL
	<b>Sub Total(A)(1)</b>	<b>1</b>	<b>859986028</b>	<b>45.36</b>
<b>2</b>	<b>Foreign</b>			
(a)	Individuals (Non-Residents Individuals/ Foreign individuals)	NIL	NIL	NIL
(b)	Bodies Corporate	1	295659650	15.59
(c)	Institutions	NIL	NIL	NIL
(d)	Any others	NIL	NIL	NIL
	<b>Sub Total(A)(2)</b>	<b>1</b>	<b>295659650</b>	<b>15.59</b>
	<b>Total shareholding of promoter and promoter group (A)= (A)(1)+(A)(2)</b>	<b>2</b>	<b>1155645678</b>	<b>60.95</b>
<b>(B)</b>	<b>Public shareholding</b>			
<b>1</b>	<b>Institutions</b>			
(a)	Mutual Funds/UTI	200	44036904	2.32
(b)	Financial Institutions / Banks	19	2840399	0.15
(c)	Central Government/State Government(s)	NIL	NIL	NIL
(d)	Venture Capital Funds	NIL	NIL	NIL
(e)	Insurance Companies	9	24479830	1.29
(f)	Foreign Institutional Investors	536	481725801	25.41
(g)	Foreign Venture Capital Investors	NIL	NIL	NIL
(h)	Any other	NIL	NIL	NIL
	<b>Sub-Total (B)(1)</b>	<b>764</b>	<b>553082934</b>	<b>29.17</b>
<b>B 2</b>	<b>Non-institutions</b>			
(a)	Bodies Corporate	1727	34411657	1.82
(b)	Individuals			
I	Individuals -i.e. Individual shareholders holding nominal share capital up to Rs 1 lakh	90120	13136260	0.69

Category code	Category of shareholder	Number of shareholders	Total number of shares	Total shareholding as a percentage of total number
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	193	9734500	0.51
(c)	Any other			
(c-i)	Foreign nationals	2	827	0.00
(c-ii)	Foreign companies	3	111303789	5.87
(c-iii)	Non-resident Indians	534	683572	0.04
(c-iv)	Overseas Corporate Bodies	1	14857500	0.78
(c-v)	Trusts	18	2624006	0.14
(c-vi)	Clearing members	217	453434	0.02
	<b>Sub-Total (B)(2)</b>	<b>92815</b>	<b>187205545</b>	<b>9.87</b>
<b>(B)</b>	<b>Total public shareholding</b>			
	<b>(B) = (B)(1) + (B)(2)</b>	<b>93579</b>	<b>740288479</b>	<b>39.05</b>
	<b>TOTAL (A) + (B)</b>	<b>93581</b>	<b>1895934157</b>	<b>100</b>
<b>(C)</b>	Shares held by custodians and against which Depository Receipts have been issued	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	<b>GRAND TOTAL (A) + (B) + (C)</b>	<b>93581</b>	<b>1895934157</b>	<b>100</b>

#### (xi) Dematerialisation of shares and liquidity

Trading in equity shares in dematerialized form became mandatory from 31st May, 1999. Our equity shares are tradable in compulsory dematerialized form since listing i.e. February 15, 2002. To facilitate trading in dematerialized form in India, there are two depositories i.e. National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL).

We have entered into agreement with both these depositories. Shareholders can open their accounts with any of the depository participants registered with these depositories;

- As on 31st March, 2007, over 84% shares of the Company were held in dematerialized form;
- The equity shares of the Company are frequently traded at The Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

#### (xii) Outstanding GDRs/ADRs/warrants/options

During the year 2004-05, we issued USD 115,000,000 zero coupon convertible bonds ("Bonds") due in 2009. The bonds are convertible at any time after 12 June 2004 upto 12 April 2009 by the holders into fully paid equity shares of Rs. 10/- per share, at an initial conversion price of Rs. 233.17 per share. During the year, we received 20 notices from different bondholders aggregating to USD 10.114 mn convertible into 1,889,453 equity shares of the company. Outstanding FCCBs as at 31.03.2007 are USD 10.130 mn, the details have been provided under schedule 22 forming part of annual accounts.

**(xiii) Investors' correspondence may be addressed to:**

Vijaya Sampath

Group General Counsel and Company Secretary

Bharti Airtel Limited

'Qutab Ambience,' H-5/12, Mehrauli Road

New Delhi – 110 030

Tel : +91-11-41666000-07 Email: [compliance.officer@bharti.in](mailto:compliance.officer@bharti.in)

Fax: +91-11-41666011-12 Website: [www.bhartiairtel.in](http://www.bhartiairtel.in)

## Annexure A

### Chief Executive Officer (CEO) /Chief Financial Officer (CFO) certification

We, Sunil Bharti Mittal, Chairman and Managing Director and Sarvjit Singh Dhillion, Chief Financial Officer and Director Strategy of Bharti Airtel Limited, to the best of our knowledge and belief hereby certify that:

- (a) We have reviewed financial statements and the cash flow statements for the year and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct;
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design and operations of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
  - (i) Significant changes in the internal control over financial reporting during the year;
  - (ii) Significant changes in the accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

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Name : Sunil Bharti Mittal

Name : Sarvjit Singh Dhillion

Designation : Chairman & Managing Director

Designation : CFO & Director Strategy

Date: April 27, 2007

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## Annexure B

### Declaration

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management team, an affirmation of compliance with the Code of Conduct for Directors and Senior Management in respect of financial year ended March 31, 2007

Sd/-

**Sunil Bharti Mittal**  
Chairman and Managing Director

*New Delhi*

April 27, 2007

## **Auditors' certificate regarding compliance of conditions of corporate governance**

To the Members of Bharti Airtel Limited

We have examined the compliance of conditions of corporate governance by Bharti Airtel Limited ("the Company"), for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of corporate governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has in all material respects complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants  
U. Rajeev  
Partner  
Membership No. : F87191

Place : New Delhi

Date : April 27, 2007

## Standalone Financial Statements with Auditors' Report

### Auditors' Report to the Members of Bharti Airtel Limited

1. We have audited the attached Balance Sheet of Bharti Airtel Limited, as at March 31, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
  2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
    - (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clauses (iii) (b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company for the current year.
  - (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed

assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

- (v) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly commenting on transactions made in pursuance of such contracts or arrangements does not arise.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and

records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities *though there has been a slight delay in a few cases*. There are no undisputed statutory dues outstanding as at March 31, 2007, for a period of more than six months from the date they became payable in respect of provident fund, sales tax and cess.
- (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2007 which have not been deposited on account of a dispute, are as follows:-

Name of the Statute	Nature of the Dues	Amount Disputed (in Rs.'000)	Amount Deposited (in Rs.'000)	Period to Which it Relates	Forum where the dispute is pending
Central Sales Tax Act	Sales Tax	2,861	-	2001-2002	Appellate Tribunal
West Bengal Sales Tax Act	Sales Tax	402	-	1996-97	DCCT - Appellate Stage
West Bengal Sales Tax Act	Sales Tax	14	-	1997-98	The Appellate authority
UP Trade Tax Act, 1948	Sales Tax	4,999	3,236	2004-05	Assessing Officer
UP Trade Tax Act, 1948	Sales Tax	769	298	2003-04	Assessing Officer
UP Trade Tax Act, 1948	Sales Tax	252	82	2006-07	Assessing Officer
UP Trade Tax Act, 1948	Sales Tax	53	-	2003-04	Asst Commissioner Trade Tax - Noida
UP Trade Tax Act, 1948	Sales Tax	500	150	2003-04	Joint Commissioner - Appeals
UP Trade Tax Act, 1948	Sales Tax	133	-	2006-07	Joint Commissioner - Appeals

Name of the Statute	Nature of the Dues	Amount Disputed (in Rs.'000)	Amount Deposited (in Rs.'000)	Period to Which it Relates	Forum where the dispute is pending
UP Trade Tax Act, 1948	Sales Tax	599	599	2002-2005	Assessing Officer
UP Trade Tax Act, 1948	Sales Tax	75	75	2002-03	Joint Commissioner - Appeals
UP Trade Tax Act, 1948	Sales Tax	400	400	2003-04	Joint Commissioner - Appeals
UP Trade Tax Act, 1948	Sales Tax	650	650	2004-05	Joint Commissioner - Appeals
Karnataka Sales Tax	Sales Tax	256,302	256,302	2005-06	High Court of Karnataka
Madhya Pradesh Commercial Tax Act, 1991	Sales Tax	1,992	199	1997-1998	Tribunal
Madhya Pradesh Commercial Tax Act, 1991	Sales Tax	144	14	1998-1999	Deputy Commissioner - Appeals
West Bengal State Sales tax Act	Sales Tax	6,326	-	2002-03	Assistant Commissioner, Commercial Tax
<b>Sub Total (A)</b>		<b>276,471</b>	<b>262,006</b>		
Finance Act, 1994 (Service Tax Provisions)	Service Tax	547	-	2003-2004	Commissioner of Central Excise (Appeals)
Finance Act, 1994 (Service Tax Provisions)	Service Tax	157	157	2003-2004	Commissioner of Central Excise (Appeals)
Finance Act, 1994 (Service Tax Provisions)	Service Tax	1,613	-	2005 - 06	Assistant Commissioner of Service Tax
Finance Act, 1994 (Service Tax Provisions)	Service Tax	591	-	2001 - 02	Superintendent of Mohali
Finance Act, 1994 (Service Tax Provisions)	Service Tax	51,233	-	2002-2006	Customs, Excise and Service Tax Appellate Tribunal, Mumbai
Finance Act, 1994 (Service Tax Provisions)	Service Tax	62,419	-	2004 -2005	Commissioner
Finance Act, 1994 (Service Tax Provisions)	Service Tax	1,626	-	2003 -2005	Joint Commissioner
Finance Act, 1994 (Service Tax Provisions)	Service Tax	15,000	-	2002-2003	Commissioner
Finance Act, 1994 (Service Tax Provisions)	Service Tax	446	-	2004-05	Superintendent Service Tax Department
<b>Sub Total (B)</b>		<b>133,632</b>	<b>157</b>		

The above does not include amounts which have not been deposited in respect of Sales Tax/ Service Tax, wherein the Supreme Court has decided in favour of the telecom operators, consequent to which the respective authorities have/are in the process of issuing necessary orders.

Name of the Statute	Nature of the Dues	Amount Disputed (in Rs.'000)	Amount Deposited (in Rs.'000)	Period to Which it Relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	75,933	57,850	1997-98	High Court
Income Tax Act, 1961	Income Tax	5,950	-	2003-04, 2004-05	High Court
Income Tax Act, 1961	Income Tax	573	573	1995-96	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	117,799	117,799	2000-01	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	81,894	81,894	2001-02	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	6,424	6,424	1998-99	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	4,980	4,980	2002-03	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	77,230	76,980	2002-03	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	5,380	-	1997-98	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	216	216	2003-04	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	11,270	11,270	2005-06	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	81,457	81,457	2004-05	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	136,900	136,900	2004-05	Commissioner of Income Tax (Appeals)
<b>Sub Total (C)</b>		<b>606,007</b>	<b>576,344</b>		
Customs Act-1962	Custom Act	3,694	-	2006-07	Directorate of Revenue Intelligence, Chennai
<b>Sub Total (D)</b>		<b>3,694</b>	<b>-</b>		

- (x) The Company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the Company.
  - (xiv) In our opinion, the Company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name or are in the process of transfer in its name, except to the extent of the exemption granted under Section 49 of the Act.
  - (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
  - (xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
  - (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, funds amounting to Rs. 50,947,046 thousand raised on a short term basis (primarily representing capital creditors) have been used for long-term investment (representing Fixed Assets).
  - (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
  - (xix) The Company has created security or charge in respect of debentures outstanding at the year end.
  - (xx) The company has not raised any money by public issues during the year.
  - (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management other than 2 cases of customer and employee fraud impact of which in the opinion of the management is not expected to be significant, and an instance of non adherence of certain laid down Company policies which has been adjusted in the financial statements as explained in Note 34 on Schedule 22 by one time reversal of Rs. 292,113 thousand from gross revenue and an additional provision of bad and doubtful debts amounting to Rs. 239,228 thousand.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

- (e) On the basis of written representations received from the directors, and taken on record by the Board of directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: New Delhi  
Date: April 27, 2007

**Usha Rajeev**  
Partner  
Membership Number F-87191  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

## Balance Sheet as at March 31, 2007

PARTICULARS	Schedule No.	As at March 31, 2007 (Rs. 000's)	As at March 31, 2006 (Rs. 000's)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	18,959,342	18,938,793
Employee Stock Option Outstanding		822,262	505,961
Less: Deferred Stock Compensation (Refer Note 20 on Schedule 21 and Note 31 on Schedule 22)		<u>522,258</u>	<u>384,701</u>
Reserves and Surplus	2	95,173,342	54,395,531
<b>Loan Funds</b>			
Secured Loans	3	2,664,475	28,633,707
Unsecured Loans	4	50,443,577	19,329,201
<b>Deferred Tax Liability</b> (Refer Note 12 on Schedule 21 and Note 30 on Schedule 22)		2,366,621	1,890,459
<b>Total</b>		<u><b>169,907,361</b></u>	<u><b>123,308,951</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	265,099,314	179,517,371
Less: Depreciation		<u>72,042,973</u>	<u>49,448,600</u>
<b>Net Block</b>		<b>193,056,341</b>	<b>130,068,771</b>
Capital Work in Progress		<u>23,758,156</u>	<u>23,412,498</u>
		<b>216,814,497</b>	<b>153,481,269</b>
<b>Investments</b>	6	<b>7,058,179</b>	<b>7,196,981</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	7	478,145	177,444
Sundry Debtors	8	14,185,170	10,761,709
Cash and Bank Balances	9	7,804,605	3,074,285
Other Current Assets, Loans and Advances	10	<u>21,986,846</u>	<u>15,529,497</u>
		<b>44,454,766</b>	<b>29,542,935</b>
<b>Less: Current Liabilities and Provisions</b>	11		
Current Liabilities		94,294,231	64,655,783
Provisions		<u>4,152,480</u>	<u>2,335,851</u>
		<b>98,446,711</b>	<b>66,991,634</b>
<b>Net Current Assets</b>		<b>(53,991,945)</b>	<b>(37,448,699)</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	12	<b>26,630</b>	<b>79,400</b>
<b>Total</b>		<u><b>169,907,361</b></u>	<u><b>123,308,951</b></u>
<b>Statement of Significant Accounting Policies</b>	21		
<b>Notes to Accounts</b>	22		

This is the Balance Sheet referred to in our report of even date.

The Schedules referred to above form an integral part of the Balance Sheet.

**USHA RAJEEV**  
Partner  
Membership No. F-87191  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

**SUNIL BHARTI MITTAL**  
Chairman & Managing Director

For and on behalf of the Board

**AKHIL GUPTA**  
Joint Managing Director

Place : New Delhi  
Date: April 27, 2007

**DEVEN KHANNA**  
Group Financial Controller

**VIJAYA SAMPATH**  
Group General Counsel  
and Company Secretary

**SARVJIT SINGH DHILLON**  
Chief Financial Officer

## Profit and Loss Account for the year ended March 31, 2007

PARTICULARS	Schedule No.	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b>INCOME</b>			
Service Revenue		177,800,286	111,572,637
Sale of Goods		144,057	714,176
		<u>177,944,343</u>	<u>112,286,813</u>
<b>EXPENDITURE</b>			
Access Charges		30,958,577	21,519,176
Network Operating	13	19,214,108	11,408,836
Cost of Sales of Goods	14	220,849	674,043
Personnel	15	11,263,414	7,754,523
Sales and Marketing	16	10,691,655	8,013,612
Administrative and Others	17	16,609,713	11,953,078
<b>Total Expenditure</b>		<u>88,958,316</u>	<u>61,323,268</u>
<b>Profit before Licence Fee, Other Income, Finance Expenses (Net), Depreciation, Amortisation, Charity and Donation and Taxation</b>		88,986,027	50,963,545
Licence fee and Spectrum charges (revenue share)		<u>16,384,289</u>	<u>10,796,745</u>
<b>Profit before Other Income, Finance Expenses (Net), Depreciation,Amortisation, Charity and Donation and Taxation</b>		<u>72,601,738</u>	<u>40,166,800</u>
Other Income	18	935,600	618,980
Finance Expense (net)	19	2,558,440	2,256,011
Depreciation		23,533,010	14,323,385
Amortisation	20	1,378,036	1,273,894
Charity and Donation		54,140	74,535
<b>Profit before Tax</b>		<u>46,013,712</u>	<u>22,857,955</u>
MAT credit		(187,057)	-
Tax Expense			
- Current Tax		5,137,372	1,665,243
(Net of provision for tax written back for earlier years' Rs. 13,593 thousand (Previous Year Rs. 351 thousand)			
- Deferred Tax expense		476,162	881,447
(Refer Note 12 on Schedule 21 and Note 30 on Schedule 22)			
- Fringe Benefit Tax		254,970	190,471
<b>Profit after Tax</b>		<u>40,332,265</u>	<u>20,120,794</u>
Transferred from Debenture Redemption Reserve		502,311	(2,307,348)
		<u>40,834,576</u>	<u>22,428,142</u>
<b>Profit / (Loss) brought forward</b>		<u>14,563,809</u>	<u>(7,864,333)</u>
<b>Profit carried to the Balance Sheet</b>		<u>55,398,385</u>	<u>14,563,809</u>
<b>Earnings per share (in Rs.) - Basic</b>		<u>21.28</u>	<u>10.69</u>
<b>Earnings per share (in Rs.) - Diluted</b>		<u>21.26</u>	<u>10.61</u>
(Refer Note 17 on Schedule 21 and Note 32 on Schedule 22)			
<b>Statement of Significant Accounting Policies 21</b>			
<b>Notes to Accounts 22</b>			

This is the Profit and Loss Account referred to in our report of even date. The Schedules referred to above form an integral part of the Profit and Loss Account.

**USHA RAJEEV**  
Partner  
Membership No. F-87191  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

**SUNIL BHARTI MITTAL**  
Chairman & Managing Director

For and on behalf of the Board

**AKHIL GUPTA**  
Joint Managing Director

Place : New Delhi  
Date: April 27, 2007

**DEVEN KHANNA**  
Group Financial Controller

**VIJAYA SAMPATH**  
Group General Counsel  
and Company Secretary

**SARVJIT SINGH DHILLON**  
Chief Financial Officer

## Cash Flow Statement for the year ended March 31, 2007

(Rs. 000's)

PARTICULARS	For the year ended March 31,2007	For the year ended March 31,2006
<b>A. Cash flow from operating activities:</b>		
Net profit / (loss) before tax	46,013,712	22,857,955
<b>Adjustments for:</b>		
Depreciation	23,533,010	14,323,385
Interest Expense	2,804,040	2,278,011
Interest Income	(218,280)	(169,656)
(Profit)/Loss on Fixed Assets sold	(24,090)	(34,684)
(Profit)/Loss on sale of Investments	(331,034)	(106,786)
ESOP Expenditure written off	227,545	127,067
Deferred Revenue Expenditure written off	16,674	90,100
Provision for Deferred Bonus	146,121	71,921
Licence fee Amortisation	1,151,693	1,146,827
Debts / Advances Written off	1,191,070	1,301,308
Provision for Bad and Doubtful Debts/Advances (Net of write back)	2,672,229	2,534,684
Liability no longer required written back	(112,801)	(176,761)
Provision for Gratuity and Leave Encashment	117,384	269,274
Provision for Inventory for Obsolete/ Damaged stock	28,904	-
Unrealized Foreign Exchange (gain) /loss	(452,589)	152,902
Gain from Swap Arrangements	213,804	(45,307)
Provision for Wealth Tax	185	15
<b>Operating profit before working capital changes</b>	<b><u>76,977,578</u></b>	<b><u>44,620,255</u></b>
<b>Adjustments for changes in working capital :</b>		
- (Increase)/Decrease in Sundry Debtors	(6,150,996)	(5,535,291)
- (Increase)/Decrease in Other Receivables	(8,094,940)	(5,639,417)
- (Increase)/Decrease in Inventories	(329,605)	138,394
- Increase/(Decrease) in Trade and Other Payables	23,257,444	14,893,742
<b>Cash generated from operations</b>	<b><u>85,659,480</u></b>	<b><u>48,477,683</u></b>
Taxes (Paid) / Received	(4,579,933)	(2,164,334)
<b>Net cash from operating activities</b>	<b><u>81,079,547</u></b>	<b><u>46,313,349</u></b>
<b>B. Cash flow from Investing activities:</b>		
<b>Adjustments for changes in :</b>		
Purchase of fixed assets	(81,314,047)	(52,516,784)
Proceeds from Sale of Fixed Assets	1,124,560	119,982
Net Proceeds from Sale of Investments	99,889,309	71,831,468
Purchase of Investments	(98,375,441)	(69,445,786)
Interest Received (Revenue)	214,370	165,506
Net movement in advances given to Subsidiary companies	(245,266)	(841,329)
Acquisition on Subsidiaries/ Joint Ventures	(1,044,032)	(156,947)
<b>Net cash used in investing activities</b>	<b><u>(79,750,547)</u></b>	<b><u>(50,843,891)</u></b>

(Rs. 000's)

PARTICULARS	For the year ended March 31,2007	For the year ended March 31,2006
<b>C. Cash flow from financing activities:</b>		
Issue of Shares under ESOP Scheme	39,307	-
<b>Proceeds from Long Term Borrowings</b>		
Receipts	19,062,279	23,725,487
Payments	(45,031,511)	(34,690,540)
<b>Proceeds from Short Term Borrowings</b>		
Net movement in cash credit facilities and short term loans	32,020,111	16,810,679
Interest Paid	(2,570,833)	(2,162,259)
Gain /(Loss) from Swap Arrangements	(118,034)	80,107
<b>Net cash used in financing activities</b>	<b>3,401,320</b>	<b>3,763,474</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>4,730,320</b>	<b>(767,067).</b>
<b>Opening Cash and Cash Equivalents</b>	<b>3,074,285</b>	<b>3,841,352</b>
<b>Cash and Cash Equivalents as at March 31, 2007</b>	<b>7,804,605</b>	<b>3,074,285</b>
<b>Cash and Cash Equivalents comprise:</b>		
Cash and Cheques in hand	749,601	820,236
Balance with Scheduled Banks	7,055,004	2,254,049
	<b>7,804,605</b>	<b>3,074,285</b>

**Notes :**

- Figures in brackets indicate cash outgo;
- Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification;
- Cash and cash equivalents includes Rs. 108,040 thousands pledged with various authorities (Previous year Rs. 109,045 thousands) which are not available for use by the Company

This is the Cash Flow Statement referred to in our report of even date.

**USHA RAJEEV**  
Partner  
Membership No. F-87191  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

Place : New Delhi  
Date: April 27, 2007

**SUNIL BHARTI MITTAL**  
Chairman & Managing Director

**DEVEN KHANNA**  
Group Financial Controller

For and on behalf of the Board

**AKHIL GUPTA**  
Joint Managing Director

**VIJAYA SAMPATH**  
Group General Counsel  
and Company Secretary

**SARVJIT SINGH DHILLON**  
Chief Financial Officer

## Schedules Annexed to and Forming Part of Accounts

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 1</u></b>		
<b><u>SHARE CAPITAL</u></b>		
<b>Authorised</b>		
2,500,000,000 (Previous Year 2,500,000,000) Equity shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>
<b>Issued, Subscribed and Paid up</b>		
1,895,934,157 Equity Shares of Rs.10 each fully paid up (Previous year 1,893,879,304 Equity Shares of Rs.10 each) (Refer Notes below)	18,959,342	18,938,793
Notes:		
(a) 1,516,390,970 Equity Shares (Previous year 1,516,390,970) issued as fully paid up bonus shares out of Share Premium account.		
(b) 20,088,445 Equity Shares (Previous year 20,088,445 ) shares are allotted as fully paid up upon the conversion of OCRD without payment being received in cash.		
(c) 19,591,420 Equity Shares (Previous year 17,701,967) shares are allotted as fully paid up upon the conversion of FCCBs. (Refer Note 10 on Schedule 22)		
(d) 2,722,125 Equity Shares (Previous year 2,722,125) shares are allotted as fully paid up under the Scheme of amalgamation without payments being received in cash.		
	<u>18,959,342</u>	<u>18,938,793</u>
<b><u>SCHEDULE : 2</u></b>		
<b><u>RESERVES AND SURPLUS</u></b>		
<b>Share Premium</b>		
Opening balance	38,754,546	31,254,879
Additions during the year	504,679	7,499,667
	<u>39,259,225</u>	<u>38,754,546</u>
<b>Revaluation Reserve</b>	<b>21,284</b>	<b>21,284</b>
<b>Debenture Redemption reserve</b>		
Opening balance	1,055,892	3,363,240
Transfer to Profit and Loss Account during the year	(502,311)	(2,307,348)
	<u>553,581</u>	<u>1,055,892</u>
<b>Profit and Loss Account</b>		
Balance brought forward	14,563,809	(7,864,333)
Add : Adjustment	7,831	-
Add : Profit during the year	40,332,265	20,120,794
Less : Adjustment on account of application of Accounting Standard 15 (Revised) (Refer Note 8 on Schedule 22)	(66,964)	-
	<u>54,836,941</u>	<u>12,256,461</u>
Add : Transferred from Debenture Redemption Reserve	502,311	2,307,348
<b>Profit and Loss Account</b>	<u>55,339,252</u>	<u>14,563,809</u>
	<u>95,173,342</u>	<u>54,395,531</u>

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 3</u></b>		
<b><u>SECURED LOANS</u></b>		
(Refer Note 15 on Schedule 22)		
<b>Debentures</b>	1,675,000	3,132,500
<b>Loans and Advances from Banks :</b>		
-Term Loan	589,943	20,199,894
<b>Others Loans and Advances :</b>		
-Term Loans	380,247	5,285,002
-Vehicle Loans	19,285	16,311
	<u>2,664,475</u>	<u>28,633,707</u>
Note : Amount repayable within one year	1,132,597	3,710,888
<b><u>SCHEDULE : 4</u></b>		
<b><u>UNSECURED LOANS</u></b>		
<b>Short Term Loans and Advances</b>		
From Banks	4,039,910	2,945,611
<b>Other Loans and Advances</b>		
From Banks	41,748,524	13,978,961
From Others	4,655,143	2,404,629
	<u>50,443,577</u>	<u>19,329,201</u>
Note : Amount repayable within one year	10,107,712	18,426,116

**SCHEDULE 5 : FIXED ASSETS**

(Refer Notes 2, 3, 8, 14 &amp; 15 on Schedule 21 and Note 28 &amp; 29 of Schedule 22)

(Rs. 000s)

PARTICULARS	Gross Block Value			Depreciation/Amortization			Net Block	
	As at April 01, 2006	Additions during the year	Sale / Adjustment during the year	As at March 31, 2007	For the year	Sale / Adjustment during the year	As at March 31, 2007	As at March 31, 2006
<b>INTANGIBLE ASSETS</b>								
Software	83,993	-	-	83,993	12,064	-	83,993	12,064
Bandwidth Licences	2,333,719	3,460,694	-	5,794,413	390,082	-	768,897	1,954,904
	21,141,521	-	-	21,141,521	1,151,693	-	8,134,190	14,159,024
<b>TANGIBLE ASSETS</b>								
Leasehold Land	55,299	920	-	56,219	457	-	3,217	52,539
Freehold Land	383,999	14,784	-	398,783	-	-	-	383,999
Building	1,464,284	172,118	1,995	1,634,407	87,181	37	439,405	1,112,023
Leasehold Improvements	1,099,350	596,224	5,802	1,689,772	199,552	223	538,293	760,386
Plant & Machinery	141,439,522	80,832,978	2,781,731	219,490,769	20,114,895	1,751,845	52,114,420	107,688,152
Computers	9,974,686	3,174,428	326,937	12,822,177	2,424,627	276,844	8,802,601	3,319,868
Office Equipment	887,280	311,211	70,957	1,127,534	176,485	58,776	657,103	347,886
Furniture & Fixture	540,122	140,841	2,297	678,666	101,566	1,524	419,969	220,195
Vehicles	108,210	68,545	1,081	175,674	26,073	1,081	78,896	54,306
Vehicle on Finance Lease	5,386	-	-	5,386	28	-	1,989	3,425
<b>TOTAL</b>	<b>179,517,371</b>	<b>88,772,743</b>	<b>3,190,800</b>	<b>265,099,314</b>	<b>24,684,703</b>	<b>2,090,330</b>	<b>72,042,973</b>	<b>130,068,771</b>
Capital Work in Progress	-	-	-	-	-	-	-	23,758,156
<b>GRAND TOTAL</b>	<b>179,517,371</b>	<b>88,772,743</b>	<b>3,190,800</b>	<b>265,099,314</b>	<b>24,684,703</b>	<b>2,090,330</b>	<b>72,042,973</b>	<b>153,814,497</b>
Previous Year	132,406,305	48,920,726	1,809,660	179,517,371	15,470,212	778,060	49,448,600	

## Notes:

- Capital Work in Progress includes Capital advances of Rs. 2,002,443 thousand (Previous year Rs. 1,026,633 thousand)
- Addition to fixed assets during the year includes :
  - Rs. 210,299 thousand of Gain (Previous year loss of Rs. 178,859 thousand) on account of fluctuations in foreign exchange rates
  - Borrowing costs capitalised Rs. Nil thousand (Previous year Rs.31,132 thousand)
- Lease hold land of Rs. 955 thousand (previous year Rs.955 thousand) represents land acquired on lease cum sale basis from Karnataka Industrial Areas Development Board
- Capital work in Progress as on March 31, 2007 is net of Rs. 220,191 thousand being gain (Previous year includes Rs. 89,785 thousand loss) on account of fluctuation in Exchange rate
- Freehold Land and Building includes Rs. 26,468 thousand (previous year Rs. 26,468 thousand) and Rs. 71,477 thousand (previous year Rs. 71,477 thousand) respectively, in respect of which registration of title in favour of group is pending
- The remaining amortisation period of licence fees as at March 31, 2007 ranges between 8 to 18 years for Unified Access Service Licence and 14 to 15 years for Long Distance Licence
- Capital work in progress includes goods in transit Rs. 1,750,975 thousand (Previous year Rs. 4,116,163 thousand)
- Computers include Gross Block of assets capitalised under finance lease Rs. 5,366,578 thousand (Previous year Rs.3,426,544 thousand) and corresponding Accumulated Depreciation being Rs.3,110,023 thousand (Previous year Rs. 1,576,976 thousand)

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 6</u></b>		
<b><u>INVESTMENTS</u></b>		
(Refer Note 6 on Schedule 21 and Note 23 on Schedule 22)		
<b>Current, other than trade, Quoted</b>		
- Government securities	25,871	425,421
- Mutual Funds, Debentures and Bonds	1,228,007	2,006,326
<b>Long term, other than trade, Unquoted</b>		
- Government Securities	1,836	1,800
	<u>1,255,714</u>	<u>2,433,547</u>
<b><u>Long Term : Trade (Un-quoted)</u></b>		
<b>Investment in Subsidiaries</b>		
1) Bharti Hexacom Limited: 166,501,980 (Prev. year 122,751,980) Equity shares of Rs.10/- each fully paid up.	5,207,748	4,332,748
2) Bharti Comtel Limited: 100,000 (Prev.year 100,000) Equity shares of Rs.10/- each fully paid up.	1,000	1,000
3) Satcom Broadband Equipment Limited: 24,859,200 (Prev.year 24,859,200) Equity shares of Rs.10/- each fully paid up.	248,973	248,973
4) Bharti Aquanet Limited 1,275,000 (Prev.year 1,275,000) Equity shares of Rs.10/- each fully paid up.	102,000	102,000
5) Bharti Airtel (USA) Limited: 23,578,409,900 (Prev. year Nil) Equity shares of USD 0.0001 each fully paid up.	104,457	-
6) Bharti Airtel (UK) Limited: 652,256 (Prev. year Nil) Equity shares of GBP 1 each fully paid up.	55,836	-
7) Bharti Airtel (Hongkong) Limited: 1,459,480 (Prev. year Nil) Equity shares of HKD 1 each fully paid up.	8,184	-
8) Bharti Airtel (Canada) Limited: 100 (Prev. year Nil) Equity shares of Canadian Dollar (CAD) 1 each fully paid up.	4	-
9) Bharti Infratel Limited: 50,000 (Prev. year Nil) Equity shares of Rs.10/- each fully paid up.	500	-
<b>Investment in Joint Ventures</b>		
1) Bridge Mobile PTE Limited: 1,000,000 (Prev. year 1,000,000) Equity shares of USD 1 each fully paid up.	43,763	43,763
2) Forum I Aviation Ltd: 3,000,000 (Prev. year 3,495,000) Equity Share of Rs.10 each	30,000	34,950
	<u>5,802,465</u>	<u>4,763,434</u>
	<u>7,058,179</u>	<u>7,196,981</u>
<i>Aggregate Market Value of Quoted Investments</i>	1,258,506	2,439,862
<i>Aggregate amount of Quoted Investments</i>	1,253,878	2,431,747
<i>Aggregate amount of Unquoted Investments</i>	5,804,301	4,765,234
<b><u>SCHEDULE : 7</u></b>		
<b><u>INVENTORY</u></b>		
(Refer Note 5 on Schedule 21)		
Stock-In-Trade *	478,145	177,444
	<u>478,145</u>	<u>177,444</u>
* Net of Provision for diminution in value Rs. 37,363 thousand (Previous year Rs. 8,459 thousand)		

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 8</u></b>		
<b><u>SUNDRY DEBTORS</u></b>		
(Refer Note 4 on Schedule 21 and Note 11 on Schedule 22)		
(Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months		
- considered good	2,076,834	1,403,976
- considered doubtful	5,040,632	3,438,771
Less : Provision for doubtful debts	<u>(5,040,632)</u>	<u>(3,438,771)</u>
	2,076,834	1,403,976
Other debts		
- considered good	12,108,336	9,357,733
- considered doubtful	1,199,009	1,299,548
Less : Provision for doubtful debts	<u>(1,199,009)</u>	<u>(1,299,548)</u>
	12,108,336	9,357,733
	<b><u>14,185,170</u></b>	<b><u>10,761,709</u></b>
<b><u>SCHEDULE : 9</u></b>		
<b><u>CASH AND BANK BALANCES</u></b>		
Cash in Hand	66,385	61,085
Cheques in Hand	683,216	759,151
Balances with Scheduled Banks		
- in Current Account	1,641,534	1,197,913
- in Fixed Deposits *	5,412,290	1,055,049
- in Deposit Account as Margin Money	1,180	1,087
	<b><u>7,804,605</u></b>	<b><u>3,074,285</u></b>
* [Includes Rs. 108,040 thousand pledged with various authorities (Previous year Rs.109,045 thousand)]		
<b><u>SCHEDULE : 10</u></b>		
<b><u>OTHER CURRENT ASSETS, LOANS AND ADVANCES</u></b>		
(Unsecured, considered good unless otherwise stated)		
Interest Accrued on Investment	41,687	37,776
Advances and Loans to Subsidiary Companies :		
Satcom Broadband Equipment Limited	18,212	-
Bharti Comtel Limited	-	447,523
Bharti Airtel (USA) Limited	56,463	-
Bharti Hexacom Limited	860,490	317,533
Bharti Broadband Limited	<u>487,488</u>	<u>412,331</u>
	1,422,653	1,177,387
Advances Recoverable in cash or in kind or for value to be received		
Considered good	15,486,626	9,514,753
Considered doubtful	3,540,042	2,369,135
Less: Provision	<u>(3,540,042)</u>	<u>(2,369,135)</u>
	15,486,626	9,514,753
Accrued Billing Revenue	4,547,788	3,469,604
Advance to ESOP Trust	127,809	195,906
Advance Tax (Net of provision for tax Rs. 8,175,890 thousand), (Previous Year Rs. 3,038,518 thousand)	173,226	980,374
Balance with Custom Authorities	-	153,697
MAT Credit	187,057	-
	<b><u>21,986,846</u></b>	<b><u>15,529,497</u></b>

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b>SCHEDULE : 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors :		
Total outstanding dues of Small Scale Industrial Undertaking (s)* (Refer Note 21 on Schedule 22)	5,501	6,613
Total outstanding dues of Creditors other than Small Scale Industrial Undertaking (s)*	69,466,957	44,440,883
Advance Billing and Prepaid Card Revenue	18,481,936	14,150,174
Premium on Redemption of Bonds (Refer Note 10 on Schedule 22)	-	75,952
Interest accrued but not due	752,916	519,709
Other Liabilities	2,270,701	2,110,193
Advance Received from customers	458,913	589,655
Security Deposits (Refer Note 11 on Schedule 22)	2,857,307	2,762,604
	<b>94,294,231</b>	<b>64,655,783</b>
* This information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancilliary undertakings on the basis of information available with the Company.		
<b>Provisions</b>		
Gratuity (Refer Note 9 on Schedule 21 and Note 8 on Schedule 22)	293,324	244,008
Leave Encashment (Refer Note 9 on Schedule 21 and Note 8 on Schedule 22)	366,542	231,510
Wealth Tax	349	164
Fringe Benefit Tax [(Net of payments of Rs. 257,540 thousand (Previous year Rs. 10,246 thousand)]	17,195	19,765
Others (Refer Note 8 and 24 on Schedule 22)	3,475,070	1,840,404
	<b>4,152,480</b>	<b>2,335,851</b>
	<b>98,446,711</b>	<b>66,991,634</b>
<b>SCHEDULE : 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
( To the extent not written off or adjusted) (Refer Note 13 on Schedule 21 and Note 31 on Schedule 22)		
<b>Deferred Employee Compensation Expense*</b> (Refer Note 8 on Schedule 17)		
Opening Balance	3,448	13,372
Add: Addition/ (Adjustments) during the year	(1,202)	(4,118)
Less: Amortisation for the year**	2,246	5,806
	-	<b>3,448</b>
* Relating to Employee Stock Option Scheme 2001 and 2004		
** Net of stock compensation income of Rs. 13,828 thousand (Previous year Rs. 3,777 thousand)		
<b>Premium on Redemption of Debentures</b>		
Opening Balance	75,952	570,111
Less : Writeback during the year	(32,648)	404,059
Less : Amortisation for the year	(16,674)	90,100
	<b>26,630</b>	<b>75,952</b>
	<b>26,630</b>	<b>79,400</b>

PARTICULARS	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b>SCHEDULE : 13</b>		
<b>NETWORK OPERATING EXPENDITURE</b>		
Interconnect Charges and PSTN Rentals	848,728	449,078
Installation	64,809	35,960
Power and Fuel	6,190,648	2,989,626
Rent	2,698,993	1,669,731
Insurance	68,013	32,053
Repairs and Maintenance - Building	44,467	406,842
- Plant and Machinery	4,430,698	3,033,254
- Others	916,537	325,539
Leased Line and Gateway charges	509,082	685,067
Internet Access and Bandwidth Charges	2,021,060	1,005,192
Others	1,421,073	776,494
	<u>19,214,108</u>	<u>11,408,836</u>
<b>SCHEDULE : 14</b>		
<b>COST OF SALES OF GOODS</b>		
Opening Stock	177,444	315,838
Add : Purchases	792,969	738,540
Less : Simcard Utilisation	253,473	194,347
Less :Internal issues / capitalised	17,946	8,544
Less : Closing Stock *	478,145	177,444
	<u>220,849</u>	<u>674,043</u>
* Net of Provision for diminution in value of Rs. 28,904 thousand (Previous year Rs. 8,459 thousand)		
<b>SCHEDULE : 15</b>		
<b>PERSONNEL EXPENDITURE</b>		
(Refer Note 9 on Schedule 21 and Note 8 on Schedule 22)		
Salaries, Wages and Bonus *	9,848,560	6,568,218
Contribution to Provident and Other Funds	367,822	362,881
Staff Welfare	553,160	410,856
Recruitment and Training	493,872	412,568
	<u>11,263,414</u>	<u>7,754,523</u>
* Excluding amortisation of Deferred ESOP cost		
<b>SCHEDULE : 16</b>		
<b>SALES AND MARKETING EXPENDITURE</b>		
Advertisement and Marketing	4,024,678	4,003,273
Sales Commission and Incentive	2,686,657	2,689,470
Sim card utilisation	253,473	194,347
Others	3,726,847	1,126,522
	<u>10,691,655</u>	<u>8,013,612</u>

PARTICULARS	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 17</u></b>		
<b><u>ADMINISTRATIVE AND OTHER EXPENDITURE</u></b>		
Legal and Professional	6,328,440	3,776,442
Rates and Taxes	37,473	41,192
Power and Fuel	397,218	269,799
Travelling and Conveyance	963,469	735,123
Rent	778,748	405,117
Repairs and Maintenance - Building	477,969	85,029
- Others	60,849	238,119
Insurance	19,103	14,465
Bad debts written off	1,191,070	1,301,308
Provision for doubtful debts / advances	2,726,981	2,594,939
Less : Provision for doubtful debts written back	<u>54,752</u>	<u>60,255</u>
Provision for Diminution in value of inventory	28,904	8,459
Collection and Recovery Expenses	1,860,117	1,312,735
Miscellaneous Expenses	1,794,124	1,230,606
	<b><u>16,609,713</u></b>	<b><u>11,953,078</u></b>
<b><u>SCHEDULE : 18</u></b>		
<b><u>OTHER INCOME</u></b>		
Liabilities/Provisions no longer required written back	112,801	176,761
Profit on Sale of Assets (Net)	24,090	34,684
Miscellaneous	798,709	407,535
	<b><u>935,600</u></b>	<b><u>618,980</u></b>
<b><u>SCHEDULE : 19</u></b>		
<b><u>FINANCE EXPENSES / (INCOME) (Net)</u></b>		
<b>Interest :</b>		
- On Term Loan	1,814,699	1,540,231
- On Debentures	199,974	283,995
- On Others	44,779	59,396
Amortisation of Premium on Redemption of Foreign Currency Convertible Bonds	16,674	90,100
Other Finance Charges	744,588	394,389
	<b><u>2,820,714</u></b>	<b><u>2,368,111</u></b>
<b>Less : Income</b>		
Profit on sale of Current Investments	331,034	106,786
<b>Interest Income :</b>		
- from Current Investments and Fixed Deposits (Other than Trade) [Gross of TDS Rs. 8,306 thousand (Previous year Rs. 20,949 thousand)]	93,306	153,270
- from other advances	124,974	16,386
Exchange fluctuation (loss) (Net)	(73,236)	(209,649)
Gains / (loss) from swap arrangements	(213,804)	45,307
	<b><u>262,274</u></b>	<b><u>112,100</u></b>
	<b><u>2,558,440</u></b>	<b><u>2,256,011</u></b>
<b><u>SCHEDULE : 20</u></b>		
<b><u>AMORTISATION</u></b>		
(Refer Note 3 and 13 on Schedule 21)		
Amortisation of Licence Fee	1,151,693	1,146,827
Personnel- Deferred ESOP Cost	226,343	127,067
	<b><u>1,378,036</u></b>	<b><u>1,273,894</u></b>

**SCHEDULE: 21****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

**2. FIXED ASSETS**

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, including taxes, duties, freight and other incidental expenses related to acquisition and installation. Capital work-in-progress is stated at cost.

Site restoration cost obligations are capitalized when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The fixed component of license fee payable by the Company for cellular and basic circles, upon migration to the National Telecom Policy (NTP 1999), i.e. Entry Fee and the one time license fee paid by the Company for acquiring new licences (post NTP-99) has been capitalised as an asset.

**3. DEPRECIATION / AMORTISATION**

Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on all assets, except for the following on which depreciation is provided on straight line method to write off the cost of the fixed assets over their estimated useful lives as below:

	<b>Useful lives</b>
Building	20 years
Building on Leased Land	20 years
Office Equipment	5 years/2 years
Computer / Software	3 years
Vehicles	5 years
Furniture and Fixtures	5 years
Plant & Machinery	3 years / 5 years/ 10 years / 15 years
Leasehold Land	Period of lease
Leasehold Improvements	Period of lease or 10 years whichever is less

Software up to Rs. 500 thousand is written off in the year placed in service.

Bandwidth capacity is amortised over the period of the agreement subject to a maximum of 15 years.

Additional depreciation is provided as appropriate, towards diminution in value of assets.

The Entry Fee capitalised is being amortised equally over the period of the license and the one time licence fee is being amortised equally over the balance period of licence from the date of commencement of commercial operations.

The site restoration cost obligation capitalized is being depreciated over the period of the useful life of the related asset.

**4. REVENUE RECOGNITION AND RECEIVABLES**

- **Mobile Services:** Service revenue is recognised on completion of provision of services. Service revenue includes income on roaming commission and access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.

Processing fees on recharge coupon is being recognised over the estimated customer relationship period or coupon validity period, as applicable.

- **Telephone and Broadband and Enterprise Services Carriers:** Service revenue is recognised on completion of provision of services. Revenue on account of bandwidth service is recognised on time proportion basis in accordance with the related contracts. Service Revenue includes access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

- **Enterprise Services Corporate:** Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

Service Revenues includes revenues from registration, installation and provision of Internet and Satellite services. Registration fees is recognised at the time of dispatch and invoicing of Start up Kits. Installation charges are recognised as revenue on satisfactory completion of installation of hardware and service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of Internet and Satellite services.

Revenue from prepaid dialup packs is recognised on the actual usage basis and is net of sales return and discount.

#### **Activation Income**

Activation revenue and related direct activation costs, not exceeding the activation revenue, are deferred and amortized over the related estimated customers relationship period, as derived from the estimated customer churn period.

**Investing and other activities:** Income on account of interest and other activities are recognised on an accrual basis. Dividends are accounted for when the right to receive the payment is established.

#### **Provision for doubtful debts:**

The Company provides for amounts outstanding for more than 90 days in case of active subscribers and for all amounts outstanding from customers who have been deactivated as reduced by security deposits or in specific cases where management is of the view that the amounts are not recoverable.

For receivables due from the other operators on account of their NLD and ILD traffic, IUC and roaming charges, the Company provides for amounts outstanding for more than 120 days from the date of billing net of any amounts payable to the operators or in specific cases where management is of the view that the amounts are not recoverable.

#### **Accrued Billing revenue:**

Accrued billing revenue represent revenues recognized in respect of Mobile, Broadband and Telephone, and Long Distance services provided from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

### **5. INVENTORIES**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on First in First out basis.

### **6. INVESTMENT**

Current Investments are valued at lower of cost and fair market value.

Long term Investments are valued at cost. Provision is made for diminution in value to recognise a decline, if any, other than that of temporary nature.

### **7. LICENSE FEES - REVENUE SHARE**

With effect from August 1, 1999 the variable Licence fee computed at prescribed rates of revenue share is being charged to the Profit and Loss Account in the year in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the license agreement of the license area to which the licence pertains.

### **8. TRANSLATION OF ITEMS IN FOREIGN CURRENCY**

Transactions in Foreign Currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary items are restated at year-end foreign exchange rates. Resultant exchange differences arising on payment or conversion of liabilities are recognised as income or expense in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract (or forward rate last used to measure gain or loss) and the contracted forward rate which is recognized as income or expense for the year.

The premium or discount arising at the inception of other forward exchange contracts is amortized as income or expense over the life of the contract and exchange difference on such contracts is recognised as income or expense in the reporting period in which the exchange rate change, except, in respect of liabilities incurred for acquiring fixed assets, in which case, such difference is adjusted in carrying amount of the respective fixed assets.

### **9. EMPLOYEE BENEFITS**

#### **(a) Short Term Employee Benefits**

Short term employee benefits are recognised in the period during which the services have been rendered.

**(b) Long Term Employee Benefits****(i) Defined Contribution plan****Provident Fund and employees' state insurance schemes**

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

**Superannuation Plan**

Some employees of the Company are entitled to superannuation, a defined contribution plan which is administered through Life Insurance Corporation Of India ("LIC"). Superannuation benefits are recorded as an expense as incurred.

**(ii) Defined benefit plan**

**Leave Encashment** - The Company has provided for the liability at year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

**Gratuity** - The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Accounting Standard 15 (revised), "Employee Benefits". The Company makes annual contributions to the LIC for the Gratuity Plan in respect of employees at certain circles.

**(iii) Others** - The Company has provided for the liability at year end for other long term employee benefits as per the actuarial valuation as per the Projected Unit Credit Method.

(iv) Actuarial gains and losses are recognized as and when incurred.

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**10. PRE-OPERATIVE EXPENDITURE**

Expenditure incurred by the Company from the date of acquisition of license for a new circle, up to the date of commencement of commercial operations of the circle, not directly attributable to fixed assets are charged to the Profit and Loss Account in the year in which such expenditure is incurred.

**11. LEASES****a) As Lessee - Operating Lease**

Lease rentals in respect of assets taken on 'Operating Lease' are charged to the Profit and Loss Account on a straight-line basis over the lease term.

**b) As Lessee - Finance Lease**

Assets acquired on 'Finance Lease' which transfer risk and rewards of ownership to the Company are capitalized as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets.

Amortization of capitalised leased assets is computed on the Straight Line method over the useful life of the assets. Lease rental payable is apportioned between principal and finance charge using the internal rate of return method. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

**c) As Lessor - Operating Lease**

Lease income in respect of 'Operating Lease' is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

**d) As Lessor - Finance Lease**

Finance leases as a dealer lessor are recognized as a sale transaction in the Profit and Loss Account and are treated like other outright sales.

Finance Income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment of the lessor outstanding in respect of the lease.

e) Initial direct costs are expensed in the Profit and Loss Account at the inception of the lease.

**12. TAXATION**

Tax expense for the period, comprising current tax, deferred tax and fringe benefit tax is included in determining the net profit/ (loss) for the period.

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable profit will be available against which such deferred tax assets can be realised.

Deferred tax is not recognized for such timing differences which reverse during tax holiday period. Deferred tax assets to the extent they pertain to brought forward losses and unabsorbed depreciation, are recognised only to the extent that there is virtual certainty of realisation, based on expected profitability in the future as estimated by the Company.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

### **13. MISCELLANEOUS EXPENDITURE**

- a) Premium on redemption of debentures is recognised as an expense to the Profit and Loss Account over the period of the related contract.
- b) Employee Stock Option Plan 2001 and 2004 ('ESOP') - The aggregate amount of liability on account of ESOP as ascertained at period end is being carried forward as Deferred Employee Compensation Benefit under Miscellaneous Expenditure to be written off on a straight-line basis over the related vesting period of individual options.

### **14. BORROWING COST**

Borrowing cost attributable to the acquisition or construction of a qualifying asset is capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

### **15. IMPAIRMENT OF ASSETS**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### **16. SEGMENTAL REPORTING**

#### **a) Primary Segment:**

The Company operates in four primary business segments viz. Mobile Services, Broadband & Telephone Services, Enterprise Services Carriers and Enterprise Service Corporate.

#### **b) Secondary Segment:**

The Company has operations within India as well as with entities located in other countries. The operations in India constitute the major part, which is the only reportable segment, the remaining portion being attributable to others.

### **17. EARNING PER SHARE**

The earnings considered in ascertaining the Company's Earnings per Share ('EPS') comprise the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti dilutive.

### **18. WARRANTY**

Provision for warranty is based on past experience and technical estimates.

### **19. PROVISIONS**

Provisions are recognised when the Company has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

### **20. EMPLOYEE STOCK OPTIONS OUTSTANDING**

Employee Stock options outstanding are valued using Black Scholes Option - Pricing Model and the fair value is recognised as an expense over the period in which the options vest.

**SCHEDULE: 22****NOTES TO ACCOUNTS**

1. Bharti Airtel Limited ('Bharti Airtel' or 'the Company') incorporated in India on July 7, 1995, is a company promoted by Bharti Telecom Limited ('BTL'), a company incorporated under the laws of India. The name of the Company has been changed from Bharti Tele-Ventures Limited ('BTVL') to Bharti Airtel Limited ('Bharti Airtel').

**2. New Operations**

The Company and Bharti Hexacom Limited (BHL) have entered into a Scheme of Arrangement for transfer pursuant to de-merger of North East Circle Undertaking from BHL to the Company effective April 1, 2005, which has been approved by the Board of Directors of the Company in their meeting held on July 26, 2005 and July 27, 2005 and the Board of Directors of BHL in their meeting held on July 20, 2005. The Company is in the process of filing the approved scheme in the High Court.

The Company had entered into a Scheme of Amalgamation of Satcom Broadband Equipment Limited (SBEL) and Bharti Broadband Limited (BBL) with the Company effective October 1, 2005, which has been approved by the High Court of Delhi on April 17, 2007. The Company has applied for a certified copy of the said order and the scheme will be effective upon filing the same with the Registrar of Companies, Delhi & Haryana.

During the year ended March 31, 2007, seven wholly owned subsidiaries viz. Bharti Airtel (USA) Limited, Bharti Airtel (UK) Limited, Bharti Airtel (Hong Kong) Limited and Bharti Airtel (Canada) Limited were incorporated with principal business of providing international calling services and wholesale switching data products, Bharti Infratel Limited with principal business of providing passive infrastructure for mobile services, Bharti Telemedia Limited with Direct to Home (DTH) Venture as principal business and Bharti Airtel Lanka (Private) Limited with principal business of mobile cellular communication services.

On September 14, 2006, Bharti Airtel acquired 43,750 thousand shares of Bharti Hexacom Limited for an aggregate consideration of Rs. 875,000 thousand thereby increasing its stake from 68.5% to 68.89%.

**3. Contingent liabilities**

a) Total Guarantees outstanding as at March 31, 2007 amounting to Rs. 11,191,773 thousand (March 31, 2006 Rs. 9,090,487 thousand) have been issued by banks and financial institutions on behalf of the Company.

Corporate Guarantees outstanding as at March 31, 2007 amounting to Rs. 882,811 thousand (March 31, 2006 Rs. 241,182 thousand) have been given to banks and financial institutions on behalf of group companies.

b) Claims against the Company not acknowledged as debt: (Excluding cases where the possibility of any outflow in settlement is remote):

Particulars	(Rs.'000)	
	As at March 31, 2007	As at March 31, 2006
(i) Taxes, Duties and Other demands (under adjudication / appeal / dispute)		
-Sales Tax (refer c below)	276,471	100,887
-Service Tax (refer d below)	133,632	589,395
-Income Tax (refer e below)	216,721	288,115
-Custom Duty (refer g below)	3,694	1,230,678
-Stamp Duty	542,377	529,186
-Entry Tax (refer h below)	217,350	787,390
-Municipal Taxes	19,255	529,171
-Access Charges / Port Charges (refer f below)	1,989,433	806,025
-DoT demands	182,931	157,955
-Other miscellaneous demands (refer i below)	84,561	307,751
(ii) Claims under legal cases including arbitration matters (refer i below)	410,690	356,833
	4,077,115	5,683,386

Unless otherwise stated below, the management believes that, based on legal advice, the outcome of these contingencies will be favorable and that a loss is not probable.

Of the above, details of unpaid amounts relating to Income Tax, Sales Tax, Service Tax and Custom Duty together with forum where dispute is pending as at March 31, 2007 is set out below:

Name of the Statutes	Nature of the Dues	Amount Disputed (in Rs. '000)	Amount Deposited (in Rs. '000)	Period to Which it Relates	Forum where the dispute is pending
Central Sales Tax Act	Sales Tax	2,861	-	2001-02	Appellate Tribunal
West Bengal Sales Tax Act	Sales Tax	402	-	1996-97	DCCT - Appellate Stage
West Bengal Sales Tax Act	Sales Tax	14	-	1997-98	The Appellate authority
UP Trade Tax Act, 1948	Sales Tax	4,999	3,236	2004-05	Assessing Officer
UP Trade Tax Act, 1948	Sales Tax	769	298	2003-04	Assessing Officer
UP Trade Tax Act, 1948	Sales Tax	252	82	2006-07	Assessing Officer
UP Trade Tax Act, 1948	Sales Tax	53	-	2003-04	Asst Commissioner Trade Tax-Noida
UP Trade Tax Act, 1948	Sales Tax	500	150	2003-04	Joint Commisioner Appeals
UP Trade Tax Act, 1948	Sales Tax	133	-	2006-07	Joint Commisioner Appeals
UP Trade Tax Act, 1948	Sales Tax	599	599	2002-05	Assesing officer
UP Trade Tax Act, 1948	Sales Tax	75	75	2002-03	Joint Commisioner Appeals
UP Trade Tax Act, 1948	Sales Tax	400	400	2003-04	Joint Commisioner Appeals
UP Trade Tax Act, 1948	Sales Tax	650	650	2004-05	Joint Commisioner Appeals
Karnataka Sales Tax	Sales Tax	256,302	256,302	2005-06	High Court of Karnataka
Madhya Pradesh Commercial Tax Act, 1991	Sales Tax	1,992	199	1997-98	tribunal
Madhya Pradesh Commercial Tax Act, 1991	Sales Tax	144	14	1998-99	Deputy commisioner appeal
West Bengal State Sales tax Act	Sales Tax	6,326	-	2002-03	Asst Commissioner, Commercial Tax
<b>Sub Total (A)</b>		<b>276,471</b>	<b>262,006</b>		
Finance Act, 1994 (Service Tax Provisions)	Service Tax	547	-	2003-04	Commissioner of Central Excise (Appeals)
Finance Act, 1994 (Service Tax Provisions)	Service Tax	157	157	2003-04	Commissioner of Central Excise (Appeals)
Finance Act, 1994 (Service Tax Provisions)	Service Tax	1,613	-	2005-06	Asstt. Comisioner of Service Tax
Finance Act, 1994 (Service Tax Provisions)	Service Tax	591	-	2001-02	Supritendent of Mohali
Finance Act, 1994 (Service Tax Provisions)	Service Tax	51,233	-	2002-06	Appeal filed with Customs, Excise and Service Tax Appellate Tribunal, Mumbai
Finance Act, 1994 (Service Tax Provisions)	Service Tax	62,419	-	2004-05	Commissioner
Finance Act, 1994 (Service Tax Provisions)	Service Tax	1,626	-	2004-05	Joint Commissioner
Finance Act, 1994 (Service Tax Provisions)	Service Tax	15,000	-	2002-03	Commissioner
Finance Act, 1994 (Service Tax Provisions)	Service Tax	446	-	2004-05	supretendent srvice tax depatment
<b>Sub Total (B)</b>		<b>133,632</b>	<b>157</b>		
Income Tax Act, 1961	Income Tax	75,933	57,850	1997-98	High Court
Income Tax Act, 1961	Income Tax	5,950	-	2003-04, 2004-05	High Court
Income Tax Act, 1961	Income Tax	573	573	1995-96	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	117,799	117,799	2000-01	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	81,894	81,894	2001-02	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	6,424	6,424	1998-99	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	4,980	4,980	2002-03	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	77,230	76,980	2002-03	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	5,380	-	1997-98	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	216	216	2003-04	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	11,270	11,270	2005-06	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	81,457	81,457	2004-05	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	136,900	136,900	2004-05	Commissioner of Income Tax (Appeals)
<b>Sub Total (C)</b>		<b>606,007</b>	<b>576,344</b>		
Customs Act-1962	Custom Act	3,694	-	2006-07	Directorate of Revenue Inteligence, Chennai
<b>Sub Total (D)</b>		<b>3,694</b>	<b>-</b>		

**c) Sales Tax**

The claims for Sales Tax as of March 31, 2007 comprise the cases relating to

- i. the appropriateness of the declarations made by the Company under the relevant Sales Tax legislations which was primarily procedural in nature; and
- ii. the applicable Sales Tax on disposals of certain property and equipment items

**d) Service tax**

The Service Tax demands as of March 31, 2007 relate to:

- i. Roaming Revenues Charged from other operators; and
- ii. Subscriber Receivables written off

**e) Income Tax demand under appeal**

Income Tax demands under appeal mainly included the appeals filed by the Company before various appellate authorities against the disallowance of certain expenses being claimed under tax by Income Tax authorities.

The management believes that, based on legal advice, it is probable that its tax positions will be sustained and accordingly, recognition of a reserve for those tax positions will not be appropriate.

**f) Interconnect access charges**

Interconnect Charges are based on the IUC agreements between the operators although the IUC rates are governed by the IUC guidelines issued by TRAI. BSNL has raised a demand requiring the Company to pay the Interconnect Charges at the rates contrary to the guidelines issued by TRAI. The Company filed a petition against that demand with the Telecom Disputes Settlement and Appellate Tribunal ('TDSAT') which passed a status quo order, stating that only the admitted amounts based on the guidelines would need to be paid by the Company.

The management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable. Accordingly, no amounts have been accrued although some have been paid under protest.

**g) Customs Duty**

The Customs Authorities, in some states, demanded Rs. 3,694 thousand as of March 31, 2007 (March 31, 2006 - Rs. 1,230,678 thousand) for the imports of special software on the ground that this would form part of the hardware along with which the same has been imported. The view of the Company is that such imports should not be subject to any customs duty as it would be an operating software exempt from any Customs Duty. The management is of the view that the probability of the claims being successful is remote.

**h) Entry Tax**

In certain states an Entry Tax is levied on receipt of material from outside the state. This position has been challenged by the Company in the respective states, on the grounds that the specific Entry Tax is ultra vires the constitution. Classification issues have been raised whereby, in view of the Company, the material proposed to be taxed not covered under the specific category. The amount under dispute as of March 31, 2007 was Rs. 217,350 thousand (March 31, 2006 - Rs. 787,390 thousand) included in Note 3 (b) above.

**i) Others**

Others mainly include disputed demands for Consumption Tax, disputes before Consumer Forum and with respect to labour cases and a potential claim for Liquidated Damages.

The management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable. No amounts have been paid or accrued towards these demands.

**j) Roll-out obligations**

The Company has not been able to meet its roll out obligations fully due to certain non-controllable factors like Telecommunication Engineering Center testing, Standing Advisory Committee of Radio Frequency Allocations clearance, non availability of spectrum, operational hazards, etc. However, there are no demands on the Company in respect of non-fulfillment of its roll out obligations.

**k) Bharti Mobinet Limited ('BMNL') litigation**

Bharti Airtel is currently in litigation with DSS (0.34 per cent equity interest in erstwhile Bharti Cellular Limited (BCL)) for an alleged claim for specific performance in respect of alleged agreements to sell the equity interest of DSS in erstwhile BMNL to Bharti Airtel. The case filed by DSS to enforce the sale of equity shares before the Delhi High Court had been transferred to District Court and was pending consideration

of the Additional District Judge. This suit was dismissed in default on the ground of non-prosecution. Subsequently, DSS has filed an application for restoration of the suit on which notice has been issued to Bharti Airtel and other defendants. In respect of the same transaction, Crystal Technologies Private Limited ('Crystal'), an intermediary, has initiated arbitration proceedings against the Group demanding Rs. 194,843 thousand included in Note 3 (b) above regarding termination of its appointment as a consultant to negotiate with DSS for the sale of DSS stake in erstwhile BMNL to Bharti Airtel. DSS has also filed a suit against a previous shareholder of BMNL and Bharti Airtel challenging the transfer of shares by that shareholder to Bharti Airtel. The suit was subsequently dismissed as frivolous, which has been appealed to in the Delhi High Court by DSS and subsequently transferred to District Court. DSS has also initiated arbitration proceedings seeking direction for restoration of the cellular license and the entire business associated with it including all assets of BCL/BMNL to DSS or alternatively, an award for damages. An interim stay has been granted by the Delhi High Court with respect to the commencement of arbitration proceedings. The liability, if any, of Bharti Airtel arising out of above litigation cannot be currently estimated. Since the amalgamation of BCL and erstwhile Bharti Infotel Limited (BIL) with Bharti Airtel, DSS, a minority shareholder in BCL, has been issued 2,722,125 equity shares of Rs. 10 each bringing the share of DSS in Bharti Airtel down to 0.14% as of March 31, 2007.

The management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable. Accordingly, no amounts have been accrued or paid in regard to this dispute.

#### 4. Export Obligation

Bharti Airtel has obtained licenses under the Export Promotion Credit Guarantee ('EPCG') Scheme for importing capital goods at a concessional rate of Customs Duty against submission of bank guarantee and bonds.

Under the terms of the respective schemes, the Group is required to export goods of FOB value equivalent to, or more than, five times the CIF value of imports in respect of certain licenses and eight times the duty saved in respect of licenses where Export Obligation has been refixed by the order of Director General Foreign Trade, Ministry of Finance, as applicable within a period of eight years from the import of capital goods. The Export Promotion Capital Goods Scheme, Foreign Trade Policy 2004-2009 as issued by the Central Government of India, covers both manufacturer exporters and service providers. Accordingly, in accordance with Clause 5.2 of the Policy, export of telecommunication services would also qualify.

Accordingly the Company was required to export goods of FOB value of at least Rs. 25,370,610 thousand (March 31, 2006 Rs. 26,550,884 thousand).

5. a) Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 71,190,499 thousand (March 31, 2006 Rs. 41,478,800 thousand).
- b) Under the IT Outsourcing Agreement, the Company has commitments to pay Rs. 6,705,304 thousand (March 31, 2006 Rs. 3,731,265 thousand) comprising finance lease and servicing charges.
6. Considering the actual usage, the Company has revised the useful life of assets costing less than Rs. 5,000 from one month to one year with effect from April 1, 2006. Accordingly such assets, which were earlier depreciated over one month, are now being depreciated over a period of one year. In addition, the Company has revised the economic useful life of certain class of plant and machinery. The net impact of these changes is not material to the results for the year ended March 31, 2007.
7. From the current year commencing April 1, 2006, to enable a more appropriate presentation of the financial statements in line with the business, Activation Income and related direct costs have been accounted for as stated in Note 4 in Schedule 21.

Had the above been accounted for as in the previous year, Service Revenue for the year ended March 31, 2007 would have been higher by Rs. 1,401,773 thousand, total expenditure would have been higher by Rs. 742,458 thousand and License Fee would have been higher by Rs. 163,440 thousand, profit before tax for the year ended March 31, 2007 would have been higher by Rs. 495,875 thousand with consequential impact on the net assets of the Company as at March 31, 2007.

#### 8. Employee benefits

- a) The Company has during the year adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. Pursuant to adoption of the revised standard, as per the transitional provisions, the additional liability (net of tax) of Rs. 66,964 thousand upto March 31, 2006 has been adjusted against opening reserves and surplus.
- b) During the year, the Company has recognized the following amounts in the Profit and Loss Account

## Defined Contribution Plans

	Rs. '000
	Year ended March 31, 2007
Employer's Contribution to Provident Fund *	366,748
Employer's Contribution to Super annuation Fund #	3,953
Employer's Contribution to ESI *	1,074

\* Included in Contribution to Provident and Other Funds (Refer Schedule 15)

# Included in Salaries, Wages and Bonus (Refer Schedule 15)

## Defined Benefit Plans

	Gratuity #			Leave Encashment #
	Funded	Unfunded	Total	Unfunded
Current service cost	63,831	36,482	100,313	134,209
Interest cost	12,031	7,471	19,502	22,386
Expected Return on Plan Assets	(4,457)	32	(4,425)	-
Actuarial (gain) / loss	20,068	(11,316)	8,752	(2,120)
Past service cost	-	-	-	-
Curtailement and Settlement Cost / (credit)	-	-	-	-
<b>Net cost</b>	<b>91,473</b>	<b>32,669</b>	<b>124,142</b>	<b>154,475</b>

# Included in Salaries, Wages and Bonus (Refer Schedule 15)

c) The assumptions used to determine the benefit obligations are as follows :

	Gratuity	Leave Encashment
Discount Rate	7.50%	7.50%
Expected Rate of increase in Compensation Levels	7.00%	7.00%
Expected Rate of Return on Plan Assets	7.50%	NA
Expected Average remaining working lives of employees (years)	26.83 years	26.83 years

d) Reconciliation of opening and closing balances of benefit obligations and plan assets

	Gratuity			Leave Encashment
	Funded	Unfunded	Total	Unfunded
<b>Change in Projected Benefit Obligation (PBO)</b>				
Projected benefit obligation at beginning of year	160,348	99,673	260,021	298,474
Current service cost	63,831	36,482	100,313	134,209
Interest cost	12,031	7,471	19,502	22,386
Benefits paid	(11,913)	(20,730)	(32,643)	(86,406)
Curtailement and Settlement cost	-	-	-	-
Contribution by plan participants	-	-	-	-
Past service cost	-	-	-	-
Actuarial (gain) / loss	20,460	(10,804)	9,656	(2,120)
<b>Projected benefit obligation at year end</b>	<b>244,757</b>	<b>112,092</b>	<b>356,849</b>	<b>366,542</b>
<b>Change in plan assets :</b>				
Fair value of plan assets at beginning of year	59,006	-	59,006	-
Expected return on plan assets	3,913	-	3,913	-
Actuarial gain / (loss)	904	-	904	-
Employer contribution	12,465	-	12,465	-
Contribution by plan participants	-	-	-	-
Settlement cost	-	-	-	-
Benefits paid	(12,763)	-	(12,763)	-
<b>Fair value of plan assets at year end</b>	<b>63,525</b>	<b>-</b>	<b>63,525</b>	<b>-</b>
<b>Net funded status of the plan</b>	<b>(181,232)</b>	<b>(112,092)</b>	<b>(293,324)</b>	<b>(366,542)</b>
<b>Net amount recognized</b>	<b>(181,232)</b>	<b>(112,092)</b>	<b>(293,324)</b>	<b>(366,542)</b>

- e) The expected rate of return on plan assets was based on the average long-term rate of return expected to prevail over the next 15 to 20 years on the investments made by the LIC. This was based on the historical returns suitably adjusted for movements in long-term government bond interest rates. The discount rate is based on the average yield on government bonds of 20 years.
- f) The Company made annual contributions to the LIC of an amount advised by the LIC. The Company was not informed by LIC of the investments made by the LIC or the break-down of plan assets by investment type.
- g) Estimated amounts of benefits payable within next year are Rs. 91,943 thousand
- h) Movement in provision for Deferred Bonus Plan

	(Rs '000)	
	Year ended March 31, 2007	Year ended March 31, 2006
Opening Balance	71,921	-
Addition during the year	146,121	71,921
<b>Closing Balance</b>	<b>218,042</b>	<b>71,921</b>

**9. Investment in Joint Ventures :**

- a) Vide a supply contract and construction and maintenance agreement executed on March 27, 2004, Alcatel Submarine Networks of France and Fujitsu Ltd. of Japan provided the SEA-ME-WE-4 Cable Systems (broadly described as a submarine cable system linking South East Asia and Europe, via the Indian Sub-Continent & Middle East) and will also provide long term technical support to a consortium of sixteen telecom operators in various countries including the Company. The Company has invested Rs. 1,683,283 thousand in the venture for 8.051% share. The Company has further paid an advance of Rs. 379,233 thousand during the year towards upgradation of capacity, which is included under capital work in progress.
- b) The Group entered into a joint venture with 7 other overseas mobile operators to form a regional alliance called the Bridge Mobile Alliance incorporated in Singapore as Bridge Mobile Pte Ltd. The principal activity of the venture is creating and developing regional mobile services and managing the Bridge Mobile Alliance Programme. The Group has invested USD 1,000 thousand in ordinary shares of USD 1 each amounting to Rs. 43,763 thousand, which is equivalent to an ownership interest of 12.50% as at March 31,2007 (March 31,2006: Rs.43,763 thousand, ownership interest 12.50%)
- c) The Group entered into a joint venture with 6 other parties to form an aircraft chartering company called the Forum I Aviation Limited incorporated in India. The principal activity of the venture is operating aircrafts on charter basis. The Group has invested in the ordinary shares of Rs. 10 each amounting to Rs. 30,000 thousand, which is equivalent to an ownership interest of 14.28% as at March 31,2007 (March 31,2006: Rs.34,950 thousand, ownership interest 16.64%)
- d) The following represent the Group's share of assets and liabilities, and income and results of the joint venture, which are included in the Balance Sheet and Profit and Loss Account respectively.

	(Rs.'000)	
	As at March 31, 2007	As at March 31, 2006
<b>Balance Sheet</b>		
Reserve and surplus	(18,393)	(15,631)
Fixed assets, net	9,030	9,190
Investments	4,286	2,526
<b>Current assets</b>		
Sundry debtors	-	1,757
Cash and bank	24,782	29,419
Loans and advances	34,411	35,475
<b>Current liabilities and provisions</b>	<b>10,492</b>	<b>14,439</b>
<b>Unsecured Loans</b>	<b>5,800</b>	<b>-</b>

(Rs '000)

	For the year ended March 31,2007	For the year ended March 31,2006
<b>Profit and Loss Account</b>		
Service revenue	31,335	14,203
Other income	15,419	-
<b>Expenses</b>		
Operating expenses	25,674	11
Selling, general and administration expenses	19,713	25,161
Finance expenses	2,449	(1,344)
Depreciation	2,770	1,353
<b>(Loss)</b>	<b>(3,853)</b>	<b>(10,980)</b>

10. During the year ended March 31, 2005 the Company issued USD 115,000,000 Zero Coupon Convertible Bonds due 2009 (the "FCCBs"). The FCCBs are convertible at any time on or after June 12, 2004 (or such earlier date as is notified to the holders of the FCCBs by the Issuer) up to April 12, 2009 by holders into fully paid equity shares with full voting rights with a par value of Rs. 10 each of the Issuer ("Shares") at an initial Conversion Price (as defined in the "Terms and Conditions of the FCCBs") of Rs. 233.17 per share with a fixed rate of exchange on conversion of Rs. 43.56 = USD 1.00. The Conversion Price is subject to adjustment in certain circumstances.

The FCCBs may be redeemed, in whole or in part, at the option of the Issuer at any time on or after May 12, 2007 and prior to April 12, 2009, subject to satisfaction of certain conditions, at their "Early Redemption Amount" (as defined in the "Terms and Conditions of the FCCBs") at the date fixed for such redemption if the "Closing Price" (as defined in the "Terms and Conditions of the FCCBs") of the shares translated into U.S. dollars at the "prevailing rate" (as defined in the "Terms and Conditions of the FCCBs") for each of 30 consecutive "Trading Days" (as defined in the "Terms and Conditions of the FCCBs"), the last of which occurs not more than five days prior to the date upon which notice of such redemption is published, is greater than 120 percent of the "Conversion Price" (as defined in the "Terms and Conditions of the FCCBs") then in effect translated into U.S. dollars at the rate of Rs. 43.56 = USD 1.00.

The FCCBs may also be redeemed in whole, and not in part, at any time at the option of the Issuer at their Early Redemption Amount if less than 5 percent in aggregate principal amount of the FCCBs originally issued is outstanding.

The FCCBs may also be redeemed in whole, at any time at the option of the Issuer at their Early Redemption Amount in the event of certain changes relating to taxation in India.

Unless previously converted, redeemed or purchased and cancelled, the FCCBs will be redeemed in U.S. dollars on May 12, 2009 at 111.84 percent of their principal amount.

The Issuer will, at the option of any holder of any FCCBs, repurchase at the Early Redemption Amount such FCCBs at such time as the Shares cease to be listed or admitted to trading on the NSE or upon the occurrence of a "Change of Control" (as defined in the "Terms and Conditions of the FCCBs") in respect of the Issuer. These FCCBs are listed in the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Company has during the year ended March 31, 2007 Converted FCCBs equivalent to USD 10,114,000 into 1,889,453 equity shares of the Company at the option exercised by the bond holders which is as follows:

Date of Allotment	No. of shares allotted	FCCB value (USD)
April 7, 2006	540,270	2,892,000
May 8, 2006	392,314	2,100,000
June 2, 2006	429,677	2,300,000
August 2, 2006	95,089	509,000
September 5, 2006	148,519	795,000
October 28, 2006	206,991	1,108,000
November 30, 2006	11,208	60,000
February 7, 2007	65,385	350,000
<b>Total</b>	<b>1,889,453</b>	<b>10,114,000</b>

11. Rs. 2,857,307 thousand (March 31, 2006 Rs. 2,762,604 thousand) included under Current Liabilities, represents refundable security deposits received from subscribers on activation of connections granted thereto and are repayable on disconnection, net of outstanding, if any. Sundry debtors are secured to the extent of the amount outstanding against individual subscribers by way of security deposit received from them.

12. As at March 31, 2007, 2,603,824 equity shares (March 31, 2006 4,195,449 equity shares) of the Company are held by Bharti Tele-Ventures Employee's Welfare Trust issued at the rate of Rs 51.36 per equity share fully paid up.
13. Billing Revenue in the Profit and Loss Account is net of Rebates and Discounts Rs. 571,729 thousand (March 31, 2006 Rs. 27,908 thousand).
14. The Loans and Advances granted to subsidiaries are repayable on demand and repayments made during the year are as mutually agreed.
15. Particulars of securities charged against secured loans taken by the Company are as follows :

Particulars	Amount Outstanding (Rs.'000)	Security charges
<b><u>Debentures</u></b>		
10.90%, 27 Non-convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from Dec 2006	225,000	<ul style="list-style-type: none"> <li>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by Bharti Airtel Limited including plant and machinery, office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</li> <li>• All rights, titles, interests in the accounts, and monies deposited and investments made there from and in project documents, book debts and insurance policies.</li> </ul>
11.70%, 45 Non-convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from Dec 2009	500,000	
8.65%, 95 Non-Convertible redeemable Debentures of Rs. 10,000 thousand each repayable in May 2007	950,000	<ul style="list-style-type: none"> <li>• Second Charge on Movable Assets of the Bharti Airtel Limited.</li> </ul>
<b>Debentures</b>	<b><u>1,675,000</u></b>	
<b><u>Loans and Advances from Banks</u></b>		
<b><u>Other Loans and Advances</u></b>		
Long Term Foreign Currency Loan of USD 12,000 thousand repayable in 13 half yearly installments beginning June, 2005	380,247	<ul style="list-style-type: none"> <li>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by Bharti Airtel Limited including plant and machinery, office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</li> <li>• All rights, titles, interests in the accounts, and monies deposited and investments made there from and in project documents, book debts and insurance policies.</li> </ul>
Long Term Foreign Currency Loan of USD 27,956 thousand repayable in 19 half yearly installments beginning June 2004	589,943	
<b>Term Loan Total</b>	<b><u>970,190</u></b>	<ul style="list-style-type: none"> <li>• Secured by Hypothecation of vehicles of the Company.</li> </ul>
Vehicle Loans From Banks	19,285	
<b>Total</b>	<b><u>2,664,475</u></b>	

Note : Following shall be excluded from Securities as mentioned above:-

- a) Intellectual properties of Bharti Airtel.
- b) Investment in subsidiaries of Bharti Airtel.
- c) Licenses issued by DoT to provide various telecom services.

## 16. Expenditure / Earnings in Foreign Currency (on accrual basis):

Rs.'000

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
<b>Expenditure</b>		
On account of :		
Interest	1,152,695	909,265
Professional and Consultation Fees	18,485	20,706
Travelling	6,710	11,792
Roaming Charges (incl. Commission)	572,681	831,529
Membership and Subscription	5,634	2,716
Staff Training and Others	2,078	2,535
Network Services	538,330	15,618
Annual Maintenance	30,515	122,460
Bandwidth Charges	393,661	680,263
Access Charges	8,072,227	3,987,105
Marketing	8,726	296
Upfront Fee on Borrowings	157,760	527,593
Signalling Charges	-	3,880
Registration Fee	-	124
US Point of Presence Charges	59,601	29,524
Board Meeting Expenses	-	637
Bank Charges	-	287
Directors Commission	2,170	5,114
Sponsorship	-	392
Delegation Fee	-	734
Swap Loss	204,242	-
<b>Total</b>	<b>11,225,515</b>	<b>7,152,570</b>
<b>Earnings</b>		
Roaming Revenue	2,693,466	2,740,674
Billing Revenue	13,062,075	9,968,082
Swap Income	-	8,507
Interest Income	-	9,078
EKN Premium Refund	-	34,016
<b>Total</b>	<b>15,755,541</b>	<b>12,760,357</b>

## 17. CIF Value of Imports:

Rs.'000

	For the year ended March 31,2007	For the year ended March 31,2006
Capital Goods	29,976,988	16,262,423
Components and Spare Parts	-	13,142
<b>Total</b>	<b>29,976,988</b>	<b>16,275,565</b>

18. The aggregate managerial remuneration under section 198 of the Companies Act, 1956 to the directors (including Managing Director) is:

Particulars	Rs.'000	
	Year ended March 31, 2007	Year ended March 31, 2006
<b>Whole-time directors</b>		
Salary	113,493	91,321
Reimbursement and Perquisites	2,709	680
Performance Linked Incentive	115,980	102,126
<b>Total Remuneration (A)</b>	<b>232,182</b>	<b>194,127</b>
<b>Non Whole Time Directors</b>		
Commission	10,422	9,898
Sitting Fees	600	710
<b>Total Remuneration (B)</b>	<b>11,022</b>	<b>10,608</b>
<b>Total Amount (A+B)</b>	<b>243,204</b>	<b>204,735</b>

The computation of net profit in accordance with Section 349 of the Companies Act, 1956, and calculation of maximum remuneration payable to the directors is as follows :

Particulars	Rs.'000	
	Year ended March 31, 2007	Year ended March 31, 2006
Net profit before tax from ordinary activities	46,013,712	22,857,955
Add: Remuneration to whole time directors (Refer A above)	232,182	194,128
Add: Remuneration to non whole time directors (Refer B above)	11,022	10,608
Add : Depreciation and Amortisation provided in the books	24,684,703	15,470,212
Add : Provision for Wealth Tax	185	15
Less : Depreciation under section 350 of the Companies Act, 1956*	24,684,703	15,470,212
Net Profit for the year under Section 349	<b>46,257,101</b>	<b>23,062,706</b>
Maximum Amount payable to non whole-time directors Restricted to 1%	462,571	230,627
Maximum Amount payable to all whole-time directors Restricted to 11%	5,088,281	2,536,898

\* The Company provides depreciation on fixed assets based on useful lives of assets that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly the rates of depreciation followed by the Company are higher than the minimum prescribed rates as per Schedule XIV.

19. (i) The Central Government's approval is pending against the application made by erstwhile Bharti Mobile Limited (BML) in respect of remuneration of Rs. 1,943 thousand [Rs. 1,274 thousand for the five month period ended August 31, 2000 and Rs. 669 thousand for the year ended March 31, 2000 respectively] (March 2003: Rs. 1,943 thousand) payable to the former whole-time director which exceeds the limits prescribed by Schedule XIII of the Companies Act, 1956.
- (ii) The Central Government's approval is pending against the application made by erstwhile BCL in respect of excess remuneration paid to whole-time directors of Rs. 4,063 thousand (March 31, 2006 Rs. 4,063 thousand).
- (iii) The cumulative amount of excess remuneration paid to the whole time director of the Company pending approval of Central Government pertaining to earlier years is Rs. 565 thousand (March 31, 2006 Rs. 565 thousand) and is refundable by the director.
- (iv) The cumulative amount of excess remuneration paid to Managing Director and whole-time directors (erstwhile 'BIL') pertaining to earlier years, pending approval of the Central Government is Rs. 3,114 thousand (March 31, 2006 Rs.3,114 thousand) and is refundable by directors.

## 20. Auditors Remuneration

(Rs '000)

	Year ended March 31, 2007	Year ended March 31, 2006
Audit Fee*	67,000	63,300
Certification Fee *	3,518	2,202
Reimbursement of Expenses *	2,016	709
Other Fees*	30,000	15,750
<b>Total</b>	<b>102,534</b>	<b>81,961</b>

\* Excluding Service Tax

## 21. Details of SSI Creditors having outstanding balance for more than 30 days

(Rs '000)

Name of SSI creditors	As at March 31, 2007	As at March 31, 2006
Kumar Printers	-	68
Cantech Engineers	-	80
GKA Rajeendran & Co	-	123
3 GUYS	84	84
S.P. Projects	1,228	169
Solux Galfab Private Limited	3,959	2,926
Soumitra Das	16	16
Axis Galvanising Industries	-	55
Globe Detective Agency Pvt. Ltd	-	12
Shiva Fabricators	-	53
Kotagi Structurals	214	2,995
Ridings Consultants P Ltd	-	26
Modern Engineers Construction Co-op. Society Ltd.	-	6
	<b>5,501</b>	<b>6,613</b>

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## 22. Quantitative Information

2006-07

Rs.'000

Particulars	Year ended March 31, 2006		Purchases (Refer note 1 below) 2006-07		Sales/Internal Utilisation 2006-07		Year ended March 31, 2007	
	Qty Nos.	Value ( '000)	Qty Nos.	Value ( '000)	Qty Nos.	Value ( '000)	Qty Nos.	Value ( '000)
Handsets	-	-	-	-	-	-	-	-
Simcards(Refer Note 2 below)	6,605,439	172,933	45,144,876	746,568	30,432,792	454,507	21,317,524	464,994
TDMA/PAMA VSATs Assembly sets (Refer Note 3 below)	-	1,356	-	11,432	-	9,027	-	3,761
Broadband Interactive Terminal / Gateways	-	-	-	-	-	-	-	-
Internet Modem and others	1,132	3,155	442	34,969	1,513	28,734	61	9,390
	-	<b>177,444</b>	-	<b>792,969</b>	-	<b>492,268</b>	-	<b>478,145</b>

2005-06

Particulars	Year ended March 31, 2005		Purchases (Refer note 1 below) 2005-06		Sales/Internal Utilisation 2005-06		Year ended March 31, 2006	
	Qty Nos.	Value ( '000)	Qty Nos.	Value ( '000)	Qty Nos.	Value ( '000)	Qty Nos.	Value ( '000)
Handsets	-	-	320	1,416	320	1,645	-	-
Simcards (Refer Note 2 below)	5,363,201	302,202	26,102,020	684,268	24,859,782	694,368	6,605,439	172,933
TDMA/PAMA VSATs Assembly sets (Refer Note 3 below)	-	2,048	-	-	-	-	-	1,356
Broadband Interactive Terminal / Gateways	70	-	-	-	70	-	-	-
Internet Modem and others	18	11,588	2,247	52,856	1,133	18,163	1,132	3,155
	-	<b>315,838</b>	-	<b>738,540</b>	-	<b>714,176</b>	-	<b>177,444</b>

(1) Includes cost transferred from Fixed Assets.

(2) Excludes value of simcards issued free of cost;

(3) The quantitative information for TDMA / PAMA VSATs Assembly sets has not been given since they constitute voluminous

23. The details of investments required as per Schedule VI of the Companies Act 1956 are provided below.

a) Details of Investments held as at March 31, 2007

Particulars	Rate of Interest	As at March 31, 2007 (No. of Units)	As at March 31, 2007 Cost	As at March 31, 2006 (No. of Units)	As at March 31, 2006 Cost
<b>Other than Trade (Quoted)</b>					
<b>- Government Securities</b>					
7.05% GOI 2014 Bonds		-	-	50	50,000
9.81%GOI 2013		-	-	1,000,000	113,550
7.30% REC Secured Bonds		30	25,871	50	46,500
364 Days T Bills Maturing on 14/04/2006		-	-	578,000	54,719
364 Days T Bills Maturing on 14/04/2006		-	-	600,000	56,802
8.07% GOI 2017		-	-	1,000,000	103,850
<b>Total (A)</b>			<b>25,871</b>		<b>425,421</b>
<b>Other than trade (Unquoted)</b>					
National Saving Certificate		184	1,836	180	1,800
<b>Total (B)</b>			<b>1,836</b>		<b>1,800</b>
<b>Other than Trade (Quoted)</b>					
<b>- Mutual Funds, Debentures and Bonds</b>					
ABN AMRO Flexi Debt Fund		-	-	9,730,824	102,566
Can Bank Floater Fund		-	-	6,710,663	71,421
Deutsche Liquid Cash Plus-IP		-	-	4,973,082	54,516
DSP Liquid fund		-	-	137,116	139,941
Kotak Liquid premium		5,934,613	88,711	8,010,148	112,803
Prudential ICICI Mutual Fund - Floating Rate Plan D		-	-	12,774,826	130,519
Tata Liquid Fund		-	-	48,567	62,405
UTI Liquid Fund		94,932	116,641	5,981,755	117,338
ABN AMRO Liquid Fund I Plan		-	-	5,964	61
Birla Mutual Fund-Liquid- I Plan Premium		-	-	13,178,755	146,195
Birla Sun Life Cash Manager - Growth Fund		7,936,832	99,152	-	-
Tata Dynamic Fund		12,560,574	151,010	-	-
Reliance Interval Fund		25,435,940	254,359	-	-
DSP Liquid Plus Institutional Plan Growth		113,286	121,419	-	-
HDFC Liquid Fund		8,675,502	129,694	-	-
Principal Cash Management Liquid Fund		10,099,495	117,791	-	-
Prudential ICICI Institutional Liquid Plan Fund		13,653,676	149,230	-	-
G E Capital Services Ltd NCD		-	-	100	1,018,561
7.15% Union Bank 2015		-	-	50	50,000
<b>Total (C)</b>			<b>1,228,007</b>		<b>2,006,326</b>
<b>TOTAL (A) + (B) + (C)</b>			<b>1,255,714</b>		<b>2,433,547</b>

b) Details of trade investments purchased and sold during the year

Particulars	Balance as on April 1, 2006		Purchased during the Year		Sale/Redemption Proceeds	
	Units	INR (Rs '000)	Units	INR (Rs '000)	Units	INR (Rs '000)
<b>Trade investments</b>						
<b>Investment in subsidiaries</b>						
Bharti Hexacom Limited	122,751,980	4,332,748	43,750,000	875,000	-	-
Bharti Comtel Limited	100,000	1,000	-	-	-	-
Satcom Broadband Equipment Limited	24,859,200	248,973	-	-	-	-
Bharti Aquanet Limited	1,275,000	102,000	-	-	-	-
Bharti Airtel (USA) Limited	-	-	23,578,409,900	104,457	-	-
Bharti Airtel (UK) Limited	-	-	652,256	55,836	-	-
Bharti Airtel (Hongkong) Limited	-	-	1,459,480	8,184	-	-
Bharti Airtel (Canada) Limited	-	-	100	4	-	-
Bharti Infratel Limited	-	-	50,000	500	-	-
<b>Investment in Joint ventures</b>						
Bridge Mobile PTE Limited	1,000,000	43,763	-	-	-	-
Forum I Aviation Pvt Ltd	3,495,000	34,950	5,000	50	500,000	5,000
<b>Total</b>		<b>4,763,434</b>		<b>1,044,032</b>		<b>5,000</b>

- c) In terms of the approval granted by the Central Government vide its letter No. 46/44/2007-CL-III dated March 29, 2007 under Section 211(4) of the Companies Act, 1956, the Company has been exempted from the requirement of the disclosure of the movement relating to purchase and sale of investments.
24. The Company uses various premises on lease to install the equipment. A provision is recognized for the costs to be incurred for the restoration of these premises at the end of the lease period. It is expected that this provision will be utilized at the end of the lease period of the respective sites as per the respective lease agreements. The movement of Provision in accordance with AS-29 'Provisions, Contingent liabilities and Contingent Assets' issued by Institute of Chartered Accountants of India, is given below:

**Site Restoration Cost:**

	(Rs '000)	
	Year ended March 31, 2007	Year ended March 31, 2006
Opening Balance	1,768,483	913,517
Addition during the year	1,488,545	854,966
<b>Closing Balance</b>	<b>3,257,028</b>	<b>1,768,483</b>

25. Profit on sale of investments is net of loss on sale of investments Rs. Nil (March 31, 2006 Rs. 2,103 thousand).

**26. Information about Business Segments-Primary**

For the year ended March 31, 2007

Reportable Segments	(Rs'000)						Total
	Mobile Services	Broadband & Telephone Services	Enterprises Services Carriers	Enterprises Services Corporate	Others	Eliminations	
<b>Revenue</b>							
Service Revenue / Sale of Goods and Other Income	131,553,848	21,721,939	17,928,991	7,650,906	24,259	-	178,879,943
Inter Segment Revenue	2,751,383	663,613	16,964,419	869,661	-	(21,249,076)	-
<b>Total Revenue</b>	<b>134,305,231</b>	<b>22,385,552</b>	<b>34,893,410</b>	<b>8,520,567</b>	<b>24,259</b>	<b>(21,249,076)</b>	<b>178,879,943</b>
<b>Results</b>							
Segment Result, Profit / (Loss)	33,299,876	1,727,018	11,939,745	3,295,590	(1,690,077)	-	48,572,152
<b>Net Finance</b>							
Expense / ( Income )	-	-	-	-	2,558,440	-	2,558,440
<b>Net Profit / (Loss)</b>	<b>33,299,876</b>	<b>1,727,018</b>	<b>11,939,745</b>	<b>3,295,590</b>	<b>(4,248,517)</b>	<b>-</b>	<b>46,013,712</b>
MAT Credit	-	-	-	-	(187,057)	-	(187,057)
Provision for Tax	-	-	-	-	5,137,372	-	5,137,372
Fringe Benefit Tax	-	-	-	-	254,970	-	254,970
Deferred Tax Expense	-	-	-	-	476,162	-	476,162
<b>Net Profit / (Loss) after tax</b>	<b>33,299,876</b>	<b>1,727,018</b>	<b>11,939,745</b>	<b>3,295,590</b>	<b>(9,929,964)</b>	<b>-</b>	<b>40,332,265</b>
<b>Other Information</b>							
Segment Assets	175,793,819	35,605,012	33,714,502	9,004,838	13,875,617	-	267,993,788
Inter Segment Assets	14,285,652	8,252,088	33,152,254	12,177,544	47,017,577	(114,885,115)	-
Advance Tax (Net of provision for tax)	-	-	-	-	173,226	-	173,226
MAT Credit	-	-	-	-	187,057	-	187,057
<b>Total Assets</b>	<b>190,079,471</b>	<b>43,857,100</b>	<b>66,866,756</b>	<b>21,182,382</b>	<b>61,253,477</b>	<b>(114,885,115)</b>	<b>268,354,071</b>
Segment Liabilities	111,367,513	6,674,995	14,570,961	4,307,047	14,617,051	-	151,537,567
Inter Segment Liabilities	32,377,697	38,813,602	23,895,561	9,303,183	10,495,072	(114,885,115)	-
Provision for FBT (net of payment)	-	-	-	-	17,195	-	17,195
Deferred Tax Liability	-	-	-	-	2,366,621	-	2,366,621
<b>Total Liabilities</b>	<b>143,745,210</b>	<b>45,488,597</b>	<b>38,466,522</b>	<b>13,610,230</b>	<b>27,495,939</b>	<b>(114,885,115)</b>	<b>153,921,383</b>
<b>Capital Expenditure</b>	<b>70,137,446</b>	<b>10,195,687</b>	<b>7,138,960</b>	<b>9,140,077</b>	<b>(30,783)</b>	<b>(7,808,644)</b>	<b>88,772,743</b>
<b>Depreciation and amortisation</b>	<b>18,057,905</b>	<b>4,221,930</b>	<b>2,137,204</b>	<b>783,493</b>	<b>153,154</b>	<b>(425,966)</b>	<b>24,927,720</b>

For the year ended March 31, 2006

(Rs'000)

Reportable Segments	Mobile Services	Broadband & Telephone Services	Enterprises Services Carriers	Enterprises Services Corporate	Others	Eliminations	Total
<b>Revenue</b>							
Billing Revenue / Sale of Goods and Other Income	77,886,497	14,368,482	14,617,951	5,956,863	76,000	-	112,905,793
Inter Segment Revenue	1,390,163	705,927	10,009,882	74,110	-	(12,180,082)	-
<b>Total Revenue</b>	<b>79,276,660</b>	<b>15,074,409</b>	<b>24,627,833</b>	<b>6,030,973</b>	<b>76,000</b>	<b>(12,180,082)</b>	<b>112,905,793</b>
<b>Results</b>							
Segment Result, Profit / (Loss)	16,095,910	625,962	7,767,797	1,935,248	(1,310,951)	-	25,113,966
Net Finance Expense / ( Income )	-	-	-	-	2,256,011	-	2,256,011
<b>Net Profit / (Loss)</b>	<b>16,095,910</b>	<b>625,962</b>	<b>7,767,797</b>	<b>1,935,248</b>	<b>(3,566,962)</b>	<b>-</b>	<b>22,857,955</b>
Provision for Tax	-	-	-	-	1,665,243	-	1,665,243
Fringe Benefit Tax	-	-	-	-	190,471	-	190,471
Deferred Tax Expense	-	-	-	-	881,447	-	881,447
<b>Net Profit / (Loss) after tax</b>	<b>16,095,910</b>	<b>625,962</b>	<b>7,767,797</b>	<b>1,935,248</b>	<b>(6,304,123)</b>	<b>-</b>	<b>20,120,794</b>
<b>Other Information</b>							
Segment Assets	117,096,613	30,116,537	25,814,960	7,984,043	8,308,058	-	189,320,211
Inter Segment Assets	2,118,844	10,895,906	19,002,918	3,304,018	41,039,987	(76,361,673)	-
Advance Tax (Net of provision for tax)	-	-	-	-	980,374	-	980,374
<b>Total Assets</b>	<b>119,215,457</b>	<b>41,012,443</b>	<b>44,817,878</b>	<b>11,288,061</b>	<b>50,328,419</b>	<b>(76,361,673)</b>	<b>190,300,585</b>
Segmental Liabilities	83,852,497	7,689,976	12,680,132	3,028,685	7,703,252	-	114,954,542
Inter Segment Liabilities	20,075,885	35,645,249	16,305,686	4,272,539	62,314	(76,361,673)	-
Deferred Tax Liability	-	-	-	-	1,890,459	-	1,890,459
<b>Total Liabilities</b>	<b>103,928,382</b>	<b>43,335,225</b>	<b>28,985,818</b>	<b>7,301,224</b>	<b>9,656,025</b>	<b>(76,361,673)</b>	<b>116,845,001</b>
<b>Capital Expenditure</b>	<b>32,787,757</b>	<b>10,027,692</b>	<b>4,776,788</b>	<b>1,290,082</b>	<b>38,407</b>	<b>-</b>	<b>48,920,726</b>
<b>Depreciation and Amortisation</b>	<b>10,695,396</b>	<b>2,647,182</b>	<b>1,878,171</b>	<b>313,409</b>	<b>63,121</b>	<b>-</b>	<b>15,597,279</b>

Notes:

- Others represents the Unallocated Revenue, Profit/(Loss), Assets and Liabilities;
- Segment results represents Profit/(loss) before Finance Expenses and Tax;
- Capital expenditure pertains to gross additions made to fixed assets during the year;
- Segment Assets include Fixed Assets, Capital Work in Progress, Pre-operative Expenses pending allocation, Current Assets and Miscellaneous Expenditure to the extent not written off;
- Segment Liabilities include Secured and Unsecured Loans, Current Liabilities and Provisions;
- Inter-segment Assets / Liabilities represent the Inter-segment Account Balances;
- Inter-segment Revenues excludes the provision of telephone services free of cost among Group companies. Others are accounted for on terms established by management on arm's length basis. These transactions have been eliminated in consolidation.
- The accounting policies used to derive reportable segment results are consistent with those described in the "Significant Accounting Policies" note to the financial statements. Also refer Note 7 of Schedule 22
- During the year ended March 31, 2007, the Company has refined the basis of segment accounting of revenues and costs relating to certain activities including data bandwidth and infrastructure. Consequently, as compared to the basis adopted by the Company in the earlier year, Revenues, Results, Assets and Liabilities of Broadband and Telephone Service segment are higher by Rs. 3,694,611 thousand, Rs. 2,678,137 thousand, Rs. 3,961,588 thousand and Rs. 692,800 thousand respectively; Revenues of Enterprises Corporate segment are lower by Rs. 1,067,585 thousand and Results, Assets and Liabilities are higher by Rs. 1,421,937 thousand, Rs. 2,544,911 thousand and Rs. 2,064,450 thousand respectively; Revenues, Results of Enterprise Carriers segment are lower by Rs. 3,520,279 thousand, Rs. 2,895,837 thousand respectively and Assets and Liabilities are higher by Rs. 1,649,699 thousand and Rs. 4,194,711 thousand respectively and Results of Mobile Services segment are lower by Rs. 1,204,237 thousand and Liabilities are higher by Rs. 1,204,237 thousand. Consequentially there is no impact on Consolidated Revenues and Results.

**Information about Geographical Segment - Secondary**

The Company has operations within India as well as with entities located in other countries. The information relating to the geographical segments in respect of operations within India, which is the only reportable segment, the remaining portion being attributable to others, is presented below :

(Rs '000)

Particulars	As at March 31, 2007	As at March 31, 2006
<b>Segment Revenue from external customers based on geographical location of customers (including Other Income)</b>		
Within India	166,388,992	102,396,639
Others	12,490,951	10,509,154
	<b>178,879,943</b>	<b>112,905,793</b>
<b>Carrying amount of Segment Assets by geographical location</b>		
Within India	264,382,693	184,038,121
Others	3,971,378	6,262,464
	<b>268,354,071</b>	<b>190,300,585</b>
<b>Cost incurred during the year to acquire Segment Assets by geographical location</b>		
Within India	82,272,004	45,718,253
Others	500,739	3,202,473
	<b>82,772,743</b>	<b>48,920,726</b>

**Notes:**

- Others represents the Unallocated Revenue, Assets and acquisition of Segment Assets of the Company.
- Assets include Fixed Assets, Capital Work in Progress, Investments, Current Assets, Deferred Tax Asset and Miscellaneous Expenditure to the extent not written off.
- Cost incurred to acquire Segment Assets pertain to gross additions made to Fixed Assets during the year.

**27. Related Party Disclosures**

In accordance with the requirements of Accounting Standards (AS) -18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management are:

**List of Related Parties****Key Management Personnel**

Sunil Bharti Mittal  
Rajan Bharti Mittal  
Akhil Gupta  
Manoj Kohli

**Other Related Parties**

<b>Name of the Related Party</b>	<b>Relationship</b>
Bharti Hexacom limited	Subsidiary company
Bharti Aquanet Limited	Subsidiary company
Bharti Broadband Limited	Subsidiary company
Satcom Broadband Equipment Limited	Subsidiary company
Bharti Comtel Limited	Subsidiary company
Bharti Infratel Limited	Subsidiary company
Bharti Telemedia Limited	Subsidiary company
Bharti Airtel (USA) Limited	Subsidiary company
Bharti Airtel (UK) Limited	Subsidiary company

Bharti Airtel (Canada) Limited	Subsidiary company
Bharti Airtel (Hongkong) Limited	Subsidiary company
Bharti Telecom Limited	Entity having significant influence
Singapore Telecommunications Limited	Entity having significant influence
Bharti Telesoft Limited	Entity where Key Management Personnel exercises significant influence
Bharti Teletech Limited	Entity where Key Management Personnel exercises significant influence
Bharti Foundation	Entity where Key Management Personnel exercises significant influence
Bharti Tele-Ventures Employees' Trust	Entity where Key Management Personnel exercises significant influence
Forum I Aviation Limited	Joint venture
Bridge Mobile Pte Limited	Joint venture

## Related Party Transaction for 2006-07

(Rs'000)

Nature of transaction	Bharti Hexacom Limited	Bharti Aquanet Limited	Bharti Broad-band Limited	Satcom Broadband Equipment Limited	Bharti Comtel Limited	Bharti Infratel Limited	Bharti Telemedia Limited	Bharti Airtel USA Limited	Bharti Airtel UK Limited	Bharti Airtel Canada Limited	Bharti Telecom Limited	Singapore Telecom Limited	Bharti Telesoft Limited	Bharti Teletech Limited	Bharti Tele-Ventures Employee's Welfare Trust	Manoj Kohli
Purchase of fixed assets	(20,242)	-	-	-	(2,456)	-	-	-	-	-	-	-	-	(1,073,816)	-	-
Sale of fixed assets	29,080	-	-	-	8,604	-	-	-	-	-	-	-	-	-	-	-
Rendering of services	608,967	-	-	-	-	-	-	5,830	-	-	-	1,359,816	-	12,489	-	-
Receiving of services	(138,704)	(41,155)	-	-	(738,673)	-	-	-	-	-	-	(879,062)	(833,649)	-	-	-
Fund transferred/ includes expenses incurred on behalf of others	1,207,881	8,628	123,466	70,468	1,449,031	521	20	43,590	4,227	2,816	9,078	-	26,937	4,764	-	-
Fund received/ includes expenses incurred on behalf of Company	(75,381)	(31,654)	(183,971)	(975)	(253,891)	-	-	-	-	-	-	-	(10,753)	(2,986)	-	-
Employee related transaction incurred on behalf of others	16,351	583	13,675	-	1,479	-	-	-	-	-	-	-	-	-	-	-
Employee related transaction incurred on behalf of Company	(5,223)	(13)	(38)	-	-	-	-	-	-	-	-	-	(6)	-	-	-
Salary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,403
Amount received on exercise of ESOP options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(81,746)	-
Subscription to share capital	-	-	-	-	-	(500)	-	(104,457)	(55,840)	(8,184)	-	-	-	-	-	-
Interest charged on funds transferred	-	-	-	-	-	-	-	1,074	35	23	-	-	-	-	-	-
<b>Closing balance</b>	<b>972,064</b>	<b>(4,601)</b>	<b>423,239</b>	<b>68,518</b>	<b>861,772</b>	<b>21</b>	<b>20</b>	<b>56,463</b>	<b>-</b>	<b>-</b>	<b>9,078</b>	<b>799,126</b>	<b>57,682</b>	<b>(27,436)</b>	<b>133,787</b>	<b>-</b>
Unsecured Loan	-	(1,490)	-	-	(44,414)	-	-	-	-	-	-	-	-	-	-	-
Creditors Loan and Advances	860,490	-	487,488	18,212	-	-	-	56,463	-	-	9,078	-	57,682	-	133,787	-
Debtors	111,574	-	-	50,306	906,186	21	20	-	-	-	-	799,126	-	-	-	-
<b>Closing Balance</b>	<b>972,064</b>	<b>(4,601)</b>	<b>423,239</b>	<b>68,518</b>	<b>861,772</b>	<b>21</b>	<b>20</b>	<b>56,463</b>	<b>-</b>	<b>-</b>	<b>9,078</b>	<b>799,126</b>	<b>57,682</b>	<b>(27,436)</b>	<b>133,787</b>	<b>-</b>

## Notes:

- The above excludes provision of telephone services free of cost among the Group companies and free of cost use of billing system of the Company by its subsidiaries.
- Refer Note 18 on Schedule 22 for Managerial Remuneration paid to Key managerial personnel (other than Manoj Kohli)

**Related Party Transaction for 2005-06**

(Rs'000)

Nature of transaction	Bharti Hexacom Limited	Bharti Aquanet Limited	Bharti Broadband Limited	Satcom Broadband Equipment Limited	Bharti Comtel Limited	Bharti Singapore Telecommunications Limited	Forum Aviation Limited	Bridge Mobile Pte Limited	Bharti Telesoft Limited	Bharti Teletch Limited	Bharti Telesoft International Limited	Teletech Services (I) Private Limited	Mulbery Projects Private Limited	Bharti Foundation	Bharti Tele-Ventures Employee's Welfare Trust	Manoj Kohli
Purchase of Fixed assets	(6,902)	-	-	-	-	-	-	-	(1,555)	(303,750)	-	-	-	-	-	-
Sale of Fixed Assets	10,118	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rendering of Services	310,255	107	-	-	64,379	1,426,840	-	-	-	13	-	-	-	-	-	-
Receiving of Services	(220,906)	(30,601)	-	-	-	(894,333)	(3,775)	(9,630)	(13,103)	(316,667)	(22,049)	(67,592)	(10,938)	-	-	-
Funds transferred/ Includes expenses incurred on behalf of others	508,844	503	627,598	8,510	247,770	-	5,800	-	618	15,451	-	-	-	-	-	-
Funds received/ Includes expenses incurred on behalf of company	(165,704)	(28,896)	(333,997)	(9,500)	(160,516)	-	-	-	-	(26)	-	-	-	-	-	-
Employee Related Transaction incurred on behalf of others	6,546	643	37,608	-	-	-	-	-	-	108	-	-	-	-	-	-
Employee Related Transaction incurred on behalf of company	(4,027)	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	18,181
Salary	-	-	-	-	-	-	-	-	-	-	-	-	-	56,855	-	-
Donation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount received on exercise of ESOP options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,732)	-
<b>Closing Balance</b>	<b>380,681</b>	<b>(3,599)</b>	<b>470,106</b>	<b>(975)</b>	<b>388,534</b>	<b>318,373</b>	<b>2,025</b>	<b>(2,970)</b>	<b>245,944</b>	<b>(38,513)</b>	<b>(4,842)</b>	<b>-</b>	<b>7,920</b>	<b>-</b>	<b>215,533</b>	<b>-</b>
Unsecured Loan	-	(1,406)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creditors	-	(2,193)	-	(975)	(58,989)	-	-	(2,970)	-	(38,513)	(4,842)	-	-	-	-	-
Loan and Advances	317,533	-	412,331	-	447,523	-	2,025	-	-	-	-	-	7,920	-	215,533	-
Debtors	63,148	-	57,775	-	-	318,373	-	-	245,944	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>380,681</b>	<b>(3,599)</b>	<b>470,106</b>	<b>(975)</b>	<b>388,534</b>	<b>318,373</b>	<b>2,025</b>	<b>(2,970)</b>	<b>245,944</b>	<b>(38,513)</b>	<b>(4,842)</b>	<b>-</b>	<b>7,920</b>	<b>-</b>	<b>215,533</b>	<b>-</b>

\* Entity where key management personnel exercises significant influence in the year 2005-06

\*\* Entity having significant influence in the year 2005-06

Note:

1. The above excludes provision of telephone services free of cost among the Group companies and free of cost use of billing system of the Company by its wholly owned subsidiary.
2. Refer Note 18 on Schedule 22 for managerial remuneration paid to key managerial personnel (other than Manoj Kohli)

## 28. Leases

## a) Operating lease - As a Lessee

The lease rentals charged during the year for cancelable/non-cancelable leases relating to rent of building premises and cell sites as per the agreements and maximum obligation on long-term non-cancelable operating leases are as follows:

	(Rs '000)	
	For the year ended March 31, 2007	For the year ended March 31, 2006
Lease rentals	3,477,741	2,074,848
Obligations on non cancelable leases :		
Not later than one year	5,965	30,560
Later than one year but not later than five years	160,026	146,663
<b>Total</b>	<b>165,991</b>	<b>177,223</b>

## b) Operating Lease - As a Lessor

i) The Company has entered into a non-cancelable lease arrangement to provide approximately 100,000 Fiber pair kilometers of dark fiber on indefeasible right of use (IRU) basis for a period of 15 years. The lease rental receivable proportionate to actual kilometers accepted by the customer is credited to the Profit and Loss Account on a straight - line basis over the lease term. Due to the nature of the transaction, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as at March 31, 2007 and accordingly, disclosures required by AS 19 is not provided.

ii) The future minimum lease payments receivable are:

	(Rs '000)	
	For the Year ended March 31, 2007	For the Year ended March 31, 2006
Not later than one year	281,734	281,734
Later than one year but not later than five years	1,126,936	1,126,936
Later than five years	2,019,095	2,300,829
<b>Total</b>	<b>3,427,765</b>	<b>3,709,499</b>

29. The Company entered into a composite IT outsourcing agreement, whereby the vendor supplied fixed assets and IT related services to the Company. Based on the risks and rewards incident to the ownership, the fixed assets received are accounted for as a finance lease transaction. Accordingly, the asset and liability are recorded at the fair value of the leased assets at the inception. These assets are depreciated over their useful lives as in the case of the Company's own assets.

Since the entire amount payable to the vendor towards the supply of fixed assets during the year is accrued, there are no minimum lease payments outstanding as at the year-end in relation to these assets and accordingly, other disclosures as per AS 19 are not applicable.

30. a) The breakup of net Deferred Tax Asset/ (Liability) as on March 31, 2007 is as follows: (In Rs. '000)

	As at March 31, 2007	As at March 31, 2006
Deferred Tax Assets / (Liabilities) arising from :		
(i) Provision for doubtful debts / advances charged in the financial statements but allowed as deduction under the Income Tax Act in future years (to the extent considered realisable)	1,345,413	807,343
(ii) Depreciation claimed as deduction under the Income Tax Act but chargeable in the financial statements in future years	(3,804,059)	(2,646,398)
(iii) Other expenses claimed as deduction under the Income Tax Act but chargeable in the financial statements in future years (Net)	92,025	(51,404)
<b>Net Deferred Tax Asset / (Liability)</b>	<b>(2,366,621)</b>	<b>(1,890,459)</b>

The tax impact for the above purpose has been arrived at by applying a tax rate of 33.99% being the substantively enacted tax rate for Indian companies under the Income Tax Act, 1961.

### 31. Employee stock compensation

- (i) Pursuant to the shareholders' resolutions dated February 27, 2001 and September 25, 2001, the Company introduced the "Bharti Tele-Ventures Employees' Stock Option Plan" (hereinafter called "the Old Scheme") under which the Company decided to grant, from time to time, options to the employees of the Company and its subsidiaries. The grant of options to the employees under the ESOP Scheme is on the basis of their performance and other eligibility criteria.
- (ii) On August 31, 2001 and September 28, 2001, the Company issued a total of 1,440,000 equity shares at a price of Rs. 565 per equity share to the Trust. The Company issued bonus shares in the ratio of 10 equity shares for every one equity share held as of September 30, 2001, as a result of which the total number of shares allotted to the trust increased to 15,840,000 equity shares.
- (iii) Pursuant to the shareholders' further resolution dated September 6, 2005, the Company announced a new Employee Stock Option Scheme (hereinafter called "the New Scheme") under which the maximum quantum of options was determined at 9,367,276 options to be granted to employees from time to time on the basis of their performance and other eligibility criteria.
- (iv) All above options are planned to be settled in equity at the time of exercise and have maximum period of 7 years from the date of respective grants. The plans existing during the year are as follows:

#### a) 2001 Plan under the Old Scheme

The options under this plan have an exercise price of Rs. 22.50 per share and vest on a graded basis as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 36 months:	On completion of 12 months	20%
	On completion of 24 months	30%
	On completion of 36 months	50%
For options with a vesting period of 42 months:	On completion of 12 months	15%
	On completion of 18 months	15%
	On completion of 30 months	30%
For options with a vesting period of 48 months:	On completion of 42 months	40%
	On completion of 12 months	10%
	On completion of 24 months	20%
	On completion of 36 months	30%
	On completion of 48 months	40%

#### b) 2004 Plan under the Old Scheme.

The options under this plan have an exercise price of Rs. 70 per share and vest on a graded basis as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 48 months:	On completion of 12 months	10%
	On completion of 24 months	20%
	On completion of 36 months	30%
	On completion of 48 months	40%

#### c) Superpot plan under the Old Scheme.

The options under this plan have an exercise price of Rs. Nil per share and vest on a graded basis as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 36 months:	On completion of 12 months	30%
	On completion of 24 months	30%
	On completion of 36 months	40%

#### d) 2006 Plan under the Old Scheme

The Company granted options under this plan during the year ended March 31, 2007. The options under this plan have an exercise price of Rs. 10 per share and vest on a graded basis from the effective date of grant as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 48 months:	On completion of 36 months	50%
	On completion of 48 months	50%

e) **2005 Plan under the New Scheme**

The options under this plan have an exercise price in the range of Rs. 221 to Rs. 597 per share and vest on a graded basis from the effective date of grant as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 48 months:	On completion of 12 months	10%
	On completion of 24 months	20%
	On completion of 36 months	30%
	On completion of 48 months	40%

(v) The information concerning stock options granted, exercised, forfeited and outstanding at the year-end is as follows:.

(Shares in Thousands)	As of March 31, 2006			As of March 31, 2007		
	Number of stock options	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (in Years)	Number of stock options	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (in Years)
<b>2001 Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	2,321	22.50		270	22.50	
Granted	-	-		853	22.50	
Exercised	2,024	22.50		825	22.50	
Cancelled or expired	27	-		167	-	
Outstanding at the year end	270	22.50	2.94	131	22.50	1.01 to 4.01
Exercisable at end of year	270	22.50		116	22.50	
Weighted average grant date fair value per option for options granted during the year/period at less than market value	-	-		853	324.94	
<b>2004 Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	2,134	70.00		1,660	70.00	
Granted	-	70.00		-	-	
Exercised	203	70.00		742	70.00	
Cancelled or expired	271	-		163	-	
Outstanding at the year end	1,660	70.00	4.83	755	70.00	3.76 to 4.25
Exercisable at end of year	266	70.00		6	70.00	
Weighted average grant date fair value per option for options granted during the year/period at less than market value	235	84.82		-	-	
<b>Superpot Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	-	-		52	-	
Granted	71	-		-	-	
Exercised	14	-		24	-	
Cancelled or expired	5	-		3	-	
Outstanding at the year end	52	-	5.25	25	-	4.25
Exercisable at end of year	6	-		-	-	
Weighted average grant date fair value per value for options granted during the year/period at less than market value	71	139.40		-	-	

(Shares in Thousands)	As of March 31, 2006			As of March 31, 2007		
	Number of stock options	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (in Years)	Number of stock options	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (in Years)
<b>2006 Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	-	-	-	-	-	-
Granted	-	-	-	1,316	10.00	-
Exercised	-	-	-	-	-	-
Cancelled or expired	-	-	-	65	-	-
Outstanding at the year end	-	-	-	1,251	10.00	6.25
Exercisable at end of year	-	-	-	-	-	-
Weighted average grant date fair value per value for options granted during the year/period at less than market value	-	-	-	1,316	370.27	-
<b>Scheme 2005</b>						
Number of shares under option:						
Outstanding at beginning of year	-	-	-	2,589	238.03	-
Granted	2,589	238.03	-	1,164	398.04	-
Exercised	-	-	-	165	238.03	-
Cancelled or expired	-	-	-	568	-	-
Outstanding at the year end	2,589	238.03	6.46	3,020	287.66	5.44 to 6.92
Exercisable at end of year	-	-	-	58	287.66	-
Weighted average grant date fair value per option for options granted during the year/period at less than market value	2,589	191.86	-	1,164	203.46	-

(vi) The fair value of the options granted was estimated on the date of grant using the Black-Scholes model with the following assumptions

	Year ended March 31, 2006	Year ended March 31, 2007
<b>Risk free interest rates</b>	6.65% to 7.33%	6.68% to 8.11%
<b>Expected life</b>	48 to 66 months	48 to 66 months
<b>Volatility</b>	44.48% to 45.87%	41.77% to 46.16%
<b>Dividend yield</b>	0.00%	0.00%

The volatility of the options is based on the historical volatility of the share price since the Company's equity shares became publicly traded, which may be shorter than the term of the options.

(vii) The balance of deferred stock compensation as on March 31, 2007 is Rs. 522,258 thousand (March 31, 2006 Rs. 388,148 thousand) and total employee compensation cost recognized for the year then ended is Rs. 226,343 thousand (March 31, 2006 Rs. 127,067 thousand).

### 32. Earnings per share (Basic and Diluted):

	As at March 31, 2007	As at March 31, 2006
<b>Basic and Diluted Earnings per Share :</b>		
Nominal value of equity shares (Rs.)	10/-	10/-
Profit attributable to equity shareholders (Rs.'000) (A)	40,332,265	20,120,794
Weighted average number of equity shares outstanding during the year (B)	1,895,396,494	1,881,838,518
Basic earnings per Share (Rs.) (A / B)	21.28	10.69
Dilutive effect on profit (Rs.'000) (C)*	13,128	4,080
Profit attributable to equity shareholders for computing Diluted EPS (Rs.'000) (D)=(A+C)	40,345,393	20,124,874
Dilutive effect on weighted average number of equity shares outstanding during the year (E)*	2,292,458	15,822,704
Weighted Average number of Equity shares and Equity Equivalent shares for computing Diluted EPS (F)=(B+E)	1,897,688,952	1,897,661,222
Diluted earnings per share (Rs.) (D/ F)	21.26	10.61

\* Diluted effect on weighted average number of equity shares and profit attributable is on account of Foreign Currency Convertible Bonds.

**BHARTI AIRTEL LIMITED**

33. The Company has undertaken to provide financial support, to its subsidiaries Bharti Comtel Limited, Bharti Airtel (USA) Limited, Bharti Airtel (Canada) Limited and Bharti Broadband Limited.
34. During the year, Gross Revenue is lower due to a one time reversal of Rs. 292,113 thousand resulting from non adherence of certain laid down company policies which also led to an additional provision of bad and doubtful debts amounting to Rs. 239,228 thousand
35. Previous year figures have been regrouped or reclassified, wherever necessary, to conform to current year classification.

## Balance Sheet Abstract and Company's General Business Profile

**I Registration Details**

Registration No.  State Code

Balance Sheet Date

**II Capital raised during the year (Amount in Thousands)**

**Public Issue**

**Bonus Issue**

**Rights Issue**

**Private Placement**

**III Position of mobilisation and deployment of funds (Amount in Thousands)**

<p><b>Sources of funds</b></p> <p><b>Total Liabilities</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="1"/><input type="text" value="6"/><input type="text" value="9"/><input type="text" value="9"/><input type="text" value="0"/><input type="text" value="7"/><input type="text" value="3"/><input type="text" value="6"/><input type="text" value="1"/></p> <p><b>Paid up Capital</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="1"/><input type="text" value="8"/><input type="text" value="9"/><input type="text" value="5"/><input type="text" value="9"/><input type="text" value="3"/><input type="text" value="4"/><input type="text" value="2"/></p> <p><b>Secured Loans</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="2"/><input type="text" value="6"/><input type="text" value="6"/><input type="text" value="4"/><input type="text" value="4"/><input type="text" value="7"/><input type="text" value="5"/></p> <p><b>Net Fixed Assets</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="2"/><input type="text" value="1"/><input type="text" value="6"/><input type="text" value="8"/><input type="text" value="1"/><input type="text" value="4"/><input type="text" value="4"/><input type="text" value="9"/><input type="text" value="7"/></p> <p><b>Net Current Assets</b> <input type="text" value=""/><input type="text" value=""/><input )<input="" type="text" value="5"/><input type="text" value="3"/><input type="text" value="9"/><input type="text" value="9"/><input type="text" value="1"/><input type="text" value="9"/><input type="text" value="4"/><input type="text" value="5"/></p>	<p><b>Total Assets</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="1"/><input type="text" value="6"/><input type="text" value="9"/><input type="text" value="9"/><input type="text" value="0"/><input type="text" value="7"/><input type="text" value="3"/><input type="text" value="6"/><input type="text" value="1"/></p> <p><b>Reserves &amp; Surplus</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="9"/><input type="text" value="5"/><input type="text" value="1"/><input type="text" value="7"/><input type="text" value="3"/><input type="text" value="3"/><input type="text" value="4"/><input type="text" value="2"/></p> <p><b>Unsecured Loans</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="5"/><input type="text" value="0"/><input type="text" value="4"/><input type="text" value="4"/><input type="text" value="3"/><input type="text" value="5"/><input type="text" value="7"/><input type="text" value="7"/></p> <p><b>Investments</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="7"/><input type="text" value="0"/><input type="text" value="5"/><input type="text" value="8"/><input type="text" value="1"/><input type="text" value="7"/><input type="text" value="9"/></p> <p><b>Miscellaneous Expenditure</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value=""/><input type="text" value="2"/><input type="text" value="6"/><input type="text" value="6"/><input type="text" value="3"/><input type="text" value="0"/></p>
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**IV Performance of the Company (Amount in Thousands)**

<p><b>Turnover</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="1"/><input type="text" value="7"/><input type="text" value="7"/><input type="text" value="9"/><input type="text" value="4"/><input type="text" value="4"/><input type="text" value="3"/><input type="text" value="4"/><input type="text" value="3"/></p> <p><b>Profit / (Loss) Before Tax</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="4"/><input type="text" value="6"/><input type="text" value="0"/><input type="text" value="1"/><input type="text" value="3"/><input type="text" value="7"/><input type="text" value="1"/><input type="text" value="2"/></p> <p><b>Earning per Share in Rs.</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="2"/><input type="text" value="1"/><input type="text" value="."/><input type="text" value="2"/><input type="text" value="8"/></p>	<p><b>Total Expenditure</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="1"/><input type="text" value="3"/><input type="text" value="2"/><input type="text" value="8"/><input type="text" value="6"/><input type="text" value="6"/><input type="text" value="2"/><input type="text" value="3"/><input type="text" value="0"/></p> <p><b>Profit / (Loss) After Tax</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value="4"/><input type="text" value="0"/><input type="text" value="3"/><input type="text" value="3"/><input type="text" value="2"/><input type="text" value="2"/><input type="text" value="6"/><input type="text" value="5"/></p> <p><b>Dividend Rate</b> <input type="text" value=""/><input type="text" value=""/><input type="text" value=""/><input type="text" value=""/><input type="text" value=""/><input type="text" value=""/><input type="text" value="N"/><input type="text" value="I"/><input type="text" value="L"/></p>
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**V Generic names of three principal products / services of the company (as per monetary terms)**

Item code No. (ITC code)

Product Description

For and on behalf of the Board

**SUNIL BHARTI MITTAL**  
Chairman & Managing Director

**AKHIL GUPTA**  
Joint Managing Director

Place : New Delhi  
Date: April 27, 2007

**DEVEN KHANNA**  
Group Financial Controller

**VIJAYA SAMPATH**  
Group General Counsel  
and Company Secretary

**SARVJIT SINGH DHILLON**  
Chief Financial Officer



## Consolidated Financial Statements with Auditors' Report

### Report of the Auditors to the Board of Directors of Bharti Airtel Limited on the Consolidated Financial Statements of Bharti Airtel Limited and its Subsidiaries

1. We have audited the attached consolidated Balance Sheet of Bharti Airtel Limited and its subsidiaries as at March 31, 2007, the consolidated Profit and Loss Account for the year ended on that date annexed thereto and the consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of separate audit of financial statements of Bharti Airtel Limited and its subsidiaries included in the consolidated financial statements.
4. On the basis of the information and explanations given to us, and on consideration of the separate audit reports of individual audited financial statements of Bharti Airtel Limited and its aforesaid subsidiaries, in our opinion, consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of Bharti Airtel Limited and its subsidiaries as at March 31, 2007;
  - (ii) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of Bharti Airtel Limited and its subsidiaries for the year ended on that date; and
  - (iii) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of Bharti Airtel Limited and its subsidiaries for the year ended on that date.

**Usha Rajeev**

Partner

Membership Number F-87191

For and on behalf of

Place: New Delhi

Date: April 27, 2007

**PRICE WATERHOUSE**

Chartered Accountants

## Consolidated Balance Sheet As At March 31, 2007

PARTICULARS	Schedule No.	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	18,959,342	18,938,793
Employee Stock Option Outstanding		822,262	505,961
Less: Deferred Stock Compensation (Refer Note 22 on Schedule 22 and Note 24 on Schedule 23)		<u>522,258</u>	<u>384,701</u>
Reserves and Surplus	2	95,624,492	54,563,810
<b>Loan Funds</b>			
Secured Loans	3	2,452,768	28,399,081
Unsecured Loans	4	50,406,121	19,329,267
<b>Deferred Tax Liability (Net)</b> (Refer Note 14 on Schedule 22 and Note 23 on Schedule 23)			
		2,387,182	1,948,431
<b>Minority Interest</b> (Refer Note 2 on Schedule 22 and Note 11 on Schedule 23)			
		1,948,231	1,091,048
		<u>172,078,140</u>	<u>124,391,690</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	281,199,178	190,488,165
Less: Depreciation		<u>76,155,422</u>	<u>52,302,210</u>
<b>Net Block</b>		<b>205,043,756</b>	<b>138,185,955</b>
Capital Work-in-Progress		24,708,823	24,364,837
		<u>229,752,579</u>	<u>162,550,792</u>
Pre-operative Expenditure Pending Allocation	6	-	-
		<u>229,752,579</u>	<u>162,550,792</u>
<b>Investments</b>	7	1,471,421	2,479,545
<b>Current Assets , Loans and Advances</b>			
Inventories	8	912,142	381,320
Sundry Debtors	9	13,819,247	11,140,089
Cash and Bank Balances	10	8,520,899	3,510,627
Other Current Assets, Loans and Advances	11	22,150,254	15,089,432
		<u>45,402,542</u>	<u>30,121,468</u>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	12	100,130,005	68,399,949
Provisions		<u>4,445,026</u>	<u>2,439,565</u>
		<u>104,575,031</u>	<u>70,839,514</u>
<b>Net Current Assets</b>		<b>(59,172,489)</b>	<b>(40,718,046)</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)			
	13	26,629	79,399
		<u>172,078,140</u>	<u>124,391,690</u>
<b>Statement of Significant Accounting Policies</b>	22		
<b>Notes to Accounts</b>	23		

This is the Balance Sheet referred to in our report of even date.

The Schedules referred to above form an integral part of the Balance Sheet.

USHA RAJEEV  
Partner  
Membership No. F-87191  
For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants

SUNIL BHARTI MITTAL  
Chairman & Managing Director

For and on behalf of the Board

AKHIL GUPTA  
Joint Managing Director

Place : New Delhi  
Date: April 27, 2007

DEVEN KHANNA  
Group Financial Controller

VIJAYA SAMPATH  
Group General Counsel  
and Company Secretary

SARVJIT SINGH DHILLON  
Chief Financial Officer

## Consolidated Profit And Loss Account For The Year Ended March 31, 2007

PARTICULARS	Schedule No.	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b>INCOME</b>			
Service Revenue		183,492,056	115,392,605
Sale of Goods		709,966	1,248,248
		<u>184,202,022</u>	<u>116,640,853</u>
<b>EXPENDITURE</b>			
Access Charges		31,378,216	21,795,091
Network Operating	14	20,342,136	12,125,988
Cost of Sales of Goods	15	744,875	1,146,560
Personnel	16	12,012,427	8,005,395
Sales and Marketing	17	11,387,037	8,335,924
Administrative and Others	18	16,977,757	12,459,623
		<u>92,842,448</u>	<u>63,868,581</u>
<b>Profit before Licence Fee, Other Income, Finance Expenses (Net), Depreciation, Amortisation, Pre-operative expenditure, Charity and Donation and Taxation</b>		<u>91,359,574</u>	<u>52,772,272</u>
Licence fee and Spectrum charges (revenue share)		16,952,989	11,136,540
<b>Profit before Other Income, Finance Expenses (Net), Depreciation, Amortisation, Pre-operative expenditure, Charity and Donation and Taxation</b>		<u>74,406,585</u>	<u>41,635,732</u>
Other Income	19	1,118,892	614,240
Finance Expenses (Net)	20	2,488,475	2,244,107
Depreciation		24,486,591	14,819,199
Amortisation	21	1,703,817	1,599,575
Pre-operative Expenditure written off		8,565	29,668
Charity and Donation		54,140	102,534
<b>Profit before Tax</b>		<u>46,783,889</u>	<u>23,454,889</u>
MAT credit		(366,521)	-
Tax Expenses /(Credit)			
- Current			
(Net of provision for tax written back for earlier years' Rs. 13,593 thousand (Previous Year Rs. 351 thousand)		5,336,606	1,773,852
- Deferred		438,751	937,413
(Refer Note 14 on Schedule 22 and Note 23 on Schedule 23)			
- Fringe Benefit Tax		271,659	197,593
<b>Profit after Tax</b>		<u>41,103,394</u>	<u>20,546,031</u>
Minority Interest (Refer Note 2 on Schedule 22 and Note 11 on Schedule 23)		482,183	266,545
<b>Profit for the year</b>		<u>40,621,211</u>	<u>20,279,486</u>
Transferred from Debenture Redemption Reserve		(502,311)	(2,307,348)
		<u>41,123,522</u>	<u>22,586,834</u>
<b>Profit / (Loss) brought forward</b>		<u>14,732,088</u>	<u>(7,854,746)</u>
<b>Profit carried to the Balance Sheet</b>		<u>55,855,610</u>	<u>14,732,088</u>
<b>Earnings per Share in Rs. (Basic)</b>		21.43	10.78
<b>Earnings per Share in Rs. (Diluted)</b>		21.41	10.69
(Refer Note 19 on Schedule 22 and Note 26 on Schedule 23)			
<b>Statement of Significant Accounting Policies</b>	22		
<b>Notes to Accounts</b>	23		

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This is the Profit and Loss Account referred to in our report of even date.

The Schedules referred to above form an integral part of the Profit and Lost Account.

**USHA RAJEEV**  
Partner  
Membership No. F-87191  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

**SUNIL BHARTI MITTAL**  
Chairman & Managing Director

For and on behalf of the Board

**AKHIL GUPTA**  
Joint Managing Director

Place : New Delhi  
Date: April 27, 2007

**DEVEN KHANNA**  
Group Financial Controller

**VIJAYA SAMPATH**  
Group General Counsel  
and Company Secretary

**SARVJIT SINGH DHILLON**  
Chief Financial Officer

## Consolidated Cash Flow Statement for the Year Ended March 31, 2007

PARTICULARS	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax	46,783,889	23,454,889
<b>Adjustments for:</b>		
Depreciation	24,486,804	14,819,199
Interest Expense	2,794,463	2,295,539
Interest Income	(277,627)	(201,627)
(Profit)/Loss on Fixed Assets sold	(15,458)	(24,607)
(Profit)/Loss on sale of Investments	(333,788)	(108,940)
ESOP Expenditure written off	227,544	127,067
Deferred Revenue Expenditure written off	16,674	90,100
Amortisation of Goodwill	268,425	268,325
Provision for Deferred Bonus	191,508	73,622
Licence fee Amortisation	1,209,049	1,204,183
Bad Debts / Advances Written off	1,207,311	1,317,725
Provision for Bad and Doubtful Debts/Advances (Net of write.back)	2,799,461	2,620,280
Liability no longer required written back	(138,301)	(147,681)
Provision for Gratuity and Leave Encashment	136,243	270,530
Provision for Inventory for obsolete/ Damaged stock	-	78,796
Unrealized Foreign Exchange (gain) /loss	(448,147)	154,246
Provision for Warranty	(370)	(4,567)
Gain from swap arrangements	213,804	(45,307)
Provision for Wealth Tax	185	15
<b>Operating profit before working capital changes</b>	<b>79,121,669</b>	<b>46,251,211</b>
<b>Adjustments for changes in working capital :</b>		
- (Increase)/Decrease in Sundry Debtors	(5,509,013)	(5,748,529)
- (Increase)/Decrease in Other Receivables	(8,760,052)	(5,885,376)
- (Increase)/Decrease in Inventories	(522,702)	75,705
- Increase/(Decrease) in Trade and Other Payables	25,178,411	16,312,918
<b>Cash generated from operations</b>	<b>89,508,313</b>	<b>51,005,929</b>
Taxes (Paid) / Received	(4,844,678)	(2,306,611)
<b>Net cash from operating activities</b>	<b>84,663,635</b>	<b>48,699,318</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
<b>Adjustments for changes in :</b>		
Purchase of Fixed Assets	(86,168,983)	(55,343,408)
Proceeds from Sale of Fixed Assets	1,133,740	118,777
Net Proceeds from Sale of Investments	100,589,813	71,943,399
Purchase of Investments	(99,247,901)	(69,826,973)
Interest Received (Revenue)	268,677	201,627
<b>Net cash used in investing activities</b>	<b>(83,424,654)</b>	<b>(53,028,575)</b>

PARTICULARS	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Issue of Shares under ESOP Scheme	39,310	-
Increase in Minority Interest pursuant to issue of right shares	375,000	-
<b>Proceeds from long term borrowings</b>		
Receipts	19,062,275	23,725,487
Payments	(45,008,592)	(26,818,595)
<b>Proceeds from short term borrowings</b>		
Net movement in Cash Credit Facilities and Short Term Loans	31,982,589	8,891,080
Finance Lease Rent (Net)-Interest Portion		
Interest Paid	(2,561,256)	(2,179,787)
Realised Gain from swap arrangements	(118,034)	80,107
<b>Net cash used in financing activities</b>	<b>3,771,292</b>	<b>3,698,292</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>5,010,273</b>	<b>(630,965)</b>
<b>Opening Cash and Cash Equivalents</b>	<b>3,510,627</b>	<b>4,098,042</b>
Cash and Cash Equivalents on consolidation of Joint Ventures	-	43,550
<b>Cash and cash equivalents as at March 31, 2007</b>	<b>8,520,900</b>	<b>3,510,627</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and Cheques in hand	797,707	861,581
Balance with Scheduled Banks	7,723,192	2,649,046

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**Notes :**

- 1 Figures in brackets indicate cash outgo;
- 2 Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification;
- 3 Cash and cash equivalents includes Rs.192,346 thousands pledged with various authorities (Previous year Rs.235,121 thousands) which are not available for use by the Company.

This is the Cash Flow Statement referred to in our report of even date.

**USHA RAJEEV**  
Partner  
Membership No. F-87191  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

**SUNIL BHARTI MITTAL**  
Chairman & Managing Director

For and on behalf of the Board

**AKHIL GUPTA**  
Joint Managing Director

Place : New Delhi  
Date: April 27, 2007

**DEVEN KHANNA**  
Group Financial Controller

**VIJAYA SAMPATH**  
Group General Counsel  
and Company Secretary

**SARVJIT SINGH DHILLON**  
Chief Financial Officer

## Schedules Annexed to and Forming Part of Accounts

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 1</u></b>		
<b><u>SHARE CAPITAL</u></b>		
<b>Authorised</b>		
2,500,000,000 (Previous year 2,500,000,000) Equity Shares of Rs.10 each	<u>25,000,000</u>	<u>25,000,000</u>
<b>Issued, Subscribed and Paid up</b>		
1,895,934,157 Equity Shares of Rs.10 each fully paid up (Previous year 1,893,879,304 Equity Shares of Rs.10 each) [Refer Notes below]	18,959,342	18,938,793
Notes:		
a) 1,516,390,970 Equity Shares (Previous year 1,516,390,970) issued as fully paid up Bonus Shares out of Share Premium Account		
b) 20,088,445 Equity Shares (Previous year 20,088,445) are allotted as fully paid up upon the conversion of OCRD without payment being received in cash		
c) 19,591,420 Equity Shares (Previous year 17,701,967) are allotted as fully paid up upon the conversion of FCCBs (Refer Note 12 on Schedule 23)		
d) 2,722,125 Equity Shares (Previous year 2,722,125) are allotted as fully paid up under the Scheme of amalgamation without payments being received in cash		
	<u>18,959,342</u>	<u>18,938,793</u>
<b><u>SCHEDULE : 2</u></b>		
<b><u>RESERVES AND SURPLUS</u></b>		
<b>Share Premium</b>		
Opening balance	38,754,546	31,254,879
Additions during the year	504,679	7,499,667
	<u>39,259,225</u>	<u>38,754,546</u>
<b>Revaluation Reserve</b>	<b>21,284</b>	<b>21,284</b>
<b>Debentures Redemption Reserve</b>		
Opening Balance	1,055,892	3,363,240
Transfer to Profit and Loss Account during the year	(502,311)	(2,307,348)
	<u>553,581</u>	<u>1,055,892</u>
<b>Profit and Loss Account</b>		
Balance brought forward	14,732,088	(7,854,746)
Add : Adjustment	3,925	-
Add: Profit during the year	40,621,211	20,279,486
Less : Adjustment on account of application of Accounting Standard 15 (Revised) (Refer Note 8 on Schedule 23)	(69,133)	-
	<u>55,288,091</u>	<u>12,424,740</u>
Less : Transferred from Debenture Redemption Reserve	(502,311)	(2,307,348)
<b>Profit and Loss Account</b>	<u>55,790,402</u>	<u>14,732,088</u>
	<u>95,624,492</u>	<u>54,563,810</u>

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 3</u></b>		
<b><u>SECURED LOANS</u></b>		
(Refer Note 17 on Schedule 23)		
<b>Debentures</b>	1,450,000	2,882,500
<b>Loans and Advances from Banks :</b>		
-Term Loans	589,943	20,199,894
-Cash Credit	13,293	15,373
<b>Other Loans and Advances :</b>		
-Term Loans	380,247	5,285,003
-Vehicle Loans	19,285	16,311
	<u>2,452,768</u>	<u>28,399,081</u>
Note : Amount repayable within one year	1,145,887	3,417,929
<b><u>SCHEDULE : 4</u></b>		
<b><u>UNSECURED LOANS</u></b>		
<b>Short Term Loans and Advances</b>		
From Banks	4,042,561	2,945,677
<b>Other Loans and Advances</b>		
From Banks	41,748,521	13,978,961
From Others	4,615,039	2,404,629
	<u>50,406,121</u>	<u>19,329,267</u>
Note: Amount repayable within one year	10,116,163	18,426,182

**SCHEDULE 5 : FIXED ASSETS**

(Refer Note 3,4,5,10,13,16 and 17 on Schedule 22 and Note 22 on Schedule 23)

(Rs. 000s)

PARTICULARS	Gross Block Value				Depreciation/Amortization				Net Block	
	As at April 01, 2006	Additions during the year	Sale / Adjustment during the year	As at March 31, 2007	As at April 01, 2006	For the year	Sale / Adjustment during the year	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
<b>INTANGIBLE ASSETS</b>										
Goodwill	3,184,926	-	-	3,184,926	499,470	268,425	-	767,895	2,417,031	2,685,456
Software	83,993	-	-	83,993	71,929	12,064	-	83,993	-	12,064
Bandwidth	2,333,719	3,460,694	-	5,794,413	378,815	390,082	-	768,897	5,025,516	1,954,904
Licence	22,219,000	-	-	22,219,000	7,482,566	1,209,049	-	8,691,615	13,527,385	14,736,434
<b>TANGIBLE ASSETS</b>										
Leasehold Land	63,924	920	-	64,844	3,835	554	-	4,389	60,455	60,089
Freehold Land	518,732	45,979	-	564,711	-	-	-	-	564,711	518,732
Building	1,618,692	172,149	1,995	1,788,846	397,496	93,964	37	491,423	1,297,423	1,221,196
Leasehold Improvements	1,128,190	605,945	5,824	1,728,311	355,468	205,072	223	560,317	1,167,994	772,722
Plant and Machinery	147,555,413	85,890,798	2,811,536	230,634,675	35,377,442	21,005,263	1,765,616	54,617,089	176,017,586	112,177,971
Computers	10,135,463	3,234,015	333,103	13,036,375	6,743,816	2,462,378	282,891	8,923,303	4,113,072	3,391,647
Office Equipment	965,872	316,798	73,512	1,209,158	600,816	185,535	59,694	726,657	482,501	365,056
Furniture and Fixture	564,753	144,518	2,297	706,974	333,319	105,791	1,524	437,586	269,388	231,434
Vehicles	109,240	68,545	1,081	176,704	54,951	26,073	1,081	79,943	96,761	54,289
Vehicles on Finance Lease	6,248	-	-	6,248	2,287	28	-	2,315	3,933	3,961
<b>TOTAL</b>	<b>190,488,165</b>	<b>93,940,361</b>	<b>3,229,348</b>	<b>281,199,178</b>	<b>52,302,210</b>	<b>25,964,278</b>	<b>2,111,066</b>	<b>76,155,422</b>	<b>205,043,756</b>	<b>138,185,955</b>
Capital Work In Progress									24,708,823	24,364,837
<b>GRAND TOTAL</b>	<b>190,488,165</b>	<b>93,940,361</b>	<b>3,229,348</b>	<b>281,199,178</b>	<b>52,302,210</b>	<b>25,964,278</b>	<b>2,111,066</b>	<b>76,155,422</b>	<b>229,752,579</b>	<b>162,550,792</b>
Previous Year	140,627,322	51,693,514	1,832,671	190,488,165	36,802,292	16,292,117	792,199	52,302,210		

Notes:

- Capital Work In Progress includes : Capital advances of Rs.2,168,625 thousand (previous year Rs. 1,102,966 thousand)
- Addition to Fixed Assets during the year includes :  
 (a) Rs. 186,956 thousand of Gain (previous year loss of Rs. 193,117 thousand) on account of fluctuations in foreign exchange rates  
 (b) Borrowing costs capitalised Rs. Nil (previous year Rs.31,132 thousand)
- Leasehold land of Rs. 955 thousand (Previous year Rs.955 thousand) represents land acquired on Lease cum Sale basis from Karnataka Industrial Areas Development Board
- Capital work in Progress as on March 31, 2007 is net of Rs. 216,747 thousand being gain (Previous year includes Rs. 93,312 thousand loss) on account of fluctuation in Exchange rate
- Additions during the year includes Rs. Nil (Previous year Rs. 12,567 thousand) allocated from pre-operative expenditure. (Refer Schedule 6)
- Freehold Land and Building includes Rs. 26,468 thousand (Previous year Rs. 26,468 thousand) and Rs. 71,477 thousand (Previous year Rs. 71,477 thousand) respectively, in respect of which registration of title in favour of group is pending
- Building includes building on leasehold land Rs. 17,288 thousand (Previous year Rs.17,288 thousand)
- The remaining amortisation period of licence fees as at March 31, 2007 ranges between 8 to 18 years for Unified Access Service Licence and 14 to 15 years for Long Distance Licence
- Capital work in progress includes goods in Transit Rs. 1,958,797 thousand (Previous year Rs. 4,378,002 thousand)
- Computers include Gross Block of assets capitalised under finance lease Rs. 5,441,489 thousand (Previous year Rs.3,466,160 thousand) and corresponding Accumulated Depreciation being Rs.3,144,357 thousand (Previous year Rs. 1,593,770 thousand)
- The remaining amortisation period of Goodwill as at March 31, 2007 ranges between 8 to 10 years

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 6</u></b>		
<b><u>PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION</u></b>		
(Refer note 12 on Schedule 22)		
<b>Opening Balance as on April 1, 2006</b>	-	-
<b><u>Additions during the year</u></b>		
<b>Network Operating Expenses</b>		
Repairs and Maintenance - Plant and Machinery	390	174
Power and Fuel	272	275
Rent	644	4,263
Leased Line	-	1,853
Others	25	-
<b>Sub total</b>	<b>1,331</b>	<b>6,565</b>
<b>Personnel Expenses</b>		
Salaries	3,977	18,889
Contribution to Provident and Other Funds	135	970
Staff Welfare	963	1,994
Recruitment and Training	547	951
<b>Sub total</b>	<b>5,622</b>	<b>22,804</b>
<b>Selling Expenses</b>		
Advertisement and Marketing	1,355	86
Other Selling and Distribution	-	4,395
<b>Sub total</b>	<b>1,355</b>	<b>4,481</b>
<b>Administrative and Other expenses</b>		
Legal and Professional	73	936
Power and Fuel	109	293
Travelling and Conveyance	812	2,041
Rent	-	2,911
Repairs and Maintenance charges - Building	-	9
- Plant and Machinery	-	7
- Others	368	32
Insurance	9	10
Miscellaneous	2,229	1,462
<b>Sub total</b>	<b>3,600</b>	<b>7,701</b>
<b>Finance Expenses</b>		
Other Bank/Finance Charges	518	274
<b>Depreciation</b>	<b>213</b>	<b>410</b>
<b>Other Income</b>	<b>4,074</b>	<b>-</b>
<b>Total</b>	<b>8,565</b>	<b>42,235</b>
Less : Allocated to Fixed Assets	-	12,567
Less : Transferred to Profit and Loss Account	8,565	29,668
	-	-
<b>Total amount carried to Balance Sheet</b>	<b>-</b>	<b>-</b>

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 7</u></b>		
<b><u>INVESTMENTS</u></b>		
(Refer Note 8 on Schedule 22)		
<b>Current, other than Trade, Quoted</b>		
- Government Securities	25,871	475,421
- Mutual Funds, Debentures and Bonds	1,443,714	2,002,324
<b>Long term, other than Trade, Unquoted</b>		
- Government Securities	1,836	1,800
<b>Total Investments</b>	<u>1,471,421</u>	<u>2,479,545</u>
<i>Aggregate Market Value of Quoted Investments</i>	1,475,492	2,483,474
<i>Aggregate Value of Quoted Investments</i>	1,469,585	2,477,745
<i>Aggregate Value of Unquoted Investments</i>	1,836	1,800
 <b><u>SCHEDULE : 8</u></b>		
<b><u>INVENTORY</u></b>		
(Refer Note 7 on Schedule 22)		
Stock-In-Trade*	912,142	381,320
	<u>912,142</u>	<u>381,320</u>
* Includes Goods in Transit Rs. 81,653 thousand (Previous year Rs.11,377 thousand)		
* Net of Provision for diminution in value Rs. 80,096 thousand (Previous year Rs. 88,216 thousand)		
 <b><u>SCHEDULE : 9</u></b>		
<b><u>SUNDRY DEBTORS</u></b>		
(Refer Note 6 on Schedule 22 and Note 13 on Schedule 23)		
(Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months		
- Considered good	2,314,129	1,402,327
- Considered doubtful	5,208,752	3,605,826
Less : Provision for doubtful debts	<u>(5,208,752)</u>	<u>(3,605,826)</u>
	2,314,129	1,402,327
Other debts		
- Considered good	11,505,118	9,737,762
- Considered doubtful	1,352,383	1,372,351
Less : Provision for doubtful debts	<u>(1,352,383)</u>	<u>(1,372,351)</u>
	11,505,118	9,737,762
	<u>13,819,247</u>	<u>11,140,089</u>

PARTICULARS	As at March 31,2007 (Rs. 000's)	As at March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 10</u></b>		
<b><u>CASH AND BANK BALANCES</u></b>		
Cash in Hand	95,099	93,353
Cheques in Hand	702,608	768,228
Balances with Scheduled Banks		
- in Current Account	1,881,767	1,288,859
- in Fixed deposits *	5,836,438	1,355,360
- in Deposit Account as Margin Money	4,987	4,827
	<u>8,520,899</u>	<u>3,510,627</u>
*[Includes Rs.187,359 thousand pledged with various authorities (Previous year Rs. 230,294 thousand )]		
<b><u>SCHEDULE : 11</u></b>		
<b><u>OTHER CURRENT ASSETS, LOANS AND ADVANCES</u></b>		
(Unsecured, considered good unless otherwise stated)		
Interest Accrued on Investment	62,600	53,645
Advances recoverable in cash or in kind or for value to be received		
Considered good	16,431,300	9,913,091
Considered doubtful	3,602,337	2,385,834
Less : Provision	<u>(3,602,337)</u>	<u>(2,385,834)</u>
Accrued Billing Revenue	4,892,828	3,632,421
Advance to ESOP Trust	127,809	195,604
Advance Tax [(Net of provision for tax Rs. 8,580,225 thousand (Previous year Rs.3,243,619 thousand)]	269,196	1,031,629
Balances with Custom Authorities	-	263,042
MAT Credit	366,521	-
	<u>22,150,254</u>	<u>15,089,432</u>

PARTICULARS	As at March 31,2007 (Rs. 000's)		As at March 31,2006 (Rs. 000's)	
<b>SCHEDULE : 12</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors :				
Total outstanding dues of Small Scale Industrial Undertaking (s)*	5,501		6,613	
Total outstanding dues of creditors other than Small Scale Industrial undertakings (s)	<u>73,680,325</u>	73,685,826	<u>47,934,313</u>	47,940,926
Advance Billing and Prepaid Card Revenue		19,764,216		14,743,243
Premium on Redemption of Bonds (Refer Note 12 on Schedule 23)		-		106,996
Interest accrued but not due on loans		752,916		519,709
Other Liabilities		2,385,535		1,580,064
Advance Received from Customers		571,271		638,521
Security Deposits (Refer Note 13 on Schedule 23)		<u>2,970,241</u>		<u>2,870,490</u>
		<b><u>100,130,005</u></b>		<b><u>68,399,949</u></b>
* This information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancilliary undertakings on the basis of information available with the Company.				
<b>Provisions</b>				
Gratuity (Refer Note 11 on Schedule 22 and Note 8 on Schedule 23)		308,490		249,283
Leave Encashment (Refer Note 11 on Schedule 22 and Note 8 on Schedule 23)		384,094		237,925
Warranty (Refer Note 18 on Schedule 23)		2,263		2,633
Wealth tax		349		164
Fringe Benefit Tax [Net of amounts paid Rs. 274,430 thousand (Previous Year Rs. 10,246 thousand)]		6,748		9,519
Others (Refer Note 8 and 18 on Schedule 23)		<u>3,743,082</u>		<u>1,940,041</u>
		<b><u>4,445,026</u></b>		<b><u>2,439,565</u></b>
		<b><u>104,575,031</u></b>		<b><u>70,839,514</u></b>
<b>SCHEDULE : 13</b>				
<b>MISCELLANEOUS EXPENDITURE</b>				
(To the extent not written off or adjusted) (Refer Note 15 on Schedule 22 and Note 24 on Schedule 23)				
<b>Deferred Employee Compensation Expense *</b>				
Opening Balance		3,447		13,372
Add: Adjustments during the year		(1,201)		(4,119)
Less: Amortisation for the year **		<u>2,246</u>		<u>5,806</u>
		<u>-</u>		<u>3,447</u>
* Relating to Employee Stock Option Scheme 2001 and 2004				
** Net of stock compensation income of Rs. 13,828 thousand (Previous year Rs. 3,777 thousand)				
<b>Premium on Redemption of Debentures</b>				
Opening Balance		75,952		570,111
Less: Write back during the year		32,649		404,059
Less: Amortisation for the year		<u>16,674</u>		<u>90,100</u>
		<b><u>26,629</u></b>		<b><u>75,952</u></b>
		<b><u>26,629</u></b>		<b><u>79,399</u></b>

PARTICULARS	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 14</u></b>		
<b><u>NETWORK OPERATING EXPENDITURE</u></b>		
Interconnect Charges and PSTN Rentals	895,567	685,577
Installation	89,555	55,909
Power and Fuel	6,536,826	3,155,832
Rent	2,807,450	1,730,610
Insurance	71,212	33,881
Repairs and Maintenance - Building	48,820	410,318
- Plant and Machinery	4,724,712	2,801,756
- Others	962,523	773,797
Leased Line and Gateway Charges	660,755	805,776
Internet Access and Bandwidth Charges	2,054,367	1,009,542
Others	1,490,349	662,990
	<u>20,342,136</u>	<u>12,125,988</u>
<b><u>SCHEDULE : 15</u></b>		
<b><u>COST OF SALES OF GOODS</u></b>		
Opening Stock	376,164	544,835
Add : Purchases	1,655,361	1,243,519
Less : Simcard Utilisation	260,409	194,348
Less : Internal issues / capitalised	114,099	66,126
Less : Closing Stock *	912,142	381,320
	<u>744,875</u>	<u>1,146,560</u>
* Net of obsolete inventory written off of Rs. 18,793 thousand (Previous year Rs. 9,014 thousand)		
* Net of provision for diminution in value Rs. Nil (Previous year Rs.78,796 thousand)		
<b><u>SCHEDULE : 16</u></b>		
<b><u>PERSONNEL EXPENDITURE</u></b>		
(Refer Note 11 on Schedule 22 and Note 8 on Schedule 23)		
Salaries, Wages and Bonus*	10,453,168	6,791,852
Contribution to Provident and Other Funds	420,559	369,714
Staff Welfare	614,412	419,729
Recruitment and Training	524,288	424,100
	<u>12,012,427</u>	<u>8,005,395</u>
* Excluding amortisation of Deferred ESOP Cost		
<b><u>SCHEDULE : 17</u></b>		
<b><u>SALES AND MARKETING EXPENDITURE</u></b>		
Advertisement and Marketing	4,308,349	4,113,547
Sales Commission and Incentive	2,859,027	2,820,676
Simcard Utilisation	260,409	194,348
Others	3,959,252	1,207,353
	<u>11,387,037</u>	<u>8,335,924</u>

PARTICULARS	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 18</u></b>		
<b><u>ADMINISTRATIVE AND OTHER EXPENDITURE</u></b>		
Legal and Professional	6,692,994	4,015,033
Rates and Taxes	46,377	48,497
Power and Fuel	422,847	274,492
Travelling and Conveyance	1,073,292	767,224
Rent	830,079	425,087
Repairs and Maintenance - Building	505,353	111,075
- Others	65,515	223,916
Insurance	22,711	15,395
Bad Debts written off	1,207,311	1,317,725
Provision for Doubtful Debts / Advances	2,854,213	2,727,945
Less : Provision for Doubtful Debts written back	<u>54,752</u>	<u>107,665</u>
Provision for Diminution in Value of Inventory	-	78,796
Collection and Recovery	1,941,180	1,355,166
Miscellaneous	1,370,637	1,206,937
	<b><u>16,977,757</u></b>	<b><u>12,459,623</u></b>
<b><u>SCHEDULE : 19</u></b>		
<b><u>OTHER INCOME</u></b>		
Liabilities/ Provisions no longer required written back	138,301	147,681
Profit on Sale of Assets (Net)	15,458	24,607
Miscellaneous	965,133	441,952
	<b><u>1,118,892</u></b>	<b><u>614,240</u></b>

PARTICULARS	For the year ended March 31,2007 (Rs. 000's)	For the year ended March 31,2006 (Rs. 000's)
<b><u>SCHEDULE : 20</u></b>		
<b><u>FINANCE EXPENSES</u></b>		
<b>Interest :</b>		
- On Term Loan	1,814,699	1,540,231
- On Debentures	172,485	261,299
- On Others	47,891	61,281
Amortisation of Premium on Redemption of Foreign Currency Convertible Bonds	16,674	90,100
Other Finance Charges	758,870	432,728
	<u>2,810,619</u>	<u>2,385,639</u>
<b>Less : Income</b>		
Profit on sale of Current Investments	333,788	108,940
<b>Interest Income :</b>		
- from Current Investments and Fixed Deposits (Other than Trade) [Gross of TDS Rs. 24,179 thousand ; Previous year Rs. 20,956 thousand]	149,901	178,043
- from Other Advances	127,726	23,584
Exchange Fluctuation (loss) (Net)	(75,467)	(214,342)
Gains from Swap Arrangments	(213,804)	45,307
	<u>322,144</u>	<u>141,532</u>
	<u>2,488,475</u>	<u>2,244,107</u>
<b><u>SCHEDULE : 21</u></b>		
<b><u>AMORTISATION</u></b>		
(Refer Note 3, 5 and 15 on Schedule 22 and Note 10 on Schedule 23)		
Licence Fee	1,209,049	1,204,183
Personnel - Deferred ESOP Cost	226,343	127,067
Goodwill	268,425	268,325
	<u>1,703,817</u>	<u>1,599,575</u>

**SCHEDULE: 22**  
**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by Bharti Airtel Limited ('Bharti Airtel' or the Company) and its subsidiaries (hereinafter referred to as the "Group") in respect of these Consolidated Financial Statements, are set out below.

**1. BASIS OF PREPARATION**

These consolidated financial statements are prepared under the historical cost convention on the accrual basis of accounting and reporting requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, consolidated as per Para 2 below for the year ended March 31, 2007.

**2. PRINCIPLES OF CONSOLIDATION**

These accounts represent consolidated accounts of the Group and its majority owned subsidiaries and joint ventures as follows :

Entity	Country of Incorporation	Principal Service	Relationship	Shareholding as at March 31, 2007
Bharti Aquanet Limited ('BAQL')	India	Submarine Cable Landing Station	Subsidiary	51%
Bharti Comtel Limited ('BCTL')	India	Administrative support to Bharti Airtel and VSAT equipment trading.	Subsidiary	100%
Bharti Hexacom Limited ('BHL')	India	Cellular Mobile and Broadband and Telephone Services	Subsidiary	68.89%
Bharti Broadband Limited ('BBL')	India	Enterprise Services Corporate	Subsidiary	100%
Satcom Broadband Equipment Limited ('SBEL')	India	Enterprise Services Corporate and VSAT Equipment trading	Subsidiary	100%
Bridge Mobile Pte Limited	Singapore	Mobile Services	Joint venture	12.5%
Forum I Aviation Limited	India	Buy, sell, lease, hire, maintain, operate and run Aircrafts / Helicopters etc.	Joint venture	14.28%
Bharti Infratel Limited	India	Passive Infrastructure for Mobile Services	Subsidiary	100%
Bharti Telemedia Limited	India	DTH Venture	Subsidiary	100%
Bharti Airtel (USA) Limited	United States of America	International calling services and wholesale switching data products	Subsidiary	100%
Bharti Airtel (UK) Limited	United Kingdom	International calling services and wholesale switching data products	Subsidiary	100%
Bharti Airtel (Hong Kong) Limited	Hong Kong	International calling services and wholesale switching data products	Subsidiary	100%
Bharti Airtel (Canada) Limited	Canada	International calling services and wholesale switching data products	Subsidiary	100%

For the purpose of this consolidation, jointly owned entities, where Bharti Airtel or its subsidiaries own directly or indirectly more than 50 percent of voting rights of a company's share capital, have been accounted for as subsidiaries.

The equity and net income attributable to minority shareholders' interest are shown separately in the Balance Sheets and Profit and Loss Account, respectively.

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

Inter-Company balances have been eliminated in the consolidation. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

### 3. GOODWILL

Goodwill is stated as an excess of the purchase consideration over Bharti Airtel's interest in the net identifiable assets acquired. Goodwill is carried at cost less accumulated amortisation and is amortised on a straight-line basis over the remaining period of the service licence of the acquired Company from the date of acquisition.

### 4. FIXED ASSETS

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, including taxes, duties, freight and other incidental expenses related to acquisition and installation. Capital work-in-progress is stated at cost.

Site restoration cost obligations are capitalized when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The fixed component of license fee payable by the Group for cellular and basic circles, upon migration to the National Telecom Policy (NTP 1999), i.e. Entry Fee, has been capitalised as an asset and the one time license fee paid by the Group for acquiring new licences (post NTP-99) (basic, cellular, national long distance and international long distance services) has been capitalised as an asset.

### 5. DEPRECIATION / AMORTISATION

Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on all assets, except for the following on which depreciation is provided on straight line method to write off the cost of the fixed assets over their estimated useful lives:

	Useful lives
Building	20 years
Building on Leased Land	20 years
Office Equipment	5 years/2 years
Computer / Software	3 years
Vehicles	5 years
Furniture and Fixtures	5 years
Plant and Machinery	3 years / 5 years / 10 years / 15 years
Leasehold Land	Period of lease
Leasehold Improvements	Period of lease or 10 years whichever is less

Software up to Rs. 500 thousand is written off in the year in which it is placed in service.

Bandwidth capacity is amortised over the period of the agreement subject to a maximum of 15 years.

Additional depreciation is provided as appropriate, towards diminution in value of assets

The Entry Fee capitalised is being amortised equally over the period of the license and the one time licence fee is being amortised equally over the balance period of licence from the date of commencement of commercial operations.

The site restoration cost obligation capitalized is being depreciated over the period of the useful life of the related asset.

### 6. REVENUE RECOGNITION AND RECEIVABLES

**Mobile Services:** Service revenue is recognised on completion of provision of services. Service revenue includes income on roaming commission and access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration.

Processing fees on recharge coupon is being recognised over the estimated customer relationship period or coupon validity period, as applicable.

**Telephone and Broadband and Enterprise Services Carriers:** Service revenue is recognised on completion of

provision of services. Revenue on account of bandwidth service is recognised on time proportion basis in accordance with the related contracts. Service Revenue includes access charges passed on to other operators, and is net of discounts and waivers. Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

**Enterprise Services Corporate:** Revenue, net of discount, from sale of goods is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of consideration.

Service Revenues includes revenues from registration, installation and provision of Internet and Satellite services. Registration fees is recognised at the time of dispatch and invoicing of Start up Kits. Installation charges are recognised as revenue on satisfactory completion of installation of hardware and service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of Internet and Satellite services.

Revenue from prepaid dialup packs is recognised on the actual usage basis and is net of sales return and discount.

#### **Activation Income**

Activation revenue and related direct activation costs, not exceeding the activation revenue, are deferred and amortized over the related estimated customers relationship period, as derived from the estimated customer churn period.

**Investing and other Activities:** Income on account of interest and other activities are recognised on an accrual basis. Dividends are accounted for when the right to receive the payment is established.

#### **Provision for doubtful debts**

The Group provides for amounts outstanding for more than 90 days in case of active subscribers and for all amounts outstanding from customers who have been deactivated as reduced by security deposits or in specific cases where management is of the view that the amounts are not recoverable.

For receivables due from the other operators on account of their NLD and ILD traffic, IUC and roaming charges, the Group provides for amounts outstanding for more than 120 days from the date of billing net of any amounts payable to the operators or in specific cases where management is of the view that the amounts are not recoverable.

#### **Accrued Billing revenue**

Accrued billing revenue represent revenues recognized in respect of Mobile, Broadband and Telephone, and Long Distance Services provided from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

### **7. INVENTORIES**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on First in First out basis.

### **8. INVESTMENT**

Current Investments are valued at lower of cost and fair market value.

Long Term Investments are valued at cost. Provision is made for diminution in value to recognise a decline, if any, other than that of temporary nature.

### **9. LICENSE FEES – REVENUE SHARE**

With effect from August 1, 1999 the variable Licence fee computed at prescribed rates of revenue share is being charged to the Profit and Loss Account in the year in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the license agreement of the license area to which the licence pertains.

### **10. TRANSLATION OF ITEMS IN FOREIGN CURRENCY**

Transactions in Foreign Currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary items are restated at year-end foreign exchange rates. Resultant exchange differences arising on payment or conversion of liabilities are recognised as income or expense in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract (or forward rate last used to measure gain or loss) and the contracted forward rate which is recognized as income or expense for the year.

The premium or discount arising at the inception of other forward exchange contracts is amortized as income or expense over the life of the contract and exchange difference on such contracts is recognised as income or expense in the reporting period in which the exchange rate change, except, in respect of liabilities incurred for acquiring fixed assets, in which case, such difference is adjusted in carrying amount of the respective fixed assets.

## 11. EMPLOYEE BENEFITS

### (a) Short Term Employee Benefits

Short term employee benefits are recognised in the period during which the services have been rendered.

### (b) Long Term Employee Benefits

#### (i) Defined Contribution plan

##### **Provident Fund and employees' state insurance schemes**

All employees of the Group are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Group are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Group's contributions to both these schemes are expensed in the Profit and Loss Account. The Group has no further obligations under these plans beyond its monthly contributions.

**Superannuation Plan** - Some employees of the Group are entitled to superannuation, a defined contribution plan which is administered through Life Insurance Corporation Of India ("LIC"). Superannuation benefits are recorded as an expense as incurred.

#### (ii) Defined Benefit plan

**Leave Encashment** - The Group has provided for the liability at year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

**Gratuity** - The Group provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Group. The Group provides for the Gratuity Plan based on actuarial valuations in accordance with Accounting Standard 15 (revised), "Employee Benefits". The Group makes annual contributions to the LIC for the Gratuity Plan in respect of employees at certain circles.

(iii) **Others** - The Group has provided for the liability at year end for other long term employee benefits as per the actuarial valuation as per the Projected Unit Credit Method.

(iv) Actuarial gains and losses are recognized as and when incurred.

## 12. PRE-OPERATIVE EXPENDITURE

Expenditure incurred by the Group from the date of acquisition of license for a new circle, up to the date of commencement of commercial operations of the circle, not directly attributable to fixed assets are charged to the Profit and Loss account in the year in which such expenditure is incurred.

## 13. LEASES

### a) As Lessee – Operating Lease

Lease Rentals in respect of assets taken on 'Operating Lease' are charged to the Profit and Loss Account on a straight-line basis over the lease term.

### b) As Lessee – Finance Lease

Assets acquired on 'Finance Lease' which transfer risk and rewards of ownership to the Group are capitalized as assets by the Group at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets.

Amortization of capitalised leased assets is computed on the Straight Line Method over the useful life of the assets. Lease rental payable is apportioned between principal and finance charge using the internal rate of return method. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

### c) As Lessor – Operating Lease

Lease income in respect of 'Operating Lease' is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

**d) As Lessor – Finance Lease**

Finance leases as a dealer lessor are recognized as a sale transaction in the Profit and Loss Account and are treated as other outright sales.

Finance Income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment of the lessor outstanding in respect of the lease.

e) Initial direct costs are expensed in the Profit and Loss Account at the inception of the lease.

**14. TAXATION**

Tax expense for the year, comprising current tax, deferred tax and Fringe Benefit Tax is included in determining the net profit/ (loss) for the year.

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable profit will be available against which such deferred tax assets can be realised. Deferred Tax is not recognized for such timing differences which reverse during tax holiday period. Deferred Tax Assets to the extent they pertain to brought forward losses and unabsorbed depreciation, are recognised only to the extent that there is virtual certainty of realisation, based on expected profitability in the future as estimated by the Group.

Deferred Tax Assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

**15. MISCELLANEOUS EXPENDITURE**

a) Premium on redemption of debentures is recognised as an expense to the Profit and Loss Account over the period of the related contract.

b) Employee Stock Option Plan ('ESOP') - The aggregate amount of liability on account of ESOP as ascertained at year end is being carried forward as Deferred Employee Compensation Benefit under Miscellaneous Expenditure to be written off on a straight-line basis over the related vesting period of individual options.

**16. BORROWING COST**

Borrowing cost attributable to the acquisition or construction of a qualifying asset is capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**17. IMPAIRMENT OF ASSETS**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**18. SEGMENTAL REPORTING**

a) Primary Segment:

The Group operates in four primary business segments viz. Mobile Services, Broadband & Telephone Services, Enterprise Services Carriers and Enterprise Service Corporate.

b) Secondary Segment:

The Group has operations within India as well as with entities located in other countries. The operations in India constitute the major part, which is the only reportable segment, the remaining portion being attributable to others.

**19. EARNING PER SHARE**

The earnings considered in ascertaining the Group's Earnings per Share ('EPS') comprise the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti dilutive.

**20. WARRANTY**

Provision for warranty is based on past experience and technical estimates.

**21. PROVISIONS**

Provisions are recognised when the Group has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

**22. EMPLOYEE STOCK OPTIONS OUTSTANDING**

Employee Stock Options outstanding are valued using Black Scholes Option-Pricing Model and the fair value is recognised as an expense over the period in which the options vest.

**SCHEDULE: 23**  
**NOTES TO ACCOUNTS**

1. Bharti Airtel Limited ('Bharti Airtel' or 'the Company') incorporated in India on July 7, 1995, is a company promoted by Bharti Telecom Limited ('BTL'), a company incorporated under the laws of India. The name of the Company has been changed from Bharti Tele-Ventures Limited ('BTVL') to Bharti Airtel Limited ('Bharti Airtel').

**2. New Operations**

Bharti Airtel Limited (Bharti Airtel) and Bharti Hexacom limited (BHL) have entered into a Scheme of Arrangement for transfer pursuant to de-merger of North East Circle Undertaking from Bharti Hexacom Limited to the Company effective April 1, 2005, which has been approved by the Board of Directors of Bharti Airtel in their meeting held on July 26, 2005 and July 27, 2005 and the Board of Directors of BHL in their meeting held on July 20, 2005. The Company is in the process of filing the approved scheme in the High Court.

The Company had entered into a Scheme of Amalgamation of Satcom Broadband Equipment Limited (SBEL) and Bharti Broadband Limited (BBL) with the Company effective October 1, 2005, which has been approved by the High Court of Delhi on April 17, 2007. The Company has applied for a certified copy of the said order and the scheme will be effective upon filing the same with the Registrar of Companies, Delhi and Haryana.

Bharti Hexacom Limited (BHL) has migrated its Cellular Mobile Telephone Licence to Unified Access Service Licence with effect from April 10, 2006 in the telecom circle of Rajasthan and has also commenced commercial Broadband and Telephone services.

During the year ended March 31, 2007, seven wholly owned subsidiaries viz. Bharti Airtel (USA) Limited, Bharti Airtel (UK) Limited, Bharti Airtel (Hong Kong) Limited and Bharti Airtel (Canada) Limited are incorporated with principal business of providing international calling services and wholesale switching data products, Bharti Infratel Limited with principal business of providing passive infrastructure for mobile services, Bharti Telemedia Limited with Direct to Home (DTH) Venture as principal business and Bharti Airtel Lanka (Private) Limited with principal business of Mobile Cellular Communication services.

On September 14, 2006, Bharti Airtel acquired 43,750 thousand shares of Bharti Hexacom Limited for an aggregate consideration of Rs. 875,000 thousand thereby increasing its stake from 68.5% to 68.89%.

**3. Contingent Liabilities**

a) Total Guarantees outstanding as at March 31, 2007 amounting to Rs. 11,832,942 thousand (March 31, 2006 Rs. 9,362,505 thousand) have been issued by banks and financial institutions on behalf of the Group.

b) Claims against the Group not acknowledged as debt : (Excluding cases where the possibility of any outflow in settlement is remote):

Particulars	(Rs.'000)	
	As at March 31, 2007	As at March 31, 2006
(i) Taxes, Duties and Other demands (under adjudication / appeal / dispute)		
- Sales Tax (refer c below)	308,693	104,709
- Service Tax (refer d below)	136,478	648,369
- Income Tax (refer e below)	305,505	288,115
- Customs Duty (refer g below)	3,694	1,230,678
- Stamp Duty	542,533	529,343
- Entry Tax (refer h below)	231,080	801,120
- Municipal Taxes	19,255	529,171
- Access Charges / Port Charges (refer f below)	1,989,433	806,025
- DoT Demands	243,494	218,518
- Other Miscellaneous Demands (refer i below)	84,561	307,751
(ii) Claims under legal cases including Arbitration Matters	417,406	361,698
	<b>4,282,132</b>	<b>5,825,497</b>

Unless otherwise stated below, the management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable.

**c) Sales Tax**

The claims for Sales Tax as of March 31, 2007 comprised the cases relating to:

- i. the appropriateness of the declarations made by the Group under the relevant Sales Tax legislations which was primarily procedural in nature; and
- ii. the applicable Sales Tax on disposals of certain property and equipment items.

**d) Service Tax**

The Service Tax demands as of March 31, 2007 relate to:

- i. Roaming Revenues charged from other operators; and
- ii. Subscriber Receivables written off.

**e) Income Tax demand under appeal**

Income-Tax demands under appeal mainly included the appeals filed by the Group before various appellate authorities against the disallowance of certain expenses being claimed under tax by Income Tax authorities.

The management believes that, based on legal advice, it is probable that its tax positions will be sustained and accordingly, recognition of a reserve for those tax positions will not be appropriate.

**f) Interconnect Access Charges**

Interconnect Charges are based on the IUC agreements between the operators although the IUC rates are governed by the IUC guidelines issued by TRAI. BSNL has raised a demand requiring the Group to pay the Interconnect Charges at the rates contrary to the guidelines issued by TRAI. The Group filed a petition against that demand with the Telecom Disputes Settlement and Appellate Tribunal ('TDSAT') which passed a status quo order, stating that only the admitted amounts based on the guidelines would need to be paid by the Group.

The management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable. Accordingly, no amounts have been accrued although some have been paid under protest.

**g) Customs Duty**

The customs authorities, in some states, demanded Rs. 3,694 thousand as of March 31, 2007 (March 31, 2006 - Rs. 1,230,678 thousand) for the imports of special software on the ground that this would form part of the hardware along with which the same has been imported. The view of the Group is that such imports should not be subject to any Customs Duty as it would be an operating software exempt from any customs duty. The management is of the view that the probability of the claims being successful is remote.

**h) Entry Tax**

In certain states an Entry Tax is levied on receipt of material from outside the state. This position has been challenged by the Group in the respective states, on the grounds that the specific Entry Tax is *ultra vires* the constitution. Classification issues have been raised whereby, in view of the Group, the material proposed to be taxed not covered under the specific category. The amount under dispute as of March 31, 2007 was Rs. 231,080 thousand (March 31, 2006 - Rs. 801,120 thousand) included in Note 3 (b) above.

**i) Others**

Others mainly include disputed demands for Consumption Tax, disputes before Consumer Forum and with respect to labour cases and a potential claim for Liquidated Damages.

The management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable. No amounts have been paid or accrued towards these demands.

**j) Roll-out obligations**

The Group has not been able to meet its roll out obligations fully due to certain non-controllable factors like Telecommunication Engineering Center testing, Standing Advisory Committee of Radio Frequency Allocations clearance, non availability of spectrum, operational hazards, etc. However, there are no demands on the Group in respect of non-fulfillment of its roll out obligations.

**k) Bharti Mobinet Limited ('BMNL') litigation**

Bharti Airtel is currently in litigation with DSS {0.34 per cent equity interest in erstwhile Bharti Cellular Limited (BCL)} for an alleged claim for specific performance in respect of alleged agreements to sell the equity interest of DSS in erstwhile BMNL to Bharti Airtel. The case filed by DSS to enforce the sale of equity shares before the Delhi High Court had been transferred to District Court and was pending consideration of the Additional District Judge. This suit was dismissed in default on the ground of non-prosecution.

Subsequently, DSS has filed an application for restoration of the suit on which notice has been issued to Bharti Airtel and other defendants. In respect of the same transaction, Crystal Technologies Private Limited ('Crystal'), an intermediary, has initiated arbitration proceedings against the Group demanding Rs. 194,843 thousand included in Note 3 (b) above regarding termination of its appointment as a consultant to negotiate with DSS for the sale of DSS stake in erstwhile BMNL to Bharti Airtel. DSS has also filed a suit against a previous shareholder of BMNL and Bharti Airtel challenging the transfer of shares by that shareholder to Bharti Airtel. The suit was subsequently dismissed as frivolous, which has been appealed to in the Delhi High Court by DSS and subsequently transferred to District Court. DSS has also initiated arbitration proceedings seeking direction for restoration of the cellular license and the entire business associated with it including all assets of BCL/BMNL to DSS or alternatively, an award for damages. An interim stay has been granted by the Delhi High Court with respect to the commencement of arbitration proceedings. The liability, if any, of Bharti Airtel arising out of above litigation cannot be currently estimated. Since the amalgamation of BCL and erstwhile Bharti Infotel Limited (BIL) with Bharti Airtel, DSS, a minority shareholder in BCL, has been issued 2,722,125 equity shares of Rs. 10 each bringing the share of DSS in Bharti Airtel down to 0.14% as of March 31, 2007.

The management believes that, based on legal advice, the outcome of these contingencies will be favourable and that a loss is not probable. Accordingly, no amounts have been accrued or paid in regard to this dispute.

#### 4. Export Obligation

The Group obtained licenses under the Export Promotion Credit Guarantee ('EPCG') Scheme for importing capital goods at a concessional rate of Customs Duty against submission of bank guarantee and bonds.

Under the terms of the respective schemes, the Group is required to export goods of FOB value equivalent to, or more than, five times the CIF value of imports in respect of certain licenses and eight times the duty saved in respect of licenses where Export Obligation has been refixed by the order of Director General Foreign Trade, Ministry of Finance, as applicable within a period of eight years from the import of capital goods. The Export Promotion Capital Goods Scheme, Foreign Trade Policy 2004-2009 as issued by the Central Government of India, covers both manufacturer exporters and service providers. Accordingly, in accordance with Clause 5.2 of the Policy, export of telecommunication services would also qualify.

Accordingly the Group was required to export goods of FOB value of at least Rs. 26,044,185 thousand (March 31, 2006: Rs. 27,158,252 thousand).

5. a) Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 77,143,380 thousand (March 31, 2006 Rs. 42,954,081 thousand).
- b) Under the IT Outsourcing Agreement, the Group has commitments to pay Rs. 6,705,304 thousand (March 31, 2006 Rs. 3,731,265 thousand) comprising Finance Lease and Servicing Charges.
6. Considering the actual usage, the Group has revised the useful life of assets costing less than Rs. 5,000 from one month to one year with effect from April 1, 2006. Accordingly such assets, which were earlier depreciated over one month, are now being depreciated over a period of one year. In addition, the Group has revised the economic useful life of certain class of plant and machinery. The net impact of these changes is not material to the results for the year ended March 31, 2007.
7. From the current year commencing April 1, 2006, to enable a more appropriate presentation of the financial statements in line with the business, Activation Income and related direct costs have been accounted for as stated in Note 6 in Schedule 22.

Had the above been accounted for as in the previous year, Service Revenue for the year ended March 31, 2007 would have been higher by Rs. 1,486,102 thousand, total expenditure would have been higher by Rs. 806,042 thousand and Licence Fee would have been higher by Rs. 170,983 thousand, Profit before Tax for the year ended March 31, 2007 would have been higher by Rs. 509,077 thousand with consequential impact on the net assets of the Group as at March 31, 2007.

#### 8. Employee benefits

- (a) The Group has during the year adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. Pursuant to adoption of the revised standard, as per the transitional provisions, the additional liability (net of tax) of Rs. 69,133 thousand upto March 31, 2006 has been adjusted against opening reserves and surplus.
- (b) During the year, the Group has recognized the following amounts in the Profit and Loss Account.

Defined Contribution Plans	Rs. '000
	Year ended March 31, 2007
Employer's Contribution to Provident Fund *	405,236
Employer's Contribution to Super annuation Fund #	3,953
Employer's Contribution to ESI *	15,323

\* Included in Contribution to Provident and Other Funds (Refer Schedule 16)

# Included in Salaries, Wages and Bonus (Refer Schedule 16)

Defined Benefit Plans				Rs. '000
	Gratuity #			Leave Encashment #
	Funded	Unfunded	Total	Unfunded
Current Service Cost	65,764	38,623	104,387	122,930
Interest Cost	12,310	7,592	19,902	23,029
Expected Return on Plan Assets	(4,461)	-	(4,461)	-
Actuarial (Gain) / Loss	20,522	(4,461)	16,061	19,993
Past Service Cost	-	-	-	-
Curtailment and Settlement Cost / (Credit)	-	-	-	-
<b>Net Gratuity/Leave Encashment Cost</b>	<b>94,135</b>	<b>41,754</b>	<b>135,889</b>	<b>165,952</b>

# Included in Salaries, Wages and Bonus (Refer Schedule 16)

(c) The assumptions used to determine the benefit obligations are as follows :

	Gratuity	Leave Encashment
Discount Rate	7.50%	7.50%
Expected Rate of increase in Compensation levels	7.00%	7.00%
Expected Rate of Return on Plan Assets	7.50%	NA
Expected Average remaining working lives of employees (years)	27.97 years	27.97 years

(d) Reconciliation of Opening and Closing Balances of Benefit Obligations and Plan Assets (Rs.'000)

	Gratuity			Leave Encashment
	Funded	Unfunded	Total	Unfunded
<b>Change in Projected Benefit Obligation (PBO)</b>				
Projected Benefit Obligation at beginning of year	164,073	101,281	265,354	307,058
Current Service Cost	65,764	38,623	104,387	122,930
Interest Cost	12,310	7,592	19,902	23,029
Benefits Paid	(12,763)	(20,807)	(33,570)	(88,917)
Curtailment and Settlement Cost	-	-	-	-
Contribution by Plan Participants	-	-	-	-
Past Service Cost	-	-	-	-
Actuarial (Gain) / Loss	20,915	(4,461)	16,454	19,994
<b>Projected Benefit Obligation at year end</b>	<b>250,299</b>	<b>122,228</b>	<b>372,527</b>	<b>384,094</b>
<b>Change in Plan Assets :</b>				
Fair Value of Plan Assets at beginning of year	59,450	-	59,450	-
Expected Return on Plan Assets	4,492	-	4,492	-
Actuarial Gain / (Loss)	393	-	393	-
Employer Contribution	12,465	-	12,465	-
Contribution by Plan Participants	-	-	-	-
Settlement Cost	-	-	-	-
Benefits Paid	(12,763)	-	(12,763)	-
<b>Fair Value of Plan Assets at year end</b>	<b>64,037</b>	<b>-</b>	<b>64,037</b>	<b>-</b>
<b>Net funded status of the plan</b>	<b>(186,262)</b>	<b>(122,228)</b>	<b>(308,490)</b>	<b>(384,094)</b>
<b>Net amount recognized</b>	<b>(186,262)</b>	<b>(122,228)</b>	<b>(308,490)</b>	<b>(384,094)</b>

- (e) The expected rate of return on Plan Assets was based on the average long-term Rate of Return expected to prevail over the next 15 to 20 years on the investments made by the LIC. This was based on the historical returns suitably adjusted for movements in Long-Term Government Bond Interest Rates. The discount rate is based on the average yield on Government Bonds of 20 years.
- (f) The Group made annual contributions to the LIC of an amount advised by the LIC. The Group was not informed by LIC of the investments made by the LIC or the break-down of Plan Assets by investment type.
- (g) Estimated amounts of benefits payable within next year are Rs. 98,994 thousand.
- (h) Movement in provision for Deferred Bonus Plan

	(Rs '000)	
	Year ended March 31, 2007	Year ended March 31, 2006
Opening Balance	73,622	-
Addition during the year	191,509	73,622
<b>Closing Balance</b>	<b>265,131</b>	<b>73,622</b>

#### 9. Investment in Joint ventures

- a) Vide a Supply Contract and Construction and Maintenance Agreement executed on March 27, 2004, Alcatel Submarine Networks of France and Fujitsu Ltd. of Japan provided the SEA-ME-WE-4 Cable Systems (broadly described as a submarine cable system linking South East Asia and Europe, via the Indian Sub-Continent and Middle East) and will also provide long term technical support to a consortium of sixteen Telecom operators in various countries including the Group. The Group has invested Rs. 1,683,283 thousand in the venture for 8.051% share. The Group has further paid an advance of Rs. 379,233 thousand during the year towards upgradation of capacity, which is included under Capital Work in Progress.
- b) The Group entered into a joint venture with 7 other overseas mobile operators to form a regional alliance called the Bridge Mobile Alliance incorporated in Singapore as Bridge Mobile Pte Ltd. The principal activity of the venture is creating and developing regional mobile services and managing the Bridge Mobile Alliance Programme. The Group has invested USD 1,000 thousand in ordinary shares of USD 1 each amounting to Rs. 43,763 thousand, which is equivalent to an ownership interest of 12.50% as at March 31,2007 (March 31,2006: Rs.43,763 thousand, ownership interest 12.50%).
- c) The Group entered into a joint venture with 6 other parties to form an aircraft chartering company called the Forum I Aviation Limited incorporated in India. The principal activity of the venture is operating aircrafts on charter basis. The Group has invested in the ordinary shares of Rs. 10 each amounting to Rs. 30,000 thousand, which is equivalent to an ownership interest of 14.28% as at March 31,2007 (March 31,2006: Rs.34,950 thousand, ownership interest 16.64%).
- d) The following represent the Group's share of assets and liabilities, and income and results of the joint venture, which are included in the Balance Sheet and Profit and Loss Account respectively.

	(Rs.'000)	
	As at March 31, 2007	As at March 31, 2006
<b>Balance Sheet</b>		
<b>Reserve and Surplus</b>	(18,393)	(15,631)
<b>Fixed Assets, net</b>	9,030	9,190
<b>Investments</b>	4,286	2,526
<b>Current Assets</b>		
Sundry Debtors	-	1,757
Cash and Bank	24,782	29,419
Loans and Advances	34,411	35,475
<b>Current Liabilities and Provisions</b>	10,492	14,439
<b>Unsecured Loans</b>	5,800	-

(Rs.'000)

	For the year ended March 31,2007	For the year ended March 31,2006
<b>Profit and Loss Account</b>		
Service Revenue	31,335	14,203
Other Income	15,419	-
<b>Expenses</b>		
Operating Expenses	25,674	11
Selling, General and Administration Expenses	19,713	25,161
Finance Expenses	2,449	(1,344)
Depreciation	2,770	1,353
<b>(Loss)</b>	<b>(3,852)</b>	<b>(10,980)</b>

10. Goodwill

The following is the detail of Goodwill in the consolidated financial statements of Bharti Airtel as at March 31, 2007:

(Rs.'000)

Nature of transaction	As at March 31, 2007	As at March 31, 2006
<b>On acquisition of</b>		
68.89 per cent equity interest in BHL by Bharti Airtel	3,056,346	3,056,346
100 per cent equity interest in SBEL by Bharti Airtel	31,070	31,070
100 per cent equity interest in BBL by SBEL	92,860	92,860
Proportionate consolidation of Bridge Mobile Pte Ltd.	4,650	4,650
<b>Total</b>	<b>3,184,926</b>	<b>3,184,926</b>

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11. Minority interest represents that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through subsidiary (ies) by Bharti Airtel as follows:

(Rs.'000)

Particulars	As at March 31, 2007	As at March 31, 2006
Share Capital	764,230	576,730
Share Premium	273,250	85,750
Share of Opening Reserve	428,568	162,023

	For the year ended March 31, 2007	For the year ended March 31, 2006
Share of current Year Profit/(Loss)	482,183	266,545
<b>Total</b>	<b>1,948,231</b>	<b>1,091,048</b>

12. During the year ended March 31, 2005 the Group issued USD 115,000,000 Zero Coupon Convertible Bonds due 2009 (the "FCCBs"). The FCCBs are convertible at any time on or after June 12, 2004 (or such earlier date as is notified to the holders of the FCCBs by the Issuer) up to April 12, 2009 by holders into fully paid equity shares with full voting rights with a par value of Rs. 10 each of the Issuer ("Shares") at an initial Conversion Price (as defined in the "Terms and Conditions of the FCCBs") of Rs. 233.17 per share with a fixed rate of exchange on conversion of Rs. 43.56 = USD 1.00. The Conversion Price is subject to adjustment in certain circumstances.

The FCCBs may be redeemed, in whole or in part, at the option of the Issuer at any time on or after May 12, 2007 and prior to April 12, 2009, subject to satisfaction of certain conditions, at their " Early Redemption Amount" (as defined in the "Terms and Conditions of the FCCBs") at the date fixed for such redemption if the "Closing Price" (as defined in the "Terms and Conditions of the FCCBs") of the shares translated into U.S. dollars at the "prevailing rate" (as defined in the "Terms and Conditions of the FCCBs") for each of 30 consecutive "Trading Days" (as defined in the "Terms and Conditions of the FCCBs"), the last of which occurs not more than five days prior to the date upon which notice of such redemption is published, is greater than 120 percent of

the "Conversion Price" (as defined in the "Terms and Conditions of the FCCBs") then in effect translated into U.S. dollars at the rate of Rs. 43.56 = USD 1.00.

The FCCBs may also be redeemed in whole, and not in part, at any time at the option of the Issuer at their Early Redemption Amount if less than 5 percent in aggregate principal amount of the FCCBs originally issued is outstanding.

The FCCBs may also be redeemed in whole, at any time at the option of the Issuer at their Early Redemption Amount in the event of certain changes relating to taxation in India.

Unless previously converted, redeemed or purchased and cancelled, the FCCBs will be redeemed in U.S. dollars on May 12, 2009 at 111.84 percent of their principal amount.

The Issuer will, at the option of any holder of any FCCBs, repurchase at the Early Redemption Amount such FCCBs at such time as the shares cease to be listed or admitted to trading on the NSE or upon the occurrence of a "Change of Control" (as defined in the "Terms and Conditions of the FCCBs") in respect of the Issuer. These FCCBs are listed in the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Group has during the year ended March 31, 2007 Converted FCCBs equivalent to USD 10,114,000 into 1,889,453 equity shares of the Group at the option exercised by the bond holders which is as follows:

Date of allotment	No. of shares allotted	FCCB Value (USD)
April 7, 2006	540,270	2,892,000
May 8, 2006	392,314	2,100,000
June 2, 2006	429,677	2,300,000
August 2, 2006	95,089	509,000
September 5, 2006	148,519	795,000
October 28, 2006	206,991	1,108,000
November 30, 2006	11,208	60,000
February 7, 2007	65,385	350,000
<b>Total</b>	<b>1,889,453</b>	<b>10,114,000</b>

13. Rs. 2,970,241 thousand (March 31, 2006 Rs. 2,870,490 thousand) included under Current Liabilities, represents refundable security deposits received from subscribers on activation of connections granted thereto and are repayable on disconnection, net of outstanding, if any. Sundry debtors are secured to the extent of the amount outstanding against individual subscribers by way of security deposit received from them.
14. As at March 31, 2007, 2,603,824 equity shares (March 31, 2006 4,195,449 equity shares) of the Group are held by Bharti Tele-Ventures Employee's Welfare Trust, issued at the rate of Rs. 51.36 per equity share fully paid up.
15. Billing Revenue in the Profit and Loss Account is net of Rebates and Discounts Rs. 614,429 thousand (March 31, 2006 Rs. 61,467 thousand).
16. The Loans and Advances granted to subsidiaries are repayable on demand and repayments made during the year are as mutually agreed.
17. Particulars of securities charged against secured loans taken by the Group are as follows :

Particulars	Amount Outstanding (Rs.'000s)	Security charges
<b>Debentures</b>		
11.70%, 45 Non-convertible Redeemable Debentures of Rs. 10,000 thousand each repayment commencing from Dec 2009	500,000	<ul style="list-style-type: none"> <li>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by Bharti Airtel including plant and machinery, office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</li> <li>• All rights, titles, interests in the accounts, and monies deposited and investments made there from and in project documents, book debts and insurance policies.</li> </ul>
8.65%, 95 Non-Convertible redeemable Debentures of Rs. 10,000 thousand each repayable in May 2007	950,000	
<b>Debentures</b>	<b>1,450,000</b>	<ul style="list-style-type: none"> <li>• Second Charge on Movable assets of the Bharti Airtel.</li> </ul>

Particulars	Amount Outstanding (Rs.'000s)	Security Charges
<b>Loans and Advances from Banks</b>		
<b>Other Loans and Advances</b>		
Long Term Foreign Currency Loan of USD 12,000 thousand repayable in 13 half yearly installments beginning June, 2005	380,247	<ul style="list-style-type: none"> <li>• First ranking pari passu charge on all present and future tangible movable and freehold immovable assets owned by Bharti Airtel including plant and machinery, office equipment, furniture and fixtures fittings, spares tools and accessories vehicles.</li> <li>• All rights, titles, interests in the accounts, and monies deposited and investments made there from and in project documents, book debts and insurance policies.</li> </ul>
Long Term Foreign Currency Loan of USD 27,956 thousand repayable in 19 half yearly installments beginning June 2004	589,943	
<b>Term Loan Total</b>	<b>970,190</b>	<ul style="list-style-type: none"> <li>• Secured by Hypothecation of vehicles of the Company.</li> </ul>
Vehicle Loans From Banks	19,285	
<b>Total</b>	<b>2,439,475</b>	
<b>Cash Credit</b>		<ul style="list-style-type: none"> <li>• Secured by first ranking pari passu charge on all current assets both present and future, including book debts, monies, receivables, claim bills and contracts of the Company.</li> </ul>
Cash Credit	13,293	
<b>Total</b>	<b>2,452,768</b>	

Note : Following shall be excluded from Securities as mentioned above:-

- Intellectual properties of Bharti Airtel;
- Investment in subsidiaries of Bharti Airtel;
- Licenses issued by DoT to provide various telecom services.

18. The movement of Provision made for Site Restoration Cost and warranty charges in accordance with AS-29 'Provisions, Contingent liabilities and Contingent Assets' issued by Institute of Chartered Accountants of India, is given below:

i) Site Restoration Cost:		(Rs '000)
	Year ended March 31,2007	Year ended March 31,2006
Opening Balance	1,866,419	961,242
Addition during the year	1,611,532	905,177
Closing Balance	3,477,951	1,866,419
ii) Warranty Charges:		(Rs '000)
	Year ended March 31,2007	Year ended March 31,2006
Opening Balance	2,633	7,200
Addition during the year	3,387	2,731
Less: Utilised / reversed during the year	3,757	7,298
Closing Balance	2,263	2,633

19. Profit on sale of investments is net of loss on sale of investments Rs. Nil (March 31, 2006 Rs. 2,103 thousand).

## 20. Information about Business Segments – Primary

For the year ended March 31, 2007

(Rs'000)

Reportable Segments	Mobile Services	Broadband & Telephone Services	Enterprises Services Carriers	Enterprise Services Corporate	Others	Eliminations	Total
<b>Revenue</b>							
Service Revenue / Sale of Goods and Other Income	138,333,636	21,802,827	17,312,252	7,804,413	67,786	-	185,320,914
Inter Segment Revenue	2,855,731	689,108	17,638,189	1,499,813	785,276	(23,468,117)	-
<b>Total Revenue</b>	<b>141,189,367</b>	<b>22,491,935</b>	<b>34,950,441</b>	<b>9,304,226</b>	<b>853,062</b>	<b>(23,468,117)</b>	<b>185,320,914</b>
<b>Results</b>							
Segment Result, Profit / (Loss)	34,908,599	1,698,095	11,636,893	3,293,143	(2,107,560)	(156,806)	49,272,364
Net Finance Expense / (Income)	-	-	-	-	2,488,475	-	2,488,475
<b>Net Profit / (Loss)</b>	<b>34,908,599</b>	<b>1,698,095</b>	<b>11,636,893</b>	<b>3,293,143</b>	<b>(4,596,035)</b>	<b>(156,806)</b>	<b>46,783,889</b>
MAT Credit	-	-	-	-	(366,521)	-	(366,521)
Provision for Tax	-	-	-	-	5,336,606	-	5,336,606
Fringe Benefit Tax	-	-	-	-	271,659	-	271,659
Deferred Tax Expense	-	-	-	-	438,751	-	438,751
Minority Interest	476,320	-	5,863	-	-	-	482,183
<b>Net Profit / (Loss) after tax</b>	<b>34,432,279</b>	<b>1,698,095</b>	<b>11,631,030</b>	<b>3,293,143</b>	<b>(10,276,530)</b>	<b>(156,806)</b>	<b>40,621,211</b>
<b>Other Information</b>							
Segment Assets	186,701,410	35,064,125	34,283,414	9,127,036	10,848,217	-	276,024,202
Inter Segment Assets	14,320,982	8,448,193	33,250,299	12,911,601	47,127,158	(116,058,233)	-
Advance Tax	-	-	-	-	262,448	-	262,448
(Net of provision for tax)							
MAT Credit					366,521		366,521
<b>Total Assets</b>	<b>201,022,392</b>	<b>43,512,318</b>	<b>67,533,713</b>	<b>22,038,637</b>	<b>58,604,344</b>	<b>(116,058,233)</b>	<b>276,653,171</b>
Segment Liabilities	116,224,695	6,356,453	15,060,825	5,247,324	14,537,869	-	157,427,166
Inter Segment Liabilities	32,492,116	39,129,330	24,042,753	9,417,253	10,807,822	(115,889,274)	-
Minority Interest	1,826,214	-	122,017	-	-	-	1,948,231
Provision for FBT							
(net of payment)	-	-	-	-	6,748	-	6,748
Deferred Tax Liability	-	-	-	-	2,387,188	-	2,387,188
<b>Total Liabilities</b>	<b>150,543,025</b>	<b>45,485,783</b>	<b>39,225,595</b>	<b>14,664,577</b>	<b>27,739,627</b>	<b>(115,889,274)</b>	<b>161,769,333</b>
<b>Capital Expenditure</b>	<b>74,739,980</b>	<b>10,207,893</b>	<b>7,469,392</b>	<b>9,361,704</b>	<b>(19,204)</b>	<b>(7,819,404)</b>	<b>93,940,361</b>
<b>Depreciation and amortisation</b>	<b>18,975,719</b>	<b>4,243,899</b>	<b>2,151,589</b>	<b>851,940</b>	<b>410,114</b>	<b>(425,966)</b>	<b>26,207,295</b>

CONSOLIDATED BHARTI AIRTEL LIMITED

For the year ended March 31, 2006

(Rs'000)

Reportable Segments	Mobile Services	Broadband & Telephone Services	Enterprises Services Carriers	Enterprise Services Corporate	Others	Eliminations	Total
<b>Revenue</b>							
Billing Revenue / Sale of Goods and Other Income	81,660,647	14,369,149	14,369,560	6,857,577	(1,840)	-	117,255,093
Inter Segment Revenue	1,434,342	705,927	10,304,307	75,504	-	(12,520,080)	
<b>Total Revenue</b>	<b>83,094,989</b>	<b>15,075,076</b>	<b>24,673,867</b>	<b>6,933,081</b>	<b>(1,840)</b>	<b>(12,520,080)</b>	<b>117,255,093</b>
<b>Results</b>							
Segment Result, Profit / (Loss)	16,853,850	605,793	7,794,046	1,761,538	(1,316,231)	-	25,698,996
<b>Operating Profit/ (Loss) before Finance Expenses</b>							
	<b>16,853,850</b>	<b>605,793</b>	<b>7,794,046</b>	<b>1,761,538</b>	<b>(1,316,231)</b>	<b>-</b>	<b>25,698,996</b>
Net Finance Expense / (Income)	-	-	-	-	2,244,107	-	2,244,107
<b>Net Profit / (Loss)</b>	<b>16,853,850</b>	<b>605,793</b>	<b>7,794,046</b>	<b>1,761,538</b>	<b>(3,560,338)</b>	<b>-</b>	<b>23,454,889</b>
Provision for Tax	-	-	-	-	1,773,852	-	1,773,852
Fringe Benefit Tax	-	-	-	-	197,593	-	197,593
Deferred Tax Expense	-	-	-	-	937,413	-	937,413
Minority Share	261,141	-	5,404	-	-	-	266,545
<b>Net Profit / (Loss) after tax</b>	<b>16,592,709</b>	<b>605,793</b>	<b>7,788,642</b>	<b>1,761,538</b>	<b>(6,469,196)</b>	<b>-</b>	<b>20,279,486</b>
<b>Other Information</b>							
Segment Assets	126,674,072	30,348,910	25,883,831	7,805,110	3,487,652	-	194,199,575
Inter Segment Assets	2,115,780	10,705,203	19,061,109	4,077,043	41,044,678	(77,003,813)	-
Advance Tax (Net of provision for tax)	-	-	-	-	1,031,629	-	1,031,629
<b>Total Assets</b>	<b>128,789,852</b>	<b>41,054,113</b>	<b>44,944,940</b>	<b>11,882,153</b>	<b>45,563,959</b>	<b>(77,003,813)</b>	<b>195,231,204</b>
Segmental Liabilities	87,157,350	7,761,593	12,680,028	3,250,947	7,717,944	-	118,567,862
Inter Segment Liabilities	20,108,217	35,932,027	16,306,979	4,592,614	63,976	(77,003,813)	-
Minority Interest	974,893	-	116,155	-	-	-	1,091,048
Deferred Tax Liability	-	-	-	-	1,948,431	-	1,948,431
<b>Total Liabilities</b>	<b>108,240,460</b>	<b>43,693,620</b>	<b>29,103,162</b>	<b>7,843,561</b>	<b>9,730,351</b>	<b>(77,003,813)</b>	<b>121,607,341</b>
<b>Capital Expenditure</b>	<b>35,477,562</b>	<b>10,089,375</b>	<b>4,817,384</b>	<b>1,243,597</b>	<b>39,015</b>	<b>-</b>	<b>51,666,933</b>
<b>Depreciation and amortisation</b>	<b>11,444,626</b>	<b>2,647,423</b>	<b>1,882,629</b>	<b>380,973</b>	<b>63,123</b>	<b>-</b>	<b>16,418,774</b>

Notes:

- Others represents the Unallocated Revenue, Profit/(Loss), Assets and Liabilities;
- Segment results represents Profit/(Loss) before Finance Expenses and Tax;
- Capital expenditure pertains to gross additions made to Fixed Assets during the year excluding Goodwill;
- Segment Assets include Fixed Assets, Capital Work in Progress, Pre-operative Expenses Pending Allocation, Investments, Current Assets and Miscellaneous Expenditure to the extent not written off;
- Segment Liabilities include Secured and Unsecured Loans, Current Liabilities and Provisions;
- Inter-segment Assets/Liabilities represent the Inter-segment Account Balances;
- Inter-segment Revenues excludes the provision of telephone services free of cost among Group companies. Others are accounted for on terms established by management on arm's length basis. These transactions have been eliminated in consolidation;
- The accounting policies used to derive reportable segment results are consistent with those described in the "Significant Accounting Policies" note to the financial statements. Also refer Note 7 of Schedule 23.
- During the year ended March 31, 2007, the Group has refined the basis of Segment Accounting of Revenues and Costs relating to certain activities including data bandwidth and infrastructure. Consequently, as compared to the basis adopted by the Group in the earlier year, Revenues, Results, Assets and Liabilities of Broadband and Telephone Services segment are higher by Rs. 3,694,611 thousand, Rs. 2,678,137 thousand, Rs. 3,961,588 thousand and Rs. 692,800 thousand respectively; Revenues of Enterprises Corporate segment are lower by Rs. 1,067,585 thousand and Results, Assets and Liabilities are higher by Rs. 1,421,937 thousand, Rs. 2,544,911 thousand and Rs. 2,064,450 thousand respectively; Revenues, Results of Enterprise Carriers segment are lower by Rs. 3,520,279 thousand, Rs. 2,895,837 thousand respectively and Assets and Liabilities are higher by Rs. 1,649,699 thousand and Rs. 4,194,711 thousand respectively and results of Mobile Services segment are lower by Rs. 1,204,237 thousand and liabilities are higher by Rs. 1,204,237 thousand. Consequentially there is no impact on consolidated revenues and results.

### Information about Geographical Segment – Secondary

The Group has operations within India as well as with entities located in other countries. The information relating to the Geographical segments in respect of operations within India, which is the only reportable segment, the remaining portion being attributable to others, is presented below for the year ended March 31, 2007.

Particulars	Amount (Rs. '000)	
	As at March 31, 2007	As at March 31, 2006
<b>Segment Revenue from external customers based on geographical location of customers (including Other Income)</b>		
Within India	172,623,777	106,714,546
Others	12,697,137	10,540,547
	<u>185,320,914</u>	<u>117,255,093</u>
<b>Carrying amount of Segment Assets by geographical location</b>		
Within India	272,592,865	188,965,055
Others	4,060,306	6,266,149
	<u>276,653,171</u>	<u>195,231,204</u>
<b>Cost incurred during the year to acquire segment assets by geographical location</b>		
Within India	93,439,622	48,464,460
Others	500,739	3,202,473
	<u>93,940,361</u>	<u>51,666,933</u>

#### Notes:

1. 'Others' represents the Unallocated Revenue, Assets and Acquisition of Segment Assets of the Group;
2. Assets include Fixed Assets, Capital work in Progress, Investments, Current Assets, Deferred Tax Asset and Miscellaneous Expenditure to the extent not written off;
3. Cost incurred to acquire Segment Assets pertain to gross additions made to Fixed Assets during the year.

### 21. Related Party Disclosures

In accordance with the requirements of Accounting Standards (AS) -18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management are:

#### List of Related Parties

##### Key Management Personnel

Sunil Bharti Mittal  
Rajan Bharti Mittal  
Akhil Gupta  
Manoj Kohli

##### Other Related Parties

Name of the Related Party	Relationships
Bharti Telecom Limited	Entity having significant influence
Singapore Telecommunications Limited	Entity having significant influence
Bharti Telesoft Limited	Entity where Key Management Personnel exercises significant influence
Bharti Teletech Limited	Entity where Key Management Personnel exercises significant influence
Bharti Foundation	Entity where Key Management Personnel exercises significant influence
Bharti Tele-Ventures Employees' Trust	Entity where Key Management Personnel exercises significant influence

## Related Party Transactions for 2006-07

(Rs. '000)

Nature of transaction	Bharti Telecom Limited	Bharti Telecommunications Limited	Singapore Telecommunications Limited	Bharti Telesoft Limited	Bharti Teletech Limited	Bharti Foundation	Ventures Employee Welfare Trust	Bharti Tele- Employee'	Manoj Kohli
Purchase of Fixed Assets	-	-	-	-	(1,073,816)	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
Rendering of services	-	1,359,816	-	-	12,489	-	-	-	-
Receiving of services	-	(879,062)	(833,649)	-	-	-	-	-	-
Fund transferred/includes expenses incurred on behalf of others	9,078	-	-	26,937	4,764	768	-	-	-
Fund received/includes expenses incurred on behalf of Company	-	-	-	(10,828)	(2,986)	-	-	-	-
Employee related transaction incurred on behalf of Company	-	-	-	(6)	-	-	-	-	-
Salary	-	-	-	-	-	-	-	-	30,403
Donation	-	-	-	-	-	-	-	-	-
Amount received on exercise of ESOP Options	-	-	-	-	-	-	(81,746)	-	-
<b>Closing balance</b>	<b>9,078</b>	<b>799,126</b>	<b>799,126</b>	<b>57,682</b>	<b>(27,436)</b>	<b>768</b>	<b>133,787</b>	<b>-</b>	<b>-</b>
Creditors	-	-	-	-	(27,436)	-	-	-	-
Loan and Advances	9,078	-	-	57,682	-	768	133,787	-	-
Debtors	-	799,126	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>9,078</b>	<b>799,126</b>	<b>799,126</b>	<b>57,682</b>	<b>(27,436)</b>	<b>768</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Notes:**

- 1) The above excludes provision of telephone services free of cost among the Group Companies
- 2) Payment made to Key Management Personnel (excluding Manoj Kohli) is Rs.232,182 thousand (March 31, 2006: Rs. 194,127 thousand)

**Related Party Transactions for 2005-06**

(Rs. '000)

Nature of Transactions	Singapore Telecommunications Limited	Bharti Telesoft Limited	Bharti Teletech Limited	Teletech Services (I) Pvt Limited	Bharti Telesoft International Limited	Mulberry Projects Pvt.Ltd.	Bharti Foundation	Tele-Ventures Employees' Welfare Trust	Manoj Kohli
Purchase of Fixed assets	-	(1,555)	(303,750)	-	-	-	-	-	-
Rendering of Services	1,426,840	-	13	-	-	-	-	-	-
Receiving of Services	(894,333)	(13,103)	(317,339)	(144,794)	(23,217)	(10,938)	-	-	-
Funds transferred/ Includes expenses incurred on behalf of others	-	618	15,451	-	-	-	-	-	-
Funds received/ Includes expenses incurred on behalf of company	-	-	(26)	-	-	-	-	-	-
Employee Related Transaction incurred on behalf of others	-	-	108	-	-	-	-	-	-
Salary	-	-	-	-	-	-	-	-	18,181
Donation	-	-	-	-	-	-	84,855	-	-
Amount received on exercise of ESOP options	-	-	-	-	-	-	-	(59,732)	-
<b>Closing Balance</b>	<b>318,372</b>	<b>246,019</b>	<b>(36,537)</b>	<b>-</b>	<b>(4,841)</b>	<b>7,920</b>	<b>-</b>	<b>215,533</b>	<b>-</b>
Creditors	-	-	(38,513)	-	(4,841)	-	-	-	-
Loan and Advances	-	-	1,976	-	-	7,920	-	215,533	-
Debtors	318,372	246,019	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>318,372</b>	<b>246,019</b>	<b>(36,537)</b>	<b>-</b>	<b>(4,841)</b>	<b>7,920</b>	<b>-</b>	<b>215,533</b>	<b>-</b>

\* Entity where Key Management Personnel exercises significant influence in the year 2005-06;

\*\* Entity having significant influence in the year 2005-06;

**Note:**

1. The above excludes provision of telephone services free of cost among the Group companies
2. Payment made to key Managerial Personnel is Rs. 194,127 thousand (March 31, 2005 Rs. 159,132 thousand).

22. Leases

a) Operating Lease – As a Lessee

The lease rentals charged during the year for Cancelable/Non-Cancelable Leases relating to rent of building premises and cell sites as per the agreements and maximum obligation on Long-Term Non-Cancelable Operating Leases are as follows:

	For the year ending March 31, 2007 (Rs. '000)	For the year ending March 31, 2006 (Rs. '000)
Lease Rentals	3,637,529	2,162,871
Obligations on Non-Cancelable Leases:		
Not later than one year	5,965	30,560
Later than one year but not later than five years	160,026	159,600
Later than five years	-	30,095
<b>Total</b>	<b>165,991</b>	<b>220,255</b>

b) Operating Lease – As a Lessor

i) The Group has entered into a Non-Cancelable Lease arrangement to provide approximately 100,000 Fiber pair kilometers of dark fiber on indefeasible right of use (IRU) basis for a period of 15 years. The lease rental receivable proportionate to actual kilometers accepted by the customer is credited to the Profit and Loss Account on a straight – line basis over the lease term. Due to the nature of the transaction, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as at March 31, 2007 and accordingly, disclosures required by AS 19 are not provided.

ii) The future minimum lease payments receivable are:

	For the year ending March 31, 2007 (Rs. '000)	For the year ending March 31, 2006 (Rs. '000)
Not later than one year	281,734	281,734
Later than one year but not later than five years	1,126,936	1,126,936
Later than five years	2,019,095	2,300,829
<b>Total</b>	<b>3,427,765</b>	<b>3,709,499</b>

c) Finance Lease – As a Lessor

During the year the Group has given certain VSAT assets under finance lease. The reconciliation between the total of minimum lease payments as at March 31, 2007 and their present value is as follows:

	Gross Investment (Rs.'000)	Unearned Finance Income (Rs.'000)	Present Value (Rs.'000)
Not later than one year	20,737	2,121	18,616
Later than one year but not later than five years	9,104	393	8,711
<b>Total</b>	<b>29,841</b>	<b>2,514</b>	<b>27,327</b>

As as March 31, 2006

	Gross Investment (Rs.'000)	Unearned Finance Income (Rs.'000)	Present Value (Rs.'000)
Not later than one year	20,353	2,949	17,404
Later than one year but not later than five years	21,445	1,550	19,895
<b>Total</b>	<b>41,798</b>	<b>4,499</b>	<b>37,299</b>

Note: The unguaranteed residual value of finance lease accruing to the group is Nil (March 31,2006- Nil).

- d) The Group entered into a composite IT outsourcing agreement, whereby the vendor supplies Fixed Assets and IT related services to the Group. Based on the risks and rewards incident to the ownership, the Fixed Assets received are accounted for as a finance lease transaction. Accordingly, the Asset and Liability are recorded at the fair value of the leased assets at the inception. These assets are depreciated over their useful lives as in the case of the Group's own assets.

Since the entire amount payable to the vendor towards the supply of Fixed Assets during the year is accrued, there are no minimum lease payments outstanding as at the year-end in relation to these assets and accordingly, other disclosures as per AS 19 are not applicable.

23. The breakup of net Deferred Tax Asset / (Liability) into major components of the respective balances is as follows:

	( Rs.'000)	
	As at March 31, 2007	
	As at March 31, 2006	
Deferred Tax Assets / (Liabilities) arising from :		
(i) Provision for Doubtful Debts / Advances charged in the financial statements but allowed as deduction under the Income Tax Act in future years (to the extent considered realisable)	1,424,722	877,288
(ii) Depreciation claimed as deduction under the Income tax Act but chargeable in the financial statements in future years	(4,035,211)	(2,785,099)
(iii) Other expenses claimed as deduction under the Income Tax Act but chargeable in the financial statements in future years (Net)	223,307	(40,620)
<b>Net Deferred Tax Asset / (Liability)</b>	<b>(2,387,182)</b>	<b>(1,948,431)</b>

The tax impact for the above purpose has been arrived at by applying a tax rate of 33.99% being the substantively enacted tax rate for Indian companies under the Income Tax Act, 1961.

#### 24. Employee stock compensation

- (i) Pursuant to the shareholders' resolutions dated February 27, 2001 and September 25, 2001, the Group introduced the "Bharti Tele-Ventures Employees' Stock Option Plan" (hereinafter called "the Old Scheme") under which the Group decided to grant, from time to time, options to the employees of the Group and its subsidiaries. The grant of options to the employees under the ESOP Scheme is on the basis of their performance and other eligibility criteria.
- (ii) On August 31, 2001 and September 28, 2001, the Group issued a total of 1,440,000 equity shares at a price of Rs. 565 per equity share to the Trust. The Group issued bonus shares in the ratio of 10 equity shares for every one equity share held as of September 30, 2001, as a result of which the total number of shares allotted to the trust increased to 15,840,000 equity shares.
- (iii) Pursuant to the shareholders' further resolution dated September 6, 2005, the Group announced a new Employee Stock Option scheme (hereinafter called "the New Scheme") under which the maximum quantum of options was determined at 9,367,276 options to be granted to employees from time to time on the basis of their performance and other eligibility criteria.
- (iv) All above options are planned to be settled in equity at the time of exercise and have maximum period of 7 years from the date of respective grants. The plans existing during the year are as follows:

##### a) 2001 Plan under the Old Scheme

The options under this plan have an exercise price of Rs. 22.50 per share and vest on a graded basis as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 36 months:	On completion of 12 months	20%
	On completion of 24 months	30%
	On completion of 36 months	50%

For options with a vesting period of 42 months:	On completion of 12 months	15%
	On completion of 18 months	15%
	On completion of 30 months	30%
	On completion of 42 months	40%
For options with a vesting period of 48 months:	On completion of 12 months	10%
	On completion of 24 months	20%
	On completion of 36 months	30%
	On completion of 48 months	40%

b) 2004 Plan under the Old Scheme.

The options under this plan have an exercise price of Rs. 70 per share and vest on a graded basis as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 48 months:	On completion of 12 months	10%
	On completion of 24 months	20%
	On completion of 36 months	30%
	On completion of 48 months	40%

c) Superpot plan under the Old Scheme

The options under this plan have an exercise price of Rs. Nil per share and vest on a graded basis as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 36 months:	On completion of 12 months	30%
	On completion of 24 months	30%
	On completion of 36 months	40%

d) 2006 Plan under the Old Scheme

The Group granted options under this plan during the year ended March 31, 2007. The options under this plan have an exercise price of Rs. 10 per share and vest on a graded basis from the effective date of grant as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 48 months:	On completion of 36 months	50%
	On completion of 48 months	50%

e) 2005 Plan under the New Scheme

The options under this plan have an exercise price in the range of Rs. 221 to Rs. 597 per share and vest on a graded basis from the effective date of grant as follows:

	Vesting period from the grant date	Vesting schedule
For options with a vesting period of 48 months:	On completion of 12 months	10%
	On completion of 24 months	20%
	On completion of 36 months	30%
	On completion of 48 months	40%

(v) The information concerning stock options granted, exercised, forfeited and outstanding at the year-end is as follows:

(Shares in Thousands)	As of March 31, 2006			As of March 31, 2007		
	Number of stock options	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (in Years)	Number of stock options	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (in Years)
<b>2001 Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	2,321	22.50		270	22.50	
Granted	-	-		853	22.50	
Exercised	2,024	22.50		825	22.50	
Cancelled or expired	27	-		167	-	
Outstanding at the year end	270	22.50	2.94	131	22.50	1.01 to 4.01
Exercisable at end of year	270	22.50		116	22.50	
Weighted average grant date fair value per option for options granted during the year/period at less than market value	-	-		853	324.94	
<b>2004 Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	2,134	70.00		1,660	70.00	
Granted	-	70.00		-	-	
Exercised	203	70.00		742	70.00	
Cancelled or expired	271	-		163	-	
Outstanding at the year end	1,660	70.00	4.83	755	70.00	3.76 to 4.25
Exercisable at end of year	266	70.00		6	70.00	
Weighted average grant date fair value per option for options granted during the year/period at less than market value	235	84.82		-	-	
<b>Superpot Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	-	-		52	-	
Granted	71	-		-	-	
Exercised	14	-		24	-	
Cancelled or expired	5	-		3	-	
Outstanding at the year end	52	-	5.25	25	-	4.25
Exercisable at end of year	6	-		-	-	
Weighted average grant date fair value per value for options granted during the year/period at less than market value	71	139.40		-	-	
<b>2006 Plan</b>						
Number of shares under option:						
Outstanding at beginning of year	-	-		-	-	
Granted	-	-		1,316	10.00	
Exercised	-	-		-	-	
Cancelled or expired	-	-		65	-	
Outstanding at the year end	-	-	-	1,251	10.00	6.25
Exercisable at end of year	-	-		-	-	
Weighted average grant date fair value per value for options granted during the year/period at less than market value	-	-		1,316	370.27	
<b>Scheme 2005</b>						
Number of shares under option:						
Outstanding at beginning of year	-	-		2,589	238.03	
Granted	2,589	238.03		1,164	398.04	
Exercised	-	-		165	238.03	
Cancelled or expired	-	-		568	-	
Outstanding at the year end	2,589	238.03	6.46	3,020	287.66	5.44 to 6.92
Exercisable at end of year	-	-		58	287.66	
Weighted average grant date fair value per option for options granted during the year/period at less than market value	2,589	191.86		1,164	203.46	

- (vi) The fair value of the options granted estimated on the date of grant using the Black-Scholes Model with the following assumptions

	Year ended March 31, 2006	Year ended March 31, 2007
Risk free interest rates	6.65% to 7.33%	6.68% to 8.11%
Expected life	48 to 66 months	48 to 66 months
Volatility	44.48% to 45.87%	41.77% to 46.16%
Dividend yield	0.00%	0.00%

The volatility of the options is based on the historical volatility of the share price since the Group's equity shares became publicly traded, which may be shorter than the term of the options;

- (vii) The balance of deferred stock compensation as on March 31, 2007 is Rs. 522,258 thousand (March 31, 2006 Rs. 388,148 thousand) and total employee compensation cost recognized for the year then ended is Rs. 226,343 thousand (March 31, 2006 Rs. 127,067 thousand).
25. (i) The Central Government's approval is pending against the application made by erstwhile Bharti Mobile Limited (BML) in respect of remuneration of Rs. 1,943 thousand [Rs. 1,274 thousand for the five month period ended August 31, 2000 and Rs. 669 thousand for the year ended March 31, 2000 respectively](March 2003: Rs. 1,943 thousand) payable to the former whole time director which exceeds the limits prescribed by Schedule XIII of the Companies Act, 1956.
- (ii) The Central Government's approval is pending against the application made by erstwhile BCL in respect of excess remuneration paid to whole time directors of Rs. 4,063 thousand (March 31, 2006 Rs.4,063 thousand).
- (iii) The cumulative amount of excess remuneration paid to the whole time director by Bharti Airtel pending approval of Central Government pertaining to earlier years is Rs. 565 thousand (March 31, 2006 Rs. 565 thousand) and is refundable by the director.
- (iv) The cumulative amount of excess remuneration paid to Managing Director and whole time directors by erstwhile BIL pertaining to earlier years, pending approval of the Central Government is Rs. 3,114 thousand (March 31, 2006 Rs.3,114 thousand) and is refundable by directors.

26. Earnings Per Share

	As at March 31, 2007	As at March 31,2006
<b>Basic and Diluted Earnings per Share :</b>		
Nominal value of equity shares (Rs.)	10/-	10/-
Profit attributable to equity shareholders (Rs'000) (A)	40,621,210	20,279,486
Weighted average number of equity shares outstanding during the year (B)	1,895,396,494	1,881,838,518
Basic Earnings per Share (Rs.) (A / B)	21.43	10.78
Dilutive effect on Profit (Rs.'000) (C )*	13,128	4,080
Profit attributable to equity shareholders for computing Diluted EPS (Rs'000) (D)=(A+C)	40,634,338	20,283,566
Dilutive effect on weighted average number of equity shares outstanding during the year (E)*	2,292,458	15,822,704
Weighted Average number of equity shares and Equity Equivalent shares for computing Diluted EPS (F)=(B+E)	1,897,688,952	1,897,661,222
Diluted Earnings per Share (Rs.) (D/ F)	21.41	10.69

\*Diluted effect on weighted average number of equity shares and profit attributable is on account of Foreign Currency Convertible Bonds.

27. As at March 31, 2007, the accumulated losses of Bharti Comtel Limited, Bharti Airtel (USA) Limited and Bharti Airtel (Canada) Limited exceed the net worth of the respective companies and in case of Bharti Broadband Limited there is substantial erosion of the Company's net worth. However, in view of the support from Bharti Airtel, the holding Company, the accounts for the above entities are prepared on a going concern basis.
28. During the year, Gross Revenue is lower due to a one time reversal of Rs. 292,113 thousand resulting from non adherence of certain laid down company policies which also led to an additional provision of bad and doubtful debts amounting to Rs. 239,228 thousand.
29. Previous year figures have been regrouped/reclassified, wherever necessary, to conform to current year's classification.

**Statement pursuant to exemption received under Section 212 (8) of the Companies Act, 1956 relating to subsidiary companies for the year ended March 31, 2007**

(Rs. 000's)

Sr. No.	Name of the Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investments Other than Investment in Subsidiary	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
1	Bharti Hexacom Limited	India	2,417,000	3,458,875	11,893,057	6,017,182	-	7,028,608	1,606,906	75,931	1,530,975	-
2	Bharti Aquanet Limited	India	25,000	224,013	262,835	13,822	60,833	49,490	19,510	7,543	11,967	-
3	Satcom Broadband Equipment Limited	India	248,592	7,627	484,693	228,474	-	208,486	40,075	12,652	27,423	-
4	Bharti Comtel Limited	India	1,000	(222,345)	1,394,714	1,616,059	-	1,394,151	(96,482)	22,108	(118,590)	-
5	Bharti Broadband Limited	India	292,000	(222,910)	703,959	634,869	225,000	191,962	(32,123)	(3,346)	(28,777)	-
6	Bharti Infratel limited	India	500	(71)	511	82	-	-	(82)	(11)	(71)	-
7	Bharti Telemedia Limited	India	102,000	(977)	101,109	86	-	-	(1,454)	(477)	(977)	-
8	Bharti Airtel (UK) Limited	United Kingdom	55,836	(16,863)	43,851	4,878	-	-	(16,516)	-	(16,516)	-
9	Bharti Airtel (Canada) Limited	Canada	4	(1,866)	2,800	4,662	-	-	(1,874)	-	(1,874)	-
10	Bharti Airtel (USA) Limited	United States of America	104,457	(223,852)	345,437	464,832	-	36,769	(342,314)	(115,352)	(226,962)	-
11	Bharti Airtel (Hong Kong) Limited	Hongkong	8,184	(7,201)	998	15	-	-	(7,263)	-	(7,263)	-

## NOTES

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**Bharti Airtel Limited**

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