**Quarterly report on the results for the fourth quarter and full year ended March 31, 2008**

**Bharti Airtel Limited**
(Incorporated as a public limited company on July 7, 1995 under the Companies Act, 1956)
Qutab Ambience, H-5/12, Mehrauli Road, New Delhi 110030, India


Unbreakable bonds, Unmatched network

Getting more out of life with Airtel Broadband

**April 25, 2008**

Sunil B Mittal
Chairman & Managing Director

Manoj Kohli
President & Chief Executive Officer

Akhil Gupta
Joint Managing Director

Sarvjit S. Dhillon
Chief Financial Officer & Director Strategy

The financial statements included in this quarterly report fairly presents in all material respects the financial condition, results of operations, cash flows of the company as of, and for the periods presented in this report.

# Supplemental Disclosures

**Safe Harbor**: - Some information in this report may contain forward-looking statements. We have based these forward-looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements' and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and actual results can be material, depending on the circumstances. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as of the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, any forward-looking statement made in this report or elsewhere may or may not occur and has to be understood and read along with this supplemental disclosure.

**General Risk**: - Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of Bharti Airtel including the risks involved.

**Convenience translation**: - We publish our financial statements in Indian Rupees. All references herein to "Indian Rupees" and "Rs." are to Indian Rupees and all references herein to "US dollars" and "US$" are to United States dollars. All translations from Indian Rupees to United States dollars were made (unless otherwise indicated) using the rate of Rs. 40.02 = US $1.00, the noon buying rate as announced by the Federal Reserve Bank of New York on March 31, 2008. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupees or United States dollar amounts referred to herein could have been or could be converted into United States dollars or Indian Rupees respectively, as the case may be, at any particular rate, the above rates or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding off. Information contained on our websites www.bhartiairtel.in, www.airtel.in, www.airteltelephone.com, www.airtel-broadband.com, www.airtellongdistance.com nksnk and www.airtelenterprise.com is not part of this Quarterly Report.

**Use of Certain Non-GAAP measures**: - This result announcement contains certain information on the Company's results of operations and cash flows that have been derived from amounts calculated in accordance with United States Generally Accepted Accounting Principles (US GAAP), but are not in themselves US GAAP measures. They should not be viewed in isolation as alternatives to the equivalent US GAAP measures and should be read in conjunction with the equivalent US GAAP measures. **Further, disclosures are also provided under "Use of Non - GAAP financial information" on page 22.**

**Others: -** In this report, the terms "we", "us", "our", "Bharti", or "the Company", unless otherwise specified or the context otherwise implies, refer to Bharti Airtel Limited ("Bharti Airtel") and its subsidiaries, Bharti Hexacom Limited ("Bharti Hexacom"), Bharti Airtel Services Limited (erstwhile Bharti Comtel), Bharti Aquanet Limited ("Bharti Aquanet"), Bharti Infratel Limited (Bharti Infratel), Bharti Telemedia Limited (Bharti Telemedia), Bharti Airtel (USA) Limited, Bharti Airtel (UK) Limited, Bharti Airtel (Canada) Limited, Bharti Airtel (Hong Kong) Limited, Bharti Airtel Lanka (Private) Limited, Bharti Airtel (Singapore) Private Ltd., Network i2i Limited, Bharti Airtel Holdings (Singapore) Pte Ltd, Bharti Infratel Lanka (Private) Limited (subsidiary of Bharti Airtel Lanka (Private) Limited) and Bharti Infratel Ventures Limited (subsidiary of Bharti Infratel).

**Disclaimer: -** This communication does not constitute an offer of securities for sale in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus and will contain detailed information about the Company and its management, as well as financial statements.

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# Section 1

## BHARTI AIRTEL – PERFORMANCE AT A GLANCE

| Particulars | UNITS | Full Year Ended March 31, | | | | Quarter Ended | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2005 | 2006 | 2007 | 2008 | June 30, 2007 | Sept. 30, 2007 | Dec. 31, 2007 | Mar. 31, 2008 |
| **Total Customer Base** | **000's.** | **11,842** | **20,926** | **39,013** | **64,268** | **44,676** | **50,951** | **57,341** | **64,268** |
| Mobile Services | 000's. | 10,984 | 19,579 | 37,141 | 61,985 | 42,704 | 48,876 | 55,163 | 61,985 |
| Telemedia Services | 000's. | 857 | 1,347 | 1,871 | 2,283 | 1,972 | 2,075 | 2,178 | 2,283 |
| **Consolidated financials as per US GAAP** | | | | | | | | | |
| Revenue | INR Mn. | 80,028 | 116,215 | 185,196 | 270,250 | 59,046 | 63,374 | 69,639 | 78,191 |
| EBITDA | INR Mn. | 30,128 | 43,374 | 74,508 | 113,715 | 24,466 | 27,097 | 29,634 | 32,518 |
| Cash profit from operations | INR Mn. | 28,132 | 40,862 | 73,070 | 111,374 | 26,218 | 25,971 | 28,824 | 30,361 |
| Income before income taxes | INR Mn. | 16,604 | 25,366 | 48,860 | 76,537 | 18,901 | 17,472 | 19,032 | 21,132 |
| Net income | INR Mn. | 14,978 | 22,567 | 42,571 | 67,008 | 15,116 | 16,139 | 17,224 | 18,529 |
| **Consolidated financials as per US GAAP** | | | | | | | | | |
| Revenue | US$ Mn. | 1,835 | 2,613 | 4,297 | 6,753 | 1,455 | 1,594 | 1,767 | 1,954 |
| EBITDA | US$ Mn. | 691 | 975 | 1,729 | 2,841 | 603 | 682 | 752 | 813 |
| Cash profit from operations | US$ Mn. | 645 | 919 | 1,695 | 2,783 | 646 | 653 | 731 | 759 |
| Income before income taxes | US$ Mn. | 381 | 570 | 1,134 | 1,912 | 466 | 440 | 483 | 528 |
| Net income | US$ Mn. | 343 | 507 | 988 | 1,674 | 372 | 406 | 437 | 463 |
| **Key Ratios** | | | | | | | | | |
| EBITDA Margin | % | 37.6% | 37.3% | 40.2% | 42.1% | 41.4% | 42.8% | 42.6% | 41.6% |
| Net Profit Margin | % | 18.7% | 19.4% | 23.0% | 24.8% | 25.6% | 25.5% | 24.7% | 23.7% |
| Net Debt to Stockholders Equity | Times | 0.66 | 0.45 | 0.31 | 0.19 | 0.22 | 0.24 | 0.24 | 0.19 |
| Return on Stockholders Equity | % | 28.0% | 29.5% | 37.4% | 38.0% | 40.8% | 41.8% | 41.0% | 39.6% |
| Return on Capital employed | % | 18.0% | 21.3% | 28.2% | 31.7% | 29.3% | 31.5% | 32.9% | 33.2% |

1. *Annual financial highlights for the year ended March 31, 2005, 2006, 2007 and 2008 are based on consolidated audited results as per United States Generally Accepted Accounting Principles (US GAAP).*
2. *Financial highlights for the quarter ended June 30, 2007, September 30, 2007, December 31, 2007 and March 31,2008 are audited and are based on the consolidated results as per United States Generally Accepted Accounting Principles (US GAAP).*
3. *Income before income taxes for the full year ended March 31, 2007 and March 31, 2008 as well as quarter ended June 30, 2007, September 30, 2007, December 31, 2007, March 31, 2008 are after fringe benefit tax.*
4. *Exchange rate for Rupee conversion to US$ is (a) Rs. 43.62 for the financial year ended March 31, 2005 (b) Rs. 44.48 for the financial year ended March 31, 2006 (c) Rs. 43.10 for the financial year ended March 31, 2007 (d) Rs.40.58 for the quarter ended June 30,2007 (e) Rs. 39.75 for the quarter ended September 30, 2007 (f) Rs. 39.41 for the quarter ended December 31, 2007 and (g) Rs 40.02 for the quarter ended March 31,2008 being the noon buying rate as announced by The Federal Reserve Bank of New York at the end of the respective periods.*

# Section 2

# AN OVERVIEW

## 2.1 Introduction

We are one of India's leading providers of telecommunication services with a nationwide presence in all the 23 licensed jurisdictions (also known as Telecom Circles). We served an aggregate of 64,268,049 customers as of March 31, 2008; of whom 61,984,721 subscribe to our GSM services and 2,283,328 use our Telemedia Services either for voice and/or broadband access delivered through DSL. We are the largest wireless service provider in the country, based on the number of subscribers as of March 31, 2008. We also offer an integrated suite of telecom solutions to our enterprise customers, in addition to providing long distance connectivity both nationally and internationally. All these services are rendered under a unified brand "Airtel".

During the quarter Bharti Airtel hived off its assets pertaining to passive infrastructure into its subsidiary, Bharti Infratel Ltd. effective January 31, 2008. Bharti Infratel Ltd deploys, owns and manages passive infrastructure pertaining to telecom operations. The company has over 52,000 towers as on March 31, 2008, out of which approx 30,000 towers would be transferred to Indus Towers Ltd (a Joint Venture between Bharti Infratel, Vodafone & Idea Cellular) for 16 circles. Bharti Infratel will own 42% of Indus Towers Ltd.

Bharti Infratel and Indus Towers are the top two providers of passive infrastructure services in India

## 2.2 Business Divisions

**Mobile Services** - We offer mobile and fixed wireless services (FWP) using GSM technology on 900MHz and 1800MHz bands, and are the largest wireless service provider in the country, based on the number of customers. Our 61,984,721 mobile customers accounted for a market share of 23.8% of wireless market, as on March 31, 2008.

We offer post-paid, pre-paid, roaming and value added services through our extensive sales and distribution channel covering 859,366 outlets.

Our network is present in 5,023 census towns and 342,623 non-census towns & villages in India, thus covering approximately 71% of the country's population. Our network operating centers, which monitor the health of our mobile network are located in Gurgaon, near Delhi, and Chennai.

**Telemedia Services** – We provide broadband (DSL) & telephone services (fixed line) in 94 cities with growing focus on new media solutions and foray into IPTV and DTH businesses. We had 2,283,328 customers as on March 31, 2008 of which 34.8% were subscribing to broadband / internet services.

The strategy of our Telemedia business is to focus on the cities with high revenue potential, excepting for DTH which will be an all India offering. Our product offering in this segment includes supply and installation of fixed-line telephones providing local, national and international long distance voice connectivity and broadband Internet access through DSL. The business also provides value added services such as intelligent network based advanced management services, viz. toll free numbers, virtual private automatic branch exchange networks, ring back tones and call forwarding among others.

**Enterprise Services** - Enterprise Services provides a broad portfolio of services to large Enterprise & Carrier customers. This division comprises of the Carrier and Corporate business unit.

Enterprise Services is regarded as the trusted communications partner to India's leading organizations, working with them to meet the challenges of growth.

**Carriers –** Carrier business unit provides long distance wholesale voice and data services to carrier customers as well as to other business units of Airtel. It also offers virtual calling card services in the overseas markets.

The business unit owns a state of the art national and international long distance network infrastructure enabling it to provide connectivity services both within India and connecting India to the world.

The national long distance infrastructure comprises of 73,787 Rkms of optical fibre, over 1000 MPLS and SDH POPs and over 800 POIs with the local exchanges, providing a pan India reach.

The international infrastructure includes ownership of the i2i submarine cable system connecting Chennai to Singapore, consortium ownership of the SMW4 submarine cable system and investment in capacities across a number of diverse submarine cable systems across transatlantic and transpacific routes. During 2007-08 it has announced investments in new cable systems such as Asia America Gateway (AAG), India Middle East and Western Europe (IMEWE) and Unity North.

**Corporates** – This business unit delivers end to end telecom solutions to India's large corporates as well as small and medium enterprises. It serves as the single point of contact for all telecommunication needs for corporate customers in India by providing full suite of communication services across data, voice and managed services.

It specializes in providing customized solutions to address unique requirements of different industry verticals; BFSI, IT, ITeS, Manufacturing and distribution, media, education, telecom, Government and PSUs and retail among others

Backed by the alliances with leading technology companies worldwide and state of the art infrastructure, it offers complete range of telecom solutions. These solutions enable corporates to network their offices within India and across the globe, provide them infrastructure to run business critical applications and provide them means to connect with their customers, vendors and employees.

These services include; Internet, MPLS -VPN, domestic and international private leased circuits, Satellite services (VSAT), Audio & Video conferencing, Data centre services, Managed network services, corporate value added services, EPBX, Centrex, Contact centre solutions.

**Passive Infrastructure Services** – Bharti Infratel provides passive infrastructure services on a non-discriminatory basis to all telecom operators in India. Bharti Infratel deploys, owns and manages passive infrastructure on an all India basis. The company had over 52,000 towers as on March 31, 2008, out of which approx 30,000 towers would be transferred to Indus Towers Ltd (a Joint Venture between Bharti Infratel, Vodafone & Idea Cellular) for 16 circles.

### 2.3 Partners

**Strategic Equity Partners -** We have a strategic alliance with SingTel, which has enabled us to further enhance and expand our telecommunications networks in India to provide quality service to our customers. The investment made by SingTel in Bharti is one of their largest investments made in the world outside Singapore.

**Equipment & Technology Partners -** We believe in deploying the finest technology and operating state-of-the-art networks. Equipment suppliers for our mobile networks include Ericsson, Nokia and Huawei. In case of the telephone services and long distance networks, equipment suppliers include Siemens, Nortel, Corning, CISCO, WIPRO among others. We have an information technology alliance with IBM for our group - wide information technology requirements. We also have a technology alliance with Nortel for call center technology requirements.

# Section 3

## FINANCIAL HIGHLIGHTS

This section presents the (1) un-audited financial results for the fourth quarter and audited results for the full year ended March 31, 2007 and (2) audited financial results for the fourth quarter and full year ended March 31, 2008 as per United States Generally Accepted Accounting Principles (USGAAP).

*Detailed financial statements, analysis and other related information is attached to this report as Annexure (page 29). Also, kindly refer to Section 7 (use of Non - GAAP financial information on page 22) and Glossary (page 41) for detailed definitions.*

### 3.1 Consolidated - Summary of Consolidated Financial Statements

#### 3.1.1 Consolidated Summarized Statement of Operations (net of inter segment eliminations)

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 78,191 | 53,932 | 45% | 270,250 | 185,196 | 46% |
| EBITDA | 32,518 | 22,408 | 45% | 113,715 | 74,508 | 53% |
| Cash profit from operations before Derivative and Exchange Fluctuation | 31,625 | 21,766 | 45% | 110,579 | 71,209 | 55% |
| Cash profit from operations after Derivative and Exchange Fluctuation | 30,361 | 21,930 | 38% | 111,374 | 73,070 | 52% |
| Income before Income taxes | 21,132 | 15,068 | 40% | 76,537 | 48,860 | 57% |
| Current tax expense | 2,298 | 1,768 | 30% | 8,414 | 5,330 | 58% |
| Income after current tax expense | 18,834 | 13,300 | 42% | 68,123 | 43,530 | 56% |
| Deferred tax expense / (Income) | (213) | (415) | | (36) | 492 | |
| Net income | 18,529 | 13,531 | 37% | 67,008 | 42,571 | 57% |
| EBITDA / Total revenues | 41.6% | 41.5% | | 42.1% | 40.2% | |

#### 3.1.2 Consolidated Summarized Balance Sheet

*Amount in Rs. Million*

| Particulars | As at March 31, 2008 |
|---|---|
| **ASSETS** | |
| Total current assets | 113,782 |
| Total non current assets | 358,861 |
| **Total assets** | **472,643** |
| | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | |
| Total current liabilities | 154,135 |
| Total non current liabilities | 92,910 |
| **Total liabilities** | **247,045** |
| | |
| **Minority Interest** | **8,556** |
| **Total stockholders' equity** | **217,042** |
| | |
| **Total liabilities and stockholders' equity** | **472,643** |

### 3.2 Segment - wise Summarized Statement of Operations

**3.2.1 Mobile Services -** comprises of consolidated statement of operations of Mobile Services.

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 64,201 | 42,431 | 51% | 217,861 | 141,442 | 54% |
| EBITDA | 22,779 | 16,604 | 37% | 85,480 | 53,253 | 61% |
| EBIT | 16,934 | 11,424 | 48% | 59,658 | 35,654 | 67% |
| EBITDA / Total revenues | 35.5% | 39.1% | | 39.2% | 37.7% | |

**3.2.2 Telemedia Services -** comprises of consolidated statement of operations of Telemedia Services.

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 7,641 | 6,044 | 26% | 28,484 | 22,453 | 27% |
| EBITDA | 3,344 | 1,727 | 94% | 11,407 | 5,602 | 104% |
| EBIT | 1,910 | 833 | 129% | 6,125 | 1,740 | 252% |
| EBITDA / Total revenues | 43.8% | 28.6% | | 40.0% | 24.9% | |

**3.2.3 Enterprise Services –** comprises of the Enterprise Services – Carriers (Long distance services) and Enterprise Services – Corporates

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 16,340 | 12,667 | 29% | 56,387 | 43,938 | 28% |
| EBITDA | 6,179 | 4,897 | 26% | 20,433 | 17,950 | 14% |
| EBIT | 4,968 | 4,033 | 23% | 16,635 | 14,980 | 11% |
| EBITDA / Total revenues | 37.8% | 38.7% | | 36.2% | 40.9% | |

**3.2.3.1 Enterprise Services – Carriers -** comprises of the domestic, international long distance operations and landing station (at Chennai).

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 12,566 | 10,156 | 24% | 43,170 | 34,889 | 24% |
| EBITDA | 4,027 | 3,640 | 11% | 14,310 | 13,758 | 4% |
| EBIT | 3,170 | 2,966 | 7% | 11,502 | 11,495 | 0.1% |
| EBITDA / Total revenues | 32.0% | 35.8% | | 33.1% | 39.4% | |

**3.2.3.2 Enterprise Services – Corporates-** comprises of end to end telecom solutions being provided to corporates and small and medium enterprises

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 3,774 | 2,511 | 50% | 13,217 | 9,049 | 46% |
| EBITDA | 2,152 | 1,257 | 71% | 6,123 | 4,192 | 46% |
| EBIT | 1,798 | 1,067 | 68% | 5,133 | 3,485 | 47% |
| EBITDA / Total revenues | 57.0% | 50.1% | | 46.3% | 46.3% | |

**3.2.4 Others –** comprises of Bharti corporate offices and new projects

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 804 | 294 | - | 2,431 | 804 | - |
| EBITDA | (1,142) | (634) | - | (3,659) | (1,714) | - |
| Depreciation and Others | 305 | 62 | - | 597 | 204 | - |
| EBIT | (1,448) | (696) | - | (4,257) | (1,918) | - |

**3.2.5 Passive Infrastructure Services –** represents Bharti Infratel Ltd, and comprises of passive infrastructure being provided to telecom operators

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| Total revenues | 6,023 | - | - | 6,023 | - | - |
| EBITDA | 2,236 | - | - | 2,236 | - | - |
| EBIT | 986 | - | - | 986 | - | - |
| EBITDA / Total revenues | 37.1% | - | - | 37.1% | - | - |

**3.3 Segment-wise Investments and Contribution**

**3.3.1 Investments in projects**

*Amount in Rs. Million, except ratios*

| Segment | As at March 31, 2008 | |
|---|---|---|
| | Rs. Million | % of Total |
| Mobile Services | 233,600 | 51% |
| Telemedia Services | 54,774 | 12% |
| Enterprise Services - Carriers | 57,976 | 13% |
| Enterprise Services - Corporates | 6,743 | 1% |
| Passive Infrastructure Services | 106,214 | 23% |
| Others | 2,347 | 1% |
| **Total** | **461,654** | **100%** |
| Less:- Accumulated Depreciation and Amortization | 107,891 | |
| **Net Fixed Assets and Other Project Investment** | **353,763** | |

### 3.3.2 Segment-wise contribution to Revenue, EBITDA and Capital expenditure incurred during the period [1]

| Segment | Quarter Ended March 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | EBITDA | | Capex | |
| | Rs. Million | % of total | Rs. Million | % of total | Rs. Million | % of total |
| Mobile Services | 64,201 | 82% | 22,779 | 70% | (88,219) | -313% |
| Telemedia Services | 7,641 | 10% | 3,344 | 10% | 4,185 | 15% |
| Enterprise Services - Carriers | 12,566 | 16% | 4,027 | 12% | 5,059 | 18% |
| Enterprise Services - Corporates | 3,774 | 5% | 2,152 | 7% | 411 | 1% |
| Passive Infrastructure Services | 6,023 | 8% | 2,236 | 7% | 106,214 | 377% |
| Others | 804 | 1% | (1,142) | -4% | 556 | 2% |
| **Sub Total** | **95,009** | **122%** | **33,396** | **103%** | **28,206** | **100%** |
| Eliminations | (16,818) | -22% | (878) | -3% | | |
| **Total** | **78,191** | **100%** | **32,518** | **100%** | **28,206** | **100%** |

*Note1: Revenue and EBITDA eliminations are on account of inter-segment transactions. Capex is net of eliminations*

| Segment | Year Ended March 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | EBITDA | | Capex | |
| | Rs. Million | % of total | Rs. Million | % of total | Rs. Million | % of total |
| Mobile Services | 217,861 | 81% | 85,480 | 75% | 787 | 1% |
| Telemedia Services | 28,484 | 11% | 11,407 | 10% | 9,465 | 7% |
| Enterprise Services - Carriers | 43,170 | 16% | 14,310 | 13% | 19,171 | 14% |
| Enterprise Services - Corporates | 13,217 | 5% | 6,123 | 5% | 1,548 | 1% |
| Passive Infrastructure Services | 6,023 | 2% | 2,236 | 2% | 106,214 | 77% |
| Others | 2,431 | 1% | (3,659) | -3% | 1,285 | 1% |
| **Sub Total** | **311,186** | **115%** | **115,897** | **102%** | **138,470** | **100%** |
| Eliminations | (40,936) | -15% | (2,182) | -2% | | |
| **Total** | **270,250** | **100%** | **113,715** | **100%** | **138,470** | **100%** |

.

# SECTION 4

# OPERATING HIGHLIGHTS

The financial figures used for computing ARPU, Non Voice revenue, SMS revenue, gross revenue per employee per month are based on United States Generally Accepted Accounting Principles (US GAAP).

### 4.1 Bharti Airtel Consolidated

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Q-on-Q Growth | March 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Customers on our Network** | | | | | | |
| Mobile Services | 000's. | 61,985 | 55,163 | 12% | 37,141 | 67% |
| Telemedia Services | 000's. | 2,283 | 2,178 | 5% | 1,871 | 22% |
| **Total** | **000's.** | **64,268** | **57,341** | **12%** | **39,013** | **65%** |
| Non Voice Revenue as a % of Total Revenues | % | 14.9% | 14.1% | | 14.6% | |
| Total Employees | No. | 25,543 | 24,703 | 3% | 20,314 | 26% |

### 4.2 Mobile Services

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Q-on-Q Growth | March 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Subscriber Base[2]** | | | | | | |
| All India Mobile Subscribers | 000's. | 260,481 | 233,625 | 11% | 166,051 | 57% |
| Mobile Customers on Bharti's Network | 000's. | 61,985 | 55,163 | 12% | 37,141 | 67% |
| **Net Additions** | | | | | | |
| All India Mobile Subscribers | 000's. | 26,856 | 24,541 | 9% | 15,864 | 69% |
| Mobile Customers on Bharti's Network | 000's. | 6,822 | 6,287 | 9% | 5,167 | 32% |
| **Market Share** | | | | | | |
| Bharti's Mobile Market Share | % | 23.8% | 23.6% | | 22.4% | |
| Bharti's Market Share of Net Additions | % | 25.4% | 25.6% | | 32.6% | |
| **Pre-Paid Subscribers** | | | | | | |
| Total Customer Base | % | 91.6% | 91.0% | | 88.5% | |
| Total Net Additions | % | 96.3% | 95.4% | | 97.3% | |
| **Other Operating Information** | | | | | | |
| Average Revenue Per User (ARPU) | Rs. | 357 | 358 | | 406 | |
| Average Revenue Per User (ARPU) | US$ | 8.9 | 8.9 | | 10.1 | |
| Average Minutes of Use Per User | Minutes | 507 | 474 | 7% | 475 | 7% |
| **Monthly Churn** | | | | | | |
| Post-paid Voluntary Churn | % | 1.0% | 0.9% | | 1.0% | |
| Post-paid Company Initiated Churn | % | 1.5% | 1.8% | | 2.2% | |
| Pre-paid | % | 4.3% | 3.9% | | 3.6% | |
| **Non Voice Revenue** | | | | | | |
| SMS Revenue as a % of Mobile Revenues | % | 4.4% | 4.4% | | 6.0% | |
| Non Voice Revenue as a % of Mobile Revenues | % | 9.4% | 9.3% | | 10.1% | |

*Note 2: All India mobile subscribers for quarter ended December 2007 and the month of January 2008 and February 2008 are as per report published by TRAI. Due to the non publication of TRAI report as on date, all India Mobile subscriber net additions for March 2008 are as reported by COAI and AUSPI.*

### 4.3 Telemedia Services

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Q-on-Q Growth | March 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| Telemedia Customers | 000's. | 2,283 | 2,178 | 5% | 1,871 | 22% |
| Net additions | 000's. | 105 | 103 | 2% | 134 | -21% |
| Average Revenue Per User (ARPU) | Rs | 1,137 | 1,140 | | 1,112 | 2% |
| Average Revenue Per User (ARPU) | US$ | 28.4 | 28.5 | | 27.8 | 2% |

### 4.4 Traffic Details - Gross of inter-segment eliminations

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Q-on-Q Growth | March 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| Mobile Services | Mn Min | 89,058 | 73,840 | 21% | 49,240 | 81% |
| Telemedia Services | Mn Min | 4,736 | 4,604 | 3% | 4,241 | 12% |
| National Long Distance Services | Mn Min | 9,398 | 7,898 | 19% | 5,004 | 88% |
| International Long Distance Services | Mn Min | 1,850 | 1,591 | 16% | 1,194 | 55% |
| **Total Minutes on Network** | **Mn Min** | **105,042** | **87,933** | **19%** | **59,679** | **76%** |

*Note : The minutes are gross of Intersegment Elimination*

### 4.5 Network and Coverage

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Q-on-Q Growth | March 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Mobile Services** | | | | | | |
| Census Towns | No. | 5,023 | 4,902 | 121 | 4,676 | 347 |
| Non-Census Towns and Villages | No. | 342,623 | 320,623 | 22,000 | 207,327 | 135,296 |
| Population Coverage | % | 71% | 68% | | 59% | |
| Network Sites | No. | 69,141 | 60,299 | 8,842 | 39,224 | 29,917 |
| **Telemedia Services** | | | | | | |
| Cities covered | No. | 94 | 94 | - | 94 | - |
| **Carriers (National Long Distance)** | | | | | | |
| Optic Fibre Network[3] | Rkms | 73,787 | 67,138 | 6,649 | 40,484 | 33,303 |

*Note 3: With effect from quarter ended September 2007, Optic Fibre Network is inclusive of owned fibre and swapped fibre, previously reported as only owned fibre. With effect from quarter ended December 2007, Optic Fibre Network is inclusive of intra city fibre, previously reported as only inter-city.*

### 4.6 Passive Infrastructure Services

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Q-on-Q Growth | March 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Towers** | | | | | | |
| Total Towers | No. | 52,865 | - | - | - | - |
| Ground Based Towers | No. | 33,590 | - | - | - | - |
| Roof Top Towers and Others | No. | 19,275 | - | - | - | - |
| **Key Indicators** | | | | | | |
| Sharing Revenue per Sharing Operator per month | Rs. | 30,329 | - | - | - | - |
| Sharing Factor | Times | 1.22 | - | - | - | - |

### 4.7 Human Resource Analysis

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Q-on-Q Growth | March 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | |
| Total Employees | No. | 25,543 | 24,703 | 3% | 20,314 | 26% |
| Number of Customers per employee | No. | 2,516 | 2,321 | 8% | 1,920 | 31% |
| **Mobile Services** | | | | | | |
| Number of Customers per employee | No. | 7,334 | 6,590 | 11% | 5,280 | 39% |
| Gross Revenue per employee per month | Rs. | 2,531,985 | 2,317,748 | 9% | 2,010,853 | 26% |
| **Telemedia Services** | | | | | | |
| Number of Customers per employee | No. | 187 | 184 | 1% | 176 | 6% |
| Gross Revenue per employee per month | Rs. | 208,054 | 206,014 | 1% | 189,689 | 10% |
| **Enterprise Services - Carriers** | | | | | | |
| Gross Revenue per employee per month | Rs. | 2,207,217 | 2,292,121 | -4% | 3,978,201 | -45% |
| **Enterprise Services - Corporates** | | | | | | |
| Gross Revenue per employee per month | Rs. | 653,506 | 584,575 | 12% | 635,040 | 3% |

# SECTION 5

# MANAGEMENT DISCUSSION & ANALYSIS

## 5.1 Key Industry and Company Developments

### 5.1.1 Industry

**Guidelines on Intra-Service Area Merger**

On April 22, 2008, DoT issued guidelines allowing intra-service area merger between CMTS and UAS Licenses subject to certain conditions viz:

- Market share of the merged entity in the relevant market shall not exceed 40% either in terms of subscriber base (separately for wireless and wireline subscribers) or in terms of Adjusted Gross Revenue.
- For computing subscriber market share, Exchange Data Records and Visitor Location Register will be considered for wireline and wireless subscribers respectively.
- No M&A activity shall be allowed if the number of UAS/ CMTS licensees reduces below 4 in relevant market.
- Permission for merger shall be granted only upon completion of 3 years from grant of the License.
- The post-merger licensee shall be entitled to the combined spectrum of the merging entities, provided that within 3 months from date of approval of merger, it qualifies under the prevailing spectrum allocation criterion separately for GSM & CDMA technologies, as applicable to any other UAS/CMTS Licensee(s). Failing which, it shall surrender the excess spectrum.
- If the merged entity does not surrender the excess spectrum even after expiry of 3 months, the applicable rate of spectrum charge shall be doubled every 3 months as a penalty.

**Guidelines on Infrastructure Sharing**

On April 01, 2008, DoT issued guidelines on Infrastructure Sharing. Highlights are:

- Sharing of active infrastructure limited to antenna, feeder cable, Node B, Radio Access Network (RAN) and transmission system has been allowed.
- Sharing of the allocated spectrum will not be permitted.
- IP-I registration holders are permitted to seek SACFA siting clearance for erecting towers with or without agreement with licensed telecom service providers.
- Financial incentives will be provided for infrastructure sharing in rural areas through a forthcoming scheme of USOF on infrastructure sharing.

**IUC Regulation on Access Deficit Charge (ADC)**

Pursuant to the public consultation held in January 2008, TRAI issued the ninth amendment to the IUC regulation dated March 27, 2008. Highlights are:

- Revenue Share ADC of 0.75% of AGR payable by BSOs, CMSPs, UASPs, NLDOs & ILDOs has been discontinued w.e.f April 1, 2008.
- ADC on incoming ILD calls reduced from Rs.1.00/min to Rs.0.50/min for a limited period between April 1, 2008 and September 30, 2008 and thereafter it will be discontinued.

In addition to the above, TRAI has recommended that a sum of Rs.20 billion per annum may be given to BSNL from USOF for sustenance of rural fixed wirelines installed before April 01, 2002. This subsidy shall initially be for a period of 3 years beginning April 1, 2008, payable on a quarterly basis and shall be reviewed in the third year.

**Regulation on unsolicited commercial communications**

On March 17, 2008, TRAI amended the Unsolicited Commercial Communications (UCC) Regulation by imposing the following financial penalties on operators for non-compliance:

- upto Rs. 5,000 for the first non-compliance
- upto Rs.20,000 for second/subsequent non-compliance.

The regulation prescribes the following financial penalties on registered telemarketers:

- Rs. 500 as tariff for each UCC for every first UCC and
- Rs.1000 as tariff for every subsequent UCC

**Pricing of TV channels for DTH operators**

On April 18, 2008 TRAI issued a press release confirming the outcome of its discussions with Broadcasters as under:

- Broadcasters to offer the same bouquets to DTH operators as are being offered to Cable Operators in non-CAS areas. In addition they are free to offer new bouquets to DTH operators.

- The bouquet and a-la-carte rates of channels to DTH operators will not be more than 50% of the rates charged from Cable Operators in non-CAS areas.

**Consultation Paper on Foreign Investment Limits in Broadcasting**

On March 03, 2008 TRAI released a consultation paper to review the foreign investment limits in various sub-segments of the broadcasting sector following a reference from the Ministry of I&B. The foreign investment limits proposed by the Ministry are specified in the table below.

| Segment | Existing (FDI + FII) | Proposed (FDI + FII) |
|---|---|---|
| Teleport Hub | 49% | 74% |
| Cable | 49% | 49% |
| DTH | 49% | 74% |
| FM | 20% | 24% |
| Satellite Radio | No policy | 74% |
| Head End in the Sky | No policy | 74% |
| TV channels (News) | 26% | 26% |

The paper discusses issues such as need to review the existing ceilings, relevance of ceiling proposed by Ministry of I&B, need for sub-limits for FDI & FII within overall ceiling, whether entire foreign investment should be permitted under automatic route or should there be a sub-limit beyond which FIPB approval is required, need to standardize methodology for calculating foreign investment across different segments of broadcasting, whether foreign investment ceiling in broadcasting be raised at par with telecom for those services which can be provided using telecom networks also.

Deadline for submission of comments was March 28, 2008. TRAI convened an open house discussion on April 03 and is likely to release its recommendations by the month end.

**TRAI Recommendations on DTH Service**

On January 30, 2008 TRAI submitted the following recommendations to the Ministry of I&B regarding technical interoperability of Set Top Box (STB) for DTH service and spectrum band for carriage of DTH signals:

- Existing technical interoperability condition of DTH license should be retained.
- GOI should request Bureau of Indian Standards (BIS) to update standards for DTH STB for advanced technologies. Revision should be prospective and apply to subscribers enrolled six months after the date of revision. Revision should not compulsorily require DTH operators to upgrade STBs of existing subscribers to conform to revised standards.
- DTH operators may offer services either in Ku Band or C Band.

**Status on Spectrum Issue**

1. On October 22, 2007, COAI filed a Petition before the TDSAT challenging DoT’s decision dated 19.10.2007 whereby DoT has unilaterally modified the existing roadmap for spectrum allocation. Vide this petition; GSM Operators are seeking enforcement of their legal rights viz. (i) setting aside of the enhanced subscriber linked criteria for grant of additional spectrum (ii) setting aside the decision of permitting crossover of spectrum allocation to existing UASL Licensees i.e. CDMA to GSM and (iii) immediate grant of spectrum to the existing GSM Operators on the basis of the same criteria which was applied in the case of BSNL & MTNL. Various other issues in relation to spectrum have also been agitated.

2. On December 12, 2007, the Hon’ble TDSAT rejected the plea of COAI for stay of DoT’s decision, without assigning any reasons. Against this rejection by TDSAT, COAI has moved the High Court by filing a Writ Petition. The matter was heard by the High Court and Orders have been reserved. The High Court is yet to pronounce its Judgment.

3. In the meanwhile, the main matter was listed before the TDSAT on 3.3.08. TDSAT expressed its intention to await the Judgment of the Hon’ble Delhi High Court and has re-notified the matter for May 8, 2008.

**Final Recommendations on Mobile Television Service**

On January 23, 2008, TRAI submitted its recommendation to Ministry of I&B on issues relating to Mobile TV Service. The same is under the Ministry’s consideration.

**TRAI Recommendation on IPTV service**

On January 04, 2008 TRAI submitted its recommendations on IPTV service to the DoT and Ministry of I&B. The same is under the Ministry’s consideration.

### 5.1.2 Company

**Key developments**

- **Bharti Airtel achieved the 60 million customer mark during the quarter**. This landmark has catapulted Bharti Airtel into the club of top mobile operators in the world in terms of subscriber base. The 60 million customer base covers mobile as well as fixed line and broadband customers.

- **Bharti Airtel, along with five leading** international companies executed an agreement to **build a high-bandwidth undersea fiber-optic cable linking Asia and the United States**. The Unity consortium is a joint effort by Bharti Airtel (India), Global Transit Ltd. (Malaysia), Google (US), KDDI Corporation (Japan), Pacnet (Singapore) and SingTel (Singapore).

- **Bharti Airtel, along with eight major leaders** of the global telecommunications industry signed a formal Construction and Maintenance Agreement to **build a high-capacity fiber-optic submarine cable that stretches from India to France via the Middle East**. The cable system, known as I-ME-WE (India, Middle East, Western Europe) is the fifth in the series of similar cable systems which includes the SEA-ME-WE series. The companies include Bharti Airtel (India), Etisalat (UAE), France Telecom (France), Ogero (Lebanon), PTCL (Pakistan), STC (Saudi Arabia), TE (Egypt), TIS Sparkle (Italy) and VSNL (India).

- **Airtel launched a whole range of M-Commerce solutions** such as Mobile Money Transfer (MMT), Postpaid Bill Payment and Prepaid Recharge on the mobile phone. It is partnering with ICICI bank, HDFC bank, SBI, Corporation bank and VISA to enable these payments. The solution has been developed by mChek, a leading provider of mobile security and payment solutions. This is the first time in India that Mobile Money transfer will be available.

- **Bharti Airtel launched enhanced Airtel CallHome service for calls made from US to India**. The launch of the enhanced version of the CallHome service marks an important step by Airtel to further strengthen its focus on the 2.5 million-strong NRIs in the US market. Another unique feature of the upgraded experience on www.airtelcallhome.com is the enablement of payment through Indian credit cards for purchasing talk time for calling from US to India. This feature will be particularly useful for over 700,000 Indian H1B visa holders, business travelers, tourists and students in the US.

- **Bharti Airtel’s Chairman and Managing Director, Sunil Bharti Mittal was voted the ‘Telecom Person of the Year’** at the Telecom Operator Awards 2008. Airtel was also the winner of the **‘Most Admired Organization’, ‘Best National Mobile Operator’, ‘Best Internet** and **Broadband Operator’,** and **‘Best Ad Campaign’ awards**.

- **Mr. Sunil Bharti Mittal**, Bharti Airtel's Chairman and Managing Director was **awarded the GSM Association Chairman's Award 2008**. This Award, which is the highest honour in the global telecom sector, has been conferred on Mr. Mittal for his tremendous contribution to the development of India's telecom sector.

- **Mr. Sunil Bharti Mittal**, Chairman and Group CEO, Bharti Enterprises has been inducted into the globally renowned and respected **International Telecommunication Union (ITU) Telecom Board**. Headquartered in Geneva, ITU is the leading United Nations Agency for Information and Communications Technology (ICT) within which governments and the private sector coordinate global ICT networks and services. Mr. Mittal will serve the Board for the next two years.

- **Mr. Manoj Kohli, President and CEO, Bharti Airtel, was inducted into the prestigious GSM Association (GSMA) Board**. Constituted in 2003, the Board is an apex body that provides the GSMA's members with a stronger voice, clearer direction, and enables faster decision-making. Mr. Kohli is one of the three members to be inducted into the board this year and will represent the GSM industry across the Indian sub-continent and the Asian region. The GSMA's Board comprises of top-level representatives of some of the world's leading mobile operators, such as Cingular Wireless, China Mobile, Orange, Telefonica Moviles, T-Mobile and Vodafone.

- Airtel was declared the **Buzziest Brand** at the **Buzziest Brands Awards organized by agencyfaqs**!. Agencyfaqs!, world's second largest marketing & advertising site, conducts the Buzziest Brand Awards annually, to recognize brands which had created the greatest buzz last year. Apart from topping the ranks, **Airtel also won the trophy for the Longest Buzz**, for continuing at the No.1 position for the last three years, ever since the award was constituted.

- **Airtel was awarded with top honors in the GSMA Mobile World Congress Conference in Barcelona for its mChek solution in the category "Best Billing/ Customer Care Solution"**. mChek is an the application that makes possible Anytime-Anywhere Bill Payment , allows customers to sign- up for the service through their mobile phone in a matter of seconds and make payment transactions for mobile bill / insurance premiums / transfer funds from bank accounts to name a few.

- **Airtel launched airtellive.com** - its new all-in-one internet portal for its broadband subscribers. airtellive.com marks the first time a Telco in India has made Google products officially available on its portal. The collaboration gives customers easy access to Google's simple and powerful web applications over Airtel's fast, secure and reliable broadband network.

- Airtel was honoured with the **'Best Carrier India' award at the Telecom Asia Awards 2008**. The Telecom Asia Awards, constituted by the Telecom Asia magazine, seek to recognize outstanding performances of companies and individuals in the Asian telecommunication industry based on criteria such as financials, market standing, technology and corporate governance

- Pursuant to the scheme of arrangement ("the scheme") between Bharti Airtel Limited and Bharti Infratel Limited for **transfer of telecom infrastructure** ("the undertaking") **from Bharti Airtel Limited to Bharti Infratel Limited**, as approved by the Honorable High Court of Delhi vide order dated November 26, 2007, the telecom infrastructure were transferred to and vested in Bharti Infratel Limited on January 31, 2008, the effective date.

- **Leading international investors** have invested an amount of USD 1.35 billion in aggregate, towards 4,050 Equity Shares of Rs 10 each (of which 3,825 shares issued as on March 31, 2008) and 32,03,550 fully and compulsory convertible, non-cumulative, unsecured and interest free Debentures of Rs. 10,000 each (of which 30,25,575 Debentures issued as on March 31,2008), in Bharti Infratel Limited.

## 5.2 Results of Operations

*The company has reported its (1) un-audited financial results for the quarter ended March 31, 2007 and audited financial results for the full year ended March 31, 2007; (2) audited financial results for the quarter ended March 31, 2008 and full year ended March 31, 2008. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP).*

**Key Highlights – *For the full year ended March 31, 2008***

- **Overall Customer base crosses 64.2 million.**
- **Highest ever-net addition of 25.2 million of total customers in a year.**
- **Market leader with a market share of all India wireless subscribers at 23.8%(22.4% last year)**
- **Total Revenues of Rs. 270.3 billion (up 46% Y-o-Y).**
- **EBITDA of Rs 113.7 billion (up 53% Y-o-Y).**
- **Cash profit from operations of Rs. 111.4 billion (up 52% Y-o-Y).**
- **Net Profit of Rs. 67 billion (up 57% Y-o-Y).**

**Key Highlights - *For the quarter ended March 31, 2008***

- **Highest ever-net addition of 6.93 million customers in a single quarter.**
- **Total Revenues of Rs. 78.2 billion (up 45% Y-o-Y).**
- **EBITDA of Rs. 32.5 billion (up 45% Y-o-Y).**
- **Cash profit from operations of Rs. 30.4 billion (up 38% Y-o-Y).**
- **Net Profit of Rs. 18.5 billion (up 37% Y-o-Y).**

### Bharti Airtel Consolidated

#### Full year ended March 31, 2008

The consolidated revenues and EBITDA for the year ended March 31, 2008 was Rs. 270,250 million and Rs. 113,715 million respectively. The consolidated revenues and EBITDA grew by 46% and 53% respectively for the year ended March 31, 2008. The EBITDA margin (ratio of EBITDA to total revenues) for the year was 42%.

The cash profit from operations for the year ended March 31, 2008 was Rs 111,374 million as compared to Rs 73,070 million for the year ended March 31, 2007, a growth of 52% year on year. The net finance cost for the year was Rs 2,341 million.

The earnings before tax for the year ended March 31, 2008 was Rs. 76,537 million and the net profit was at Rs 67,008 million leading to an earnings per share of Rs 35.36 . The current tax expense for the year was Rs. 8,414 million and the deferred tax expense/(income) was Rs. (36) million.

The capital expenditure for the full year was Rs 138,470 million (~US$ 3460 million).

#### Quarter ended March 31, 2008

**Customer Base**
As on March 31, 2008, the company had an aggregate of 64,268,049 customers, consisting of 61,984,721 GSM mobile and 2,283,328 Telemedia customers. Its total customer base as on March 31, 2008 increased by 65% compared to the customer base as on March 31, 2007.

**Revenues/Turnover**
During the quarter ended March 31, 2008, the company had revenues of Rs 78,191 million; a growth of 45% compared to the quarter ended March 31, 2007. Revenues from mobile services represented 82% of the total revenues for the quarter ended March 31, 2008. Non-voice revenue contributed to approximately 14.9% of the total revenues for the quarter.

**Operating Expenses (ex-revenue share license and spectrum fee)** During the quarter ended March 31, 2008; the company incurred an operating expenditure of Rs. 25,574 million representing 32.7% of the total revenues. The operating expense comprises:

- Rs.9,807 million towards network operations costs (~12.5%of turnover)
- Rs. 3,722 million towards employee costs, (~4.8%of turnover)
- Rs. 89 million towards equipments costs, and
- Rs. 11,956 million towards selling general and administrative costs (~15.3% of turnover)

The operating expenses grew by 49.6% compared to the quarter ended March 31, 2007. The increase in the operating expenses is associated to the costs pertaining to the expansion of operations.

**EBITDA, Finance Cost and Cash Profit from Operations**
During the quarter ended March 31, 2008, the company had an EBITDA of Rs. 32,518 million; a growth of 45% compared to the quarter ended March 31, 2007. The EBITDA margin for the quarter was 41.6%.

The net finance expense for the quarter ended March 31, 2008 was Rs. 2,157 million. The interest on borrowings during the quarter was Rs. 868 million and the finance income (primarily related to income on marketable securities) was Rs. 186 million. The balance amount was other finance costs, effect of exchange fluctuation and the effect of derivative accounting.

The cash profit from operations after derivative and exchange fluctuations for the quarter was Rs. 30,361 million, an increase of 38%, as compared to the quarter ended March 31, 2007. During the quarter ended March 31, 2008, the company had depreciation and amortization expenses of Rs. 9,702 million.

**Income Before Income Taxes (PBT)**
The income before income tax for the quarter was Rs. 21,132 million, an increase of 40%, as compared to the quarter ended March 31, 2007. The current tax for the quarter ended March 31, 2008 was Rs. 2,298 million and deferred tax expense / (income) of Rs. (213) million.

**Net income**
The net income for the quarter ended March 31, 2008 was Rs 18,529 million.

**Balance Sheet**
As on March 31, 2008, the company had total assets of Rs. 472,643 million and total liabilities of Rs. 247,045 million respectively. The difference of Rs. 225,598 million was on account of stockholder's equity and minority interest.

The company had a net debt of Rs. 42,057 million (US$ 1,122 million) as on March 31, 2008, resulting in a net debt to EBITDA (LTM) of 0.37 times.

**Capital Expenditure**
During the quarter ended March 31, 2008, the company incurred capital expenditure of Rs. 28,206 million (US$ 705 million).

**Human Resources**
As on March 31, 2008, the company had a total of 25,543 employees consisting of 8,452 in Mobile services, 12,242 in Telemedia services, 3,828 in Enterprise services, 725 in Corporate office (as common pool) and 296 in Passive Infrastructure services.

**Mobile Services**

**Customer Base, Churn, ARPU and MoU**
As at the end of the quarter the company had 61,984,721 GSM mobile customers on its network, which accounted for a market share of 23.8% of the all India mobile market.

Of its 61,984,721 GSM mobile customers as of March 31, 2008, post-paid customers contributed 8.4% to the overall customer base while pre-paid customers contributed the balance 91.6%. During the quarter, Bharti's share of 6,821,778 net additions was 25.4% of all India wireless subscriber net additions.

The average monthly churn for the quarter ended March 31, 2008 was 2.5% (1.0% voluntary churn and 1.5% company initiated churn) for its post-paid segment, and 4.3% for the pre-paid segment.

During the quarter, blended ARPU was Rs. 357 (US$ 8.9 ) per month as compared to Rs 358 (US$ 8.9 ) per month in the quarter ended December 31, 2007. The blended monthly usage per customer, during the quarter, was at 507 minutes. Non voice revenue, which includes Short Messaging Service (SMS), voice mail service, call management and other value added services like Hello Tunes, Music on Demand and Airtel Live contributed to approximately 9.4% of the total revenues of the segment. The Short Messaging Services (SMS) revenue, which is primarily text messaging, accounted for 4.4% of the total revenue of the segment, for the quarter ended March 31, 2008.

**Revenues, EBITDA and EBIT**
The revenues for the quarter ended March 31, 2008 for mobile services stood at Rs 64,201 million, an increase of 51% over the corresponding quarter last year. The revenue from this segment contributed to 82% of the total consolidated revenues. The EBITDA during the quarter ended March 31, 2008 was Rs. 22,779 million representing growth of 37% over the quarter ended March 31, 2007. The EBITDA margin for the quarter ended March 31, 2008 was 35.5%. The EBIT for the quarter ended March 31, 2008 was Rs 16,934 million as compared to Rs 11,424 million for the quarter ended March 31, 2007, an improvement of. 48%

**Capital Expenditure**
During the quarter ended March 31, 2008, the company incurred a capital expenditure of Rs (88,219) million (US$ (2,204) million) on its mobile services. The quarter ended March 31, 2008 incorporates the cumulative transfer of passive infrastructure capital assets into the passive infrastructure services segment.

**Telemedia Services**

**Customer Base and ARPU**
At the end of the quarter ended March 31, 2008, the company had its Telemedia operations in 94 cities. During the quarter, the company added 105,152 customers on its Telemedia networks with 2,283,328 customers as on March 31, 2008. The company had approximately 7.95 lakh customers (~ 34.8% of the total customer base) subscribing to broadband (DSL) services.

The ARPU for the quarter was Rs. 1,137 (US$ 28.4 ) per month.

**Revenues, EBITDA and EBIT**
For the quarter ended March 31, 2008, the revenues from its Telemedia operations of Rs 7,641 million, represented a growth of 26% over the corresponding quarter last year. The EBITDA for the quarter was Rs. 3,344 million compared to Rs. 1,727 million in the corresponding prior year quarter, an increase of 94% respectively. The EBITDA margin for this segment was 43.8% for the quarter ended March 31, 2008. The EBIT for the quarter ended March 31, 2008 was Rs 1,910 million.

**Capital Expenditure**
During the quarter ended March 31, 2008, the company incurred a capital expenditure of Rs. 4,185 million (US$ 105 million) on its Telemedia services.

**Enterprise Services – Carriers**

**Revenues, EBITDA and EBIT**
For the quarter ended March 31, 2008, the revenues from its long distance services were Rs. 12,566 million, representing a growth of 24% over the corresponding quarter last year. The EBITDA from this segment during the quarter was Rs 4,027 million, an increase of 11% over the corresponding quarter last year. The EBITDA margin for the quarter, was 32%**.** The EBIT of this segment was Rs. 3,170 million representing an increase of 7% over the corresponding quarter last year.

**Capital Expenditure**
During the quarter ended March 31, 2008, the company incurred a capital expenditure of Rs. 5,059 million (US$ 126 million) on its Enterprise Services-Carriers.

**Enterprise Services - Corporates**

**Revenues, EBITDA and EBIT**
For the quarter ended March 31, 2008, the revenue from this segment was Rs. 3,774 million, a growth of 50% over the corresponding quarter last year. The EBITDA for this segment for the quarter ended March 31, 2008 was Rs. 2,152 million. The EBITDA margin for this segment in the quarter ended March 31, 2008 was 57% The EBIT of this segment was Rs. 1,798 million representing a growth of 68% over the corresponding quarter last year.

**Capital Expenditure**
During the quarter ended March 31, 2008, the company incurred a capital expenditure of Rs. 411 million (US$ 10.26 million) on its Enterprise Services-Corporates.

**Passive Infrastructure Services**

**Towers and Sharing Operators**
As at the end of the quarter, the company had 52,865 towers, out of which 33,590 were ground based and 19,275 were roof top towers and others. Sharing factor for the quarter ended 31 March 2008 was 1.22 times.

**Revenues, EBITDA and EBIT**
For the quarter ended March 31, 2008, the revenues from its passive infrastructure services were Rs.6,023 million. The EBITDA from this segment during the quarter was Rs 2,236 million. The EBITDA margin for the quarter, was 37.1%. The EBIT of this segment was Rs. 986 million .

**Capital Expenditure**
During the quarter ended March 31, 2008, the company incurred a capital expenditure of Rs. 106,214 million (US$ 2,654 million) on its passive infrastructure Services. The quarter ended March 31, 2008 incorporates the cumulative transfer of passive infrastructure capital assets into the passive infrastructure services segment.

# SECTION 6

# STOCK MARKET HIGHLIGHTS

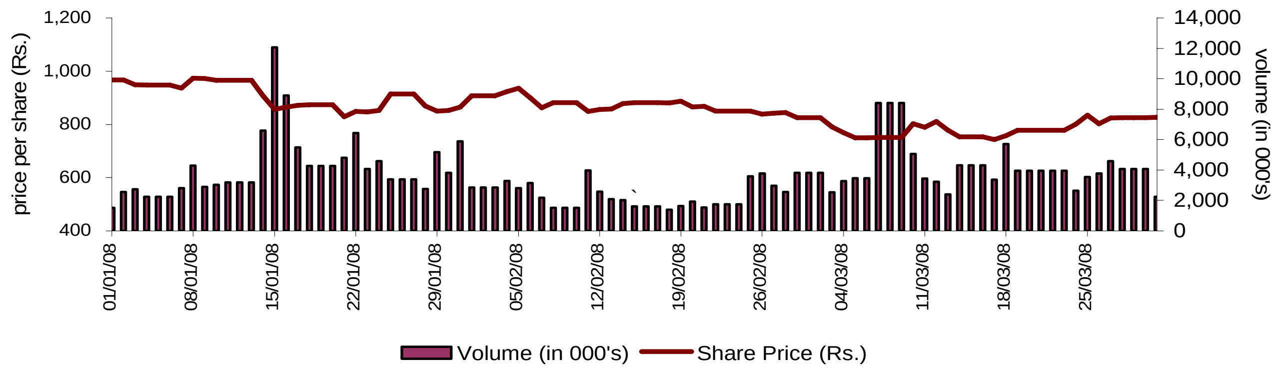
### 6.1 General Information

| Shareholding and Financial Data | | |
|---|---|---|
| Code/Exchange | | 532454/BSE |
| Bloomberg/Reuters | | BHARTI IN/BRTI.BO |
| No. of Shares Outstanding (31/03/08) | Million Nos. | 1,897.91 |
| Closing Market Price - BSE (31/03/08) | Rs./Share | 826.10 |
| Combined Volume (NSE & BSE) (01/01/08-31/03/08) | No. in Mn/day | 1.46 |
| Combined Value (NSE & BSE) (01/01/08-31/03/08) | Rs. bn./day | 3.15 |
| Market Capitalization | Rs. bn | 1,568 |
| Market Capitalization | US$ bn | 39.18 |
| Book Value Per Equity Share | Rs./share | 117.28 |
| Market Price/Book Value | Times | 7.04 |
| Net Debt to EBITDA (LTM) | Times | 0.37 |
| Enterprise Value | Rs. bn | 1,610 |
| Enterprise Value | US$ bn | 40.23 |
| Enterprise Value/ Annualised Q4 Revenue | Times | 5.15 |
| Enterprise Value/ Annualised Q4 EBITDA | Times | 12.38 |

### 6.2 Summarized Shareholding pattern as of March 31, 2008

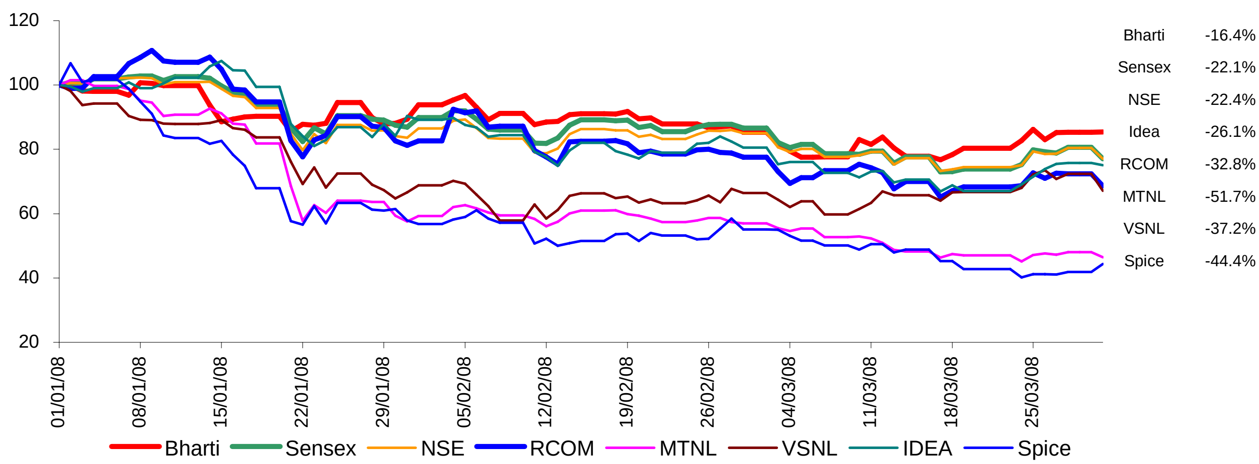
| Category | Number of Shares | % |
|---|---|---|
| **Promoter & Promoter Group** | | |
| Indian | 859,986,028 | 45.31% |
| Foreign | 390,363,150 | 20.57% |
| **Sub total** | **1,250,349,178** | **65.88%** |
| **Public Shareholding** | | |
| Institutions | 560,980,300 | 29.56% |
| Non-institutions | 86,577,968 | 4.56% |
| **Sub total** | **647,558,268** | **34.12%** |
| **Total** | **1,897,907,446** | **100.00%** |

**6.3 Bharti Airtel Daily Stock price (BSE) & Volume (Combined of BSE & NSE) Movement**




*Source: Bloomberg*

**6.4 Comparison of Domestic Telecom stock movement with Sensex and Nifty**




*Source: Bloomberg*

# SECTION 7

## Use of Non-GAAP Financial Information

In presenting and discussing the Company's reported financial position, operating results and cash flows, certain information is derived from amounts calculated in accordance with US GAAP, but this information is not in itself an expressly permitted GAAP measure. Such non - GAAP measures should not be viewed in isolation as alternatives to the equivalent GAAP measures.

A summary of non - GAAP measures included in this report, together with details where additional information and reconciliation to the nearest equivalent GAAP measure can be found, is shown below.

| Non - GAAP measure | Equivalent GAAP measure for USGAAP | Location in this results announcement of reconciliation and further information |
|---|---|---|
| Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA) | Operating Income | Consolidated : - Page 23, Mobile Services : - Page 24, Telemedia Services : - Page 25, Enterprise Services (Carriers): - Page 25, Enterprise Services (Corporates): - Page 25, Others: - Page 26, Passive Infrastructure Services : - Page 26. |
| Earnings before Interest and Taxation (EBIT) | Operating Income | Consolidated : - Page 23, Mobile Services : - Page 24, Telemedia Services : - Page 25, Enterprise Services (Carriers): - Page 25, Enterprise Services (Corporates): - Page 25, Others: - Page 26, Passive Infrastructure Services : - Page 26. |
| Cash Profit from Operations after Derivative and Exchange Fluctuations | Operating Income | Page 23 |
| Income after current tax expenses | Income before taxation | Page 23 |
| Net Revenues | Total revenues | Page 23 |
| Total Non Current Assets | N.A | Page 24 |
| Total Non Current Liabilities | N.A | Page 24 |
| Earnings before Interest & Taxes | N.A. | Page 23 |
| Total Revenues | N.A. | Page 23 |
| Schedule of Cost of services | N.A | Page 27 |
| Schedule of Operating expenses | N.A | Page 27 |
| Schedule of Depreciation and Amortization | N.A | Page 27 |
| Schedule of Net debt | N.A | Page 27 |
| Schedule of Finance cost (net) | N.A | Page 28 |
| Schedule of Income tax | N.A | Page 28 |

### 7.1 Reconciliation of Non-GAAP financial information based on USGAAP

#### 7.1.1 Consolidated

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **22,816** | **76,455** |
| Depreciation and Amortization | 9,702 | 37,260 |
| **EBITDA** | **32,518** | **113,715** |
| **Operating Income to Cash Profit from Operations** | | |
| **Operating Income** | **22,816** | **76,455** |
| Depreciation and Amortization | 9,702 | 37,260 |
| Interest income | (3,684) | 1,713 |
| Interest expense | 1,527 | (4,054) |
| **Cash Profit from Operations** | **30,361** | **111,374** |
| **Operating Income to EBIT** | | |
| **Operating Income** | **22,816** | **76,455** |
| **Less:** | | |
| Share of profits in associates/ joint ventures | 2 | 1 |
| Non operating expenses | 208 | 317 |
| **Add:** | | |
| Other income | 683 | 2,740 |
| **EBIT** | **23,289** | **78,877** |
| **Total Revenue to Net Revenue** | | |
| **Total Revenue** | **78,191** | **270,250** |
| **Less:-** | | |
| Access charges | 12,298 | 41,111 |
| **Net Revenue** | **65,893** | **229,139** |
| **Income before Income taxes to Income after current tax expense** | | |
| Income before Income taxes | 21,132 | 76,537 |
| **Less:-** | | |
| Current tax expense | 2,298 | 8,414 |
| **Income after current tax expense** | **18,834** | **68,123** |

### 7.1.1 Consolidated (cont.)

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Total Non Current Assets** | | |
| Property and equipment, net | 313,407 | 313,407 |
| Acquired intangible assets, net | 13,204 | 13,204 |
| Goodwill | 27,043 | 27,043 |
| Investment in associates and joint ventures | 108 | 108 |
| Restricted cash, non-current | 58 | 58 |
| Other assets | 5,041 | 5,041 |
| **Total Non Current Assets** | **358,861** | **358,861** |

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Total Non Current Liabilities** | | |
| Long-term debt, net of current portion | 77,715 | 77,715 |
| Deferred taxes on income | 5,301 | 5,301 |
| Unearned income- Indefeasible right to use sales | 3,464 | 3,464 |
| Other liabilities | 6,430 | 6,430 |
| **Total Non Current Liabilities** | **92,910** | **92,910** |

### 7.1.2 Mobile Services

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **16,648** | **58,173** |
| Depreciation and Amortization | 6,131 | 27,307 |
| **EBITDA** | **22,779** | **85,480** |

| **Operating Income to EBIT** | | |
|---|---|---|
| **Operating Income** | **16,648** | **58,173** |
| **Less:** | | |
| Share of profits in associates/ joint ventures | 2 | 4 |
| **Add:** | | |
| Other income | 288 | 1,489 |
| **EBIT** | **16,934** | **59,658** |

#### 7.1.3 Telemedia Services

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **1,878** | **5,915** |
| Depreciation and Amortization | 1,466 | 5,492 |
| **EBITDA** | **3,344** | **11,407** |
| **Operating Income to EBIT** | | |
| **Operating Income** | **1,878** | **5915** |
| **Add:** | | |
| Other income | 32 | 210 |
| **EBIT** | **1,910** | **6125** |

#### 7.1.4 Enterprise Services – Carriers (Long Distance Services)

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **3,129** | **10,892** |
| Depreciation and Amortization | 898 | 3,418 |
| **EBITDA** | **4,027** | **14,310** |
| **Operating Income to EBIT** | | |
| **Operating Income** | **3,129** | **10892** |
| **Less:** | | |
| Share of profits in associates/ joint ventures | 0 | (4) |
| **Add:** | | |
| Other income | 41 | 606 |
| **EBIT** | **3,170** | **11,502** |

#### 7.1.5 Enterprise Services - Corporates

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **1,794** | **5,049** |
| Depreciation and Amortization | 358 | 1,074 |
| **EBITDA** | **2,152** | **6,123** |
| **Operating Income to EBIT** | | |
| **Operating Income** | **1,794** | **5,049** |
| **Add:** | | |
| Other income | 4 | 84 |
| **EBIT** | **1,798** | **5,133** |

### 7.1.6 Others

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **(1,254)** | **(3,989)** |
| Depreciation and Amortization | 113 | 331 |
| **EBITDA** | **(1,141)** | **(3,658)** |
| **Operating Income To EBIT** | | |
| **Operating Income** | **(1,254)** | **(3,989)** |
| **Less:** | | |
| Non operating expenses | 207 | 316 |
| **Add:** | | |
| Other Income | 13 | 48 |
| **EBIT** | **(1,448)** | **(4,257)** |

### 7.1.7 Passive Infrastructure Services

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **987** | **987** |
| Depreciation and Amortization | 1,249 | 1,249 |
| **EBITDA** | **2,236** | **2236** |
| **Operating Income To EBIT** | | |
| **Operating Income** | **987** | **987** |
| **Less:** | | |
| Share of profits in associates/ joint ventures | 1 | 1 |
| **EBIT** | **986** | **986** |

## 7.2 Schedule to Financial Statements

### 7.2.1 Schedule of Cost of services

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| Access charges | 12,298 | 41,111 |
| Licence fees, revenue share and spectrum charges | 7,801 | 26,900 |
| Network operations costs | 9,807 | 33,001 |
| Employee costs | 3,722 | 14,768 |
| Depreciation and Amortization (excluding intangibles) | 9,602 | 36,771 |
| **Cost of Services** | **43,230** | **152,551** |

### 7.2.2 Schedule of Operating expenses

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| Network operations costs | 9,807 | 33,001 |
| Equipment costs | 89 | 661 |
| Employee costs | 3,722 | 14,768 |
| Selling, general and administrative costs | 11,956 | 40,093 |
| **Operating Expenses** | **25,574** | **88,523** |

### 7.2.3 Schedule of Depreciation and Amortization

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| Fixed Assets | 9,319 | 35,431 |
| Licence Fees | 188 | 656 |
| ESOP | 57 | 339 |
| Intangibles | 138 | 834 |
| **Depreciation and Amortization** | **9,702** | **37,260** |

### 7.2.4 Schedule of Net debt

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| Long term debt, net of current portion | 77,715 | 77,715 |
| Short-term borrowings and current portion of long-term debt | 19,348 | 19,348 |
| **Less:** | | |
| Cash and cash equivalents | 6,777 | 6,777 |
| Restricted cash | 85 | 85 |
| Restricted cash, non-current | 58 | 58 |
| Short term investments | 48,086 | 48,086 |
| **Net Debt** | **42,057** | **42,057** |

#### 7.2.5 Schedule of Finance cost (net)

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| Interest on borrowings | 868 | 3,239 |
| Finance charges | 211 | 634 |
| Finance income | (186) | (737) |
| Derivatives and exchange fluctuation | 1,264 | (795) |
| **Finance cost (net)** | **2,157** | **2,341** |

#### 7.2.6 Schedule of Income tax

*Amount in Rs million*

| Particulars | Quarter Ended March 2008 | Year Ended March 2008 |
|---|---|---|
| Current tax expense | 2,298 | 8,414 |
| Deferred tax expense / (income) | (213) | (36) |
| **Income tax expense** | **2,085** | **8,378** |

## ANNEXURE – DETAILED FINANCIAL AND RELATED INFORMATION

### A.1 Financial Statements as Per United States Generally Accepted Accounting Principles (US GAAP)

#### A.1.1 Consolidated Statement of Operations (as per US GAAP)

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Year Ended | | |
|---|---|---|---|---|---|---|
| | March 2008 | March 2007 | Y-on-Y Growth | March 2008 | March 2007 | Y-on-Y Growth |
| | Audited | Un-audited | | Audited | Audited | |
| **Revenues** | | | | | | |
| Services | 77,962 | 53,619 | 45% | 269,004 | 184,152 | 46% |
| Indefeasible right ot use sales | 109 | 109 | | 436 | 436 | |
| Equipment | 120 | 204 | | 810 | 607 | |
| **Total Revenues** | **78,191** | **53,932** | **45%** | **270,250** | **185,196** | **46%** |
| **Operating Expenses** | | | | | | |
| Cost of Services | (43,230) | (30,778) | 40% | (152,551) | (106,744) | 43% |
| *(Inclusive of depreciation and amortization )* | | | | | | |
| Costs of equipment sales | (89) | (349) | | (661) | (589) | |
| Selling, general & administrative expenses | (12,056) | (7,635) | 58% | (40,583) | (28,564) | 42% |
| *(Inclusive of amortization of intangibles )* | | | | | | |
| Pre-operating cost | 0 | 2 | | 0 | (9) | |
| **Total Operating Expense** | **(55,375)** | **(38,761)** | **43%** | **(193,795)** | **(135,905)** | **43%** |
| **Operating Income** | **22,816** | **15,171** | **50%** | **76,455** | **49,291** | **55%** |
| Interest expense | 1,527 | (688) | | (4,054) | (3,044) | |
| Interest income | (3,684) | 211 | | 1,713 | 1,606 | |
| Share of profits in associates / joint ventures | (2) | (1) | | (1) | (2) | |
| Other income | 683 | 376 | 82% | 2,740 | 1,064 | 157% |
| Non operating expenses | (208) | (1) | | (317) | (54) | |
| **Income before Income Taxes** | **21,132** | **15,068** | **40%** | **76,537** | **48,860** | **57%** |
| Income tax expense | (2,085) | (1,353) | | (8,378) | (5,822) | |
| Minority interest | (518) | (184) | | (1,151) | (467) | |
| **Net income** | **18,529** | **13,531** | **37%** | **67,008** | **42,571** | **57%** |
| Earnings per share for profit attributable to common shareholders | | | | | | |
| Basic | 9.78 | 7.14 | | 35.36 | 22.50 | |
| Diluted | 9.76 | 7.14 | | 35.31 | 22.47 | |
| Weighted average number of shares used in computing earnings per share | | | | | | |
| Weighted average number of common shares (in millions) | 1,895 | 1,895 | | 1,895 | 1,892 | |
| Weighted average number of diluted shares (in millions) | 1,898 | 1,896 | | 1,898 | 1,894 | |

### A.1.2 Consolidated Balance Sheet (as per US GAAP)

*Amount in Rs. Million*

| Particulars | As at March 31, 2008 Audited |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | 6,777 |
| Accounts receivable, net of allowances for doubtful debts | 15,986 |
| Unbilled receivables | 12,076 |
| Inventories | 1,142 |
| Short term investments | 48,086 |
| Deferred taxes on income | 2,770 |
| Derivative financial instruments | 2,992 |
| Restricted cash | 85 |
| Pre-paid expenses and other current assets | 23,522 |
| Due from related parties | 346 |
| **Total Current Assets** | **113,782** |
| Property and equipment, net | 313,407 |
| Acquired intangible assets, net | 13,204 |
| Goodwill | 27,043 |
| Investment in associates and joint ventures | 108 |
| Restricted cash, non-current | 58 |
| Other assets | 5,041 |
| **Total Assets** | **472,643** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | |
| **Current liabilities** | |
| Short-term borrowings and current portion of long-term debt | 19,348 |
| Trade payables | 18,749 |
| Equipment supply payables | 61,069 |
| Accrued expenses | 19,543 |
| Unearned income | 25,080 |
| Unearned income- Indefeasible right to use sales | 336 |
| Derivative financial instruments | 3,184 |
| Other current liabilites | 6,826 |
| **Total current liabilities** | **154,135** |
| Long-term debt, net of current portion | 77,715 |
| Deferred taxes on income | 5,301 |
| Unearned income- Indefeasible right to use sales | 3,464 |
| Other liabilities | 6,430 |
| **Total liabilities** | **247,045** |
| Minority interest | 8,556 |
| **Stockholders' equity** | |
| Common stock, par value Rs.10 per share | 18,979 |
| Advances against equity | 12 |
| Additional paid in capital | 72,202 |
| Treasury stock | (119) |
| Retained earnings | 125,964 |
| Accumulated other comprehensive income (loss) | 4 |
| **Total stockholders' equity** | **217,042** |
| **Total liabilities and stockholders' equity** | **472,643** |

### A.1.3 Consolidated Statement of Cash Flows (as per US GAAP)

*Amount in Rs. Million*

| Particulars | | Quarter ended March 31, 2008 | Year ended March 31, 2008 |
|---|---|---|---|
| | | Audited | Audited |
| **Cash flows from operating activities** | | | |
| **Net income** | **a** | **18,529** | **67,007** |
| Add: Non Cash items | **b** | | |
| Depreciation and amortization | | 9,702 | 37,260 |
| Tax expense / (income) | | 2,085 | 8,378 |
| Impact of fair valuation of financial instruments | | (3,479) | (835) |
| **Cash generated from operations before working capital changes** | **c=a+b** | **26,837** | **111,810** |
| (Increase)/decrease in working capital | | (16,238) | 15,471 |
| (Increase)/decrease in non-current assets | | (3,261) | (13,553) |
| Increase/(decrease) in non-current liabilities | | (621) | 2,845 |
| **Net cash provided/(used) by/in operating activities** | **d** | **(20,120)** | **4,763** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (28,206) | (138,470) |
| (Investment) / sale in associate | | (8) | 74 |
| **Net cash provided/(used) by/in investing activities** | **e** | **(28,214)** | **(138,396)** |
| **Cash flows from financing activities** | | | |
| Increase/(decrease) in borrowings | | 44,482 | 45,437 |
| Increase/(decrease) in Stockholders Equity | | 20,846 | 21,237 |
| **Net cash provided/(used) by/in financing activities** | **f** | **65,328** | **66,674** |
| Cash and cash equivalents[4] | | | |
| Beginning of the period | **g** | 11,175 | 10,155 |
| End of the period | **h=c+d+e+f+g** | 55,006 | 55,006 |

*Note 4: Includes short-term investments, restricted cash, restricted cash, non-current.*

## A.2 Trend and Ratio Analysis

The financial figures used in the quarterly trends are based on US GAAP financial statements

### A.2.1 Based on Statement of Operations

*Amount in Rs. Million*

| Parameters | For the Quarter Ended | | | | |
|---|---|---|---|---|---|
| | Mar-08 | Dec-07 | Sep-07 | Jun-07 | Mar-07 |
| Total Revenues | 78,191 | 69,639 | 63,374 | 59,046 | 53,932 |
| Access and interconnection charges | 12,298 | 10,424 | 9,317 | 9,071 | 9,335 |
| Operating Expenses | 25,574 | 22,590 | 20,679 | 19,681 | 17,091 |
| Licence Fee | 7,801 | 6,991 | 6,281 | 5,827 | 5,098 |
| EBITDA | 32,518 | 29,634 | 27,097 | 24,466 | 22,408 |
| Cash profit from operations after Derivative and Exchange Fluctuations | 30,361 | 28,824 | 25,971 | 26,218 | 21,930 |
| Income before income taxes | 21,132 | 19,032 | 17,472 | 18,901 | 15,068 |
| Net income | 18,529 | 17,224 | 16,139 | 15,116 | 13,531 |

| | Mar-08 | Dec-07 | Sep-07 | Jun-07 | Mar-07 |
|---|---|---|---|---|---|
| **As a % of Total Revenues** | | | | | |
| Access and interconnection charges | 15.7% | 15.0% | 14.7% | 15.4% | 17.3% |
| Operating Expenses | 32.7% | 32.4% | 32.6% | 33.3% | 31.7% |
| Licence Fee | 10.0% | 10.0% | 9.9% | 9.9% | 9.5% |
| EBITDA | 41.6% | 42.6% | 42.8% | 41.4% | 41.5% |
| Cash profit from operations after Derivative and Exchange Fluctuations | 38.8% | 41.4% | 41.0% | 44.4% | 40.7% |
| Income before income taxes | 27.0% | 27.3% | 27.6% | 32.0% | 27.9% |
| Net income | 23.7% | 24.7% | 25.5% | 25.6% | 25.1% |

### A.2.2 Based on Balance Sheet

*Amount in Rs. Million*

| Parameters | As at | | | | |
|---|---|---|---|---|---|
| | Mar-08 | Dec-07 | Sep-07 | Jun-07 | Mar-07 |
| Stockholder's Equity | 217,042 | 183,729 | 166,315 | 149,913 | 135,553 |
| Net Debt | 42,057 | 44,885 | 39,333 | 32,761 | 42,306 |
| Capital Employed = Stockholder's equity + Net Debt | 259,099 | 228,614 | 205,648 | 182,674 | 177,859 |

| Parameters | Mar-08 | Dec-07 | Sep-07 | Jun-07 | Mar-07 |
|---|---|---|---|---|---|
| Return on Stockholder's equity (LTM) | 39.6% | 41.0% | 41.8% | 40.8% | 38.2% |
| Return on Capital Employed (LTM) | 33.2% | 32.9% | 31.5% | 29.3% | 28.6% |
| Net Debt to EBITDA (LTM) | 0.37 | 0.43 | 0.42 | 0.39 | 0.57 |
| Assets Turnover ratio (LTM) | 115.4% | 117.5% | 117.2% | 115.7% | 112.4% |
| Interest Coverage ratio (times) | 37.46 | 34.74 | 34.93 | 32.95 | 28.48 |
| Book Value Per Equity Share (in Rs) | 114.4 | 96.8 | 87.6 | 79.0 | 71.5 |
| Net debt to Stockholders' Equity (Times) | 0.19 | 0.24 | 0.24 | 0.22 | 0.31 |
| **Per share data (for the period)** | | | | | |
| Net profit/(loss) per common share (in Rs) | 9.78 | 9.09 | 8.52 | 7.98 | 7.14 |
| Net profit/(loss) per diluted share (in Rs) | 9.76 | 9.08 | 8.51 | 7.96 | 7.14 |
| Market Capitalization (Rs. bn) | 1,568 | 1,887 | 1,786 | 1,586 | 1,447 |
| Enterprise Value (Rs. bn) | 1,610 | 1,932 | 1,825 | 1,619 | 1,489 |

### A.2.3 Bharti's Three Line Graph

The company tracks its performance on a three-line graph.

The parameters considered for the three-line graph are:

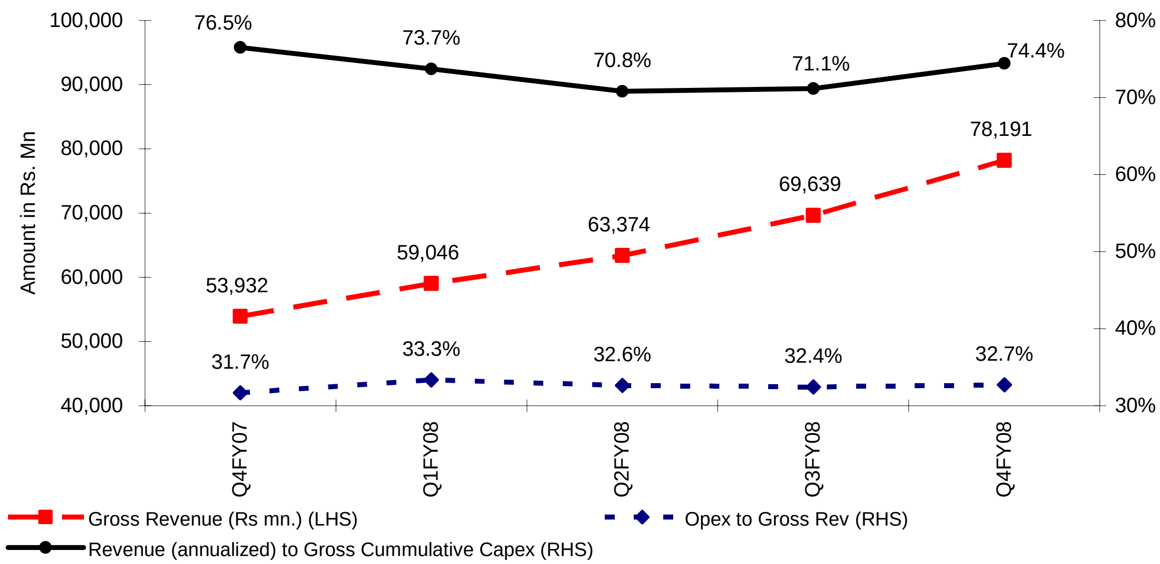
1. Gross Revenues i.e. absolute turnover/sales

2. Opex Productivity – operating expenses divided by the gross revenues for the respective period. Operating expenses is the sum of (i) equipment costs (ii) employee costs (iii) network operations costs & (iv) selling, general and administrative costs. This ratio depicts the operational efficiencies in the company.

3. Capital Productivity – this is computed by dividing revenue for the quarter (annualized) by gross cumulative capex (gross fixed assets, capital work in progress and intangibles) till date i.e. the physical investments made in the assets creation of the company. This ratio depicts the productivity of assets of the company

The company believes that as long as the absolute revenues keep increasing periodically, opex productivity stabilizes or keeps coming down and capital productivity keeps improving, the company's overall financial health can be tracked.

**Given below is the graph for the last five quarters of the company:**



### A.2.4 Operational Performance

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Sept. 30, 2007 | June 30, 2007 | March 31, 2007 |
|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | |
| Customers | 000's | 64,268 | 57,341 | 50,951 | 44,676 | 39,013 |
| Employees | No. | 25,543 | 24,703 | 23,264 | 22,955 | 20,314 |
| | | | | | | |
| **Mobile services** | | | | | | |
| Customers | 000's | 61,985 | 55,163 | 48,876 | 42,704 | 37,141 |
| Pre-paid customers as a % of total customers | % | 91.6% | 91.0% | 90.4% | 89.7% | 88.5% |
| Post-paid customers as a % of total customers | % | 8.4% | 9.0% | 9.6% | 10.3% | 11.5% |
| Bharti's mobile subscribers market share[5] | % | 23.8% | 23.6% | 23.4% | 23.1% | 22.4% |
| Average Revenue Per User (ARPU) | Rs. | 357 | 358 | 366 | 390 | 406 |
| Average Minutes of Use Per User | Minutes | 507 | 474 | 469 | 478 | 475 |
| Post-paid Voluntary Churn | % | 1.0% | 0.9% | 1.1% | 1.1% | 1.0% |
| Post-paid Company Initiated Churn | % | 1.5% | 1.8% | 2.1% | 2.5% | 2.2% |
| Pre-paid Churn | % | 4.3% | 3.9% | 3.8% | 4.0% | 3.6% |
| SMS Revenue as a % of Total Mobile Revenues | % | 4.4% | 4.4% | 4.6% | 5.0% | 6.0% |
| Employees | No. | 8,452 | 8,371 | 8,132 | 7,595 | 7,034 |
| | | | | | | |
| **Telemedia Services** | | | | | | |
| Customers | 000's | 2,283 | 2,178 | 2,075 | 1,972 | 1,871 |
| Average Revenue Per User (ARPU) | Rs. | 1,137 | 1,140 | 1,150 | 1,121 | 1,112 |
| Employees | No. | 12,242 | 12,227 | 11,177 | 11,594 | 10,620 |
| | | | | | | |
| **Enterprise Services Consolidated** | | | | | | |
| Employees | No. | 3,828 | 3,518 | 3,353 | 3,179 | 2,169 |
| | | | | | | |
| **Others (Corporate Office)** | | | | | | |
| Employees | No. | 725 | 587 | 602 | 587 | 491 |
| | | | | | | |
| **Passive Infrastructure Services** | | | | | | |
| Employees | No. | 296 | | | | |

*Note 5: All India mobile subscribers for quarter ended December 2007 and the month of January 2008 and February 2008 are as per report published by TRAI. Due to the non publication of TRAI report as on date, all India Mobile subscriber net additions for March 2008 are as reported by COAI and AUSPI.*

#### A.2.5 Traffic, Coverage and Network Trends

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Sept. 30, 2007 | June 30, 2007 | March 31, 2007 |
|---|---|---|---|---|---|---|
| Mobile Services | Mn Min | 89,058 | 73,840 | 64,375 | 57,125 | 49,240 |
| Telemedia Services | Mn Min | 4,736 | 4,604 | 4,596 | 4,454 | 4,241 |
| National Long Distance Services | Mn Min | 9,398 | 7,898 | 6,774 | 5,856 | 5,004 |
| International Long Distance Services | Mn Min | 1,850 | 1,591 | 1,345 | 1,243 | 1,194 |
| **Total Minutes on Network[6]** | **Mn Min** | **105,042** | **87,933** | **77,089** | **68,678** | **59,679** |

*Note 6 : The minutes are gross of intersegment eliminations*

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Sept. 30, 2007 | June 30, 2007 | March 31, 2007 |
|---|---|---|---|---|---|---|
| **Mobile Services** | | | | | | |
| Census Towns | No. | 5,023 | 4,902 | 4,876 | 4,855 | 4,676 |
| Non-Census Towns and Villages | No. | 342,623 | 320,623 | 290,000 | 243,584 | 207,327 |
| Population Coverage | % | 71% | 68% | 65% | 62% | 59% |
| Network Sites | No. | 69,141 | 60,299 | 52,826 | 45,784 | 39,224 |
| **Telemedia Services** | | | | | | |
| Cities covered | No. | 94 | 94 | 94 | 94 | 94 |
| **Carriers (National Long Distance)** | | | | | | |
| Optic Fibre Network[7] | RKms | 73,787 | 67,138 | 55,574 | 43,658 | 40,484 |

*Note 7: With effect from quarter ended September 2007, Optic Fibre Network is inclusive of owned fibre and swapped fibre , previously reported as only owned fibre. With effect from quarter ended December 2007, Optic Fibre Network is inclusive of intra city fibre , previously reported as only inter-city.*

#### A.2.6 Passive Infrastructure Services

| Parameters | Unit | March 31, 2008 | Dec. 31, 2007 | Sept. 30, 2007 | June 30, 2007 | March 31, 2007 |
|---|---|---|---|---|---|---|
| **Towers** | | | | | | |
| Total Towers | No. | 52,865 | - | - | - | - |
| Ground Based Towers | No. | 33,590 | - | - | - | - |
| Roof Top Towers and Others | No. | 19,275 | - | - | - | - |
| **Key Indicators** | | | | | | |
| Sharing Revenue per Sharing Operator per month | Rs. | 30,329 | - | - | - | - |
| Sharing Factor | Times | 1.22 | - | - | - | - |

## A.3 Key Accounting Policies as per US GAAP

### 1. Joint Ventures

The Group's interest in Joint ventures in which the Group has a majority interest, but does not control due to significant participatory rights of the minority stockholders are accounted for under the equity method of accounting and is initially recognized at cost. Under this method, the Group's share of the post-acquisition profits or losses of the joint venture is recognized in the consolidated statement of income and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in joint venture includes goodwill identified on acquisition.

The Group's interest in jointly controlled entities is accounted for by the equity method of accounting and is initially recognized at cost.

### 2. Property and equipment

Property and equipment are stated at historical cost, net of accumulated depreciation and amortization. All direct costs relating to the acquisition and installation of property and equipment are capitalized.

Depreciation and amortization is recorded on a straight-line basis over the estimated useful lives of the assets.

| *Assets* | Years |
|---|---|
| Building | 20 |
| Network Equipment | 3-20 |
| Computer equipment | 3 |
| Office, furniture and equipment | 2/5 |
| Vehicles | 5 |
| Leasehold improvements | Remaining period of Lease or 10 years whichever is less |
| Assets individually costing Rs. 5 thousand or less | 1 |

Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses arising from retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income on the date of retirement and disposal.

Costs of additions and substantial improvements to property and equipment are capitalized. The costs of maintenance and repairs of property and equipment are charged to operating expenses.

### 3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is disclosed separately. Goodwill arising on accounting for jointly controlled entities or entities in which the Group exercises significant influence is included in investments in the related associates/jointly controlled entities.

The Group adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS 142 requires that goodwill and indefinite-lived intangible assets be allocated to the reporting unit level, which the Group defines as each circle. FAS 142 also prohibits the amortization of goodwill and indefinite-lived intangible assets, but requires that they be tested for impairment at least annually, or more frequently as warranted, at the reporting unit level. Goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The goodwill impairment test under FAS 142 is performed in two phases. The first step of the impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill of the reporting unit is considered impaired, and step two of the impairment test must be performed. The second step of the impairment test quantifies the amount of the impairment loss by comparing the carrying amount of goodwill to the implied fair value. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its implied fair value.

### 4. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency Indian Rupees at the rates of exchange in effect at the balance sheet date. Transactions in foreign currencies are recorded at rates ruling on the transaction dates. Gains or losses resulting from foreign currency transactions are included in the consolidated statement of income.

The balance sheets and statements of operations of the Group's foreign operations are measured using the local currency as the functional currency. Assets and liabilities of these foreign operations are translated to Rupees at period end exchange rate and revenue and expense amounts are translated to Rupees at the average rates of exchange prevailing during the period. The resulting foreign currency translation adjustments are accumulated as a component of other comprehensive income.

## 5. Capital leases

**Lessee accounting**
Assets acquired under capital lease 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 leased assets is computed on straight line basis over the shorter of useful life of the assets or remaining lease period. Amortization charge for capital leases is included in depreciation expense for the period.

**Lessor accounting**
Assets leased to others under capital leases are recognized as receivables at an amount equal to the net investment in the leased assets. The finance income is recognized based on periodic rate of return on the net investment of the lessor outstanding in respect of the capital lease.

## 6. Impairment of long – lived assets and intangible assets

The Group reviews its long-lived assets, including identifiable intangibles with finite lives, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic climate. For assets that the Group intends to hold for use, if the total of the expected future undiscounted cash flows produced by the asset or asset Group is less than the carrying amount of the assets, a loss is recognized for the difference between the fair value and carrying value of the assets. For assets the Group intends to dispose of by sale, a loss is recognized for the amount by which the estimated fair value, less cost to sell, is less than the carrying value of the assets. Fair value is determined based on quoted market prices, if available, or other valuation techniques including discounted future net cash flows.

## 7. Revenue recognition

### (i) Service revenues
Service revenues include amounts invoiced for usage charges, fixed monthly subscription charges and VSAT/ internet usage charges, roaming charges, activation fees, processing fees and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network of the other operator for local, domestic long distance and international calls.

Service revenues are recognized as the services are rendered and are stated net of discounts and taxes. Revenues from pre-paid cards are recognized based on actual usage. Activation revenue and related activation costs, not exceeding the activation revenue, are deferred and amortized over their estimated useful life, which is consistent with the estimated churn of customers. Excess of activation costs over activation revenue, if any, are expensed as incurred. Subscriber acquisition costs are expensed as incurred. On introduction of new prepaid products, processing fee on recharge coupon is being recognized over the estimated customer relationship period or coupon validity period, whichever is lower.

Service revenues from the internet and VSAT business comprise revenues from registration, installation and provision of internet and satellite services. Registration fee and installation charges are deferred and amortized over their expected customer relationship period of 12 months. Service revenue is recognized 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 recognized on an actual usage basis and is net of sales returns and discounts.

Revenues from national and international long distance operations comprise revenue from provision of voice services, which are recognized on completion of services while revenue from provision of bandwidth services is recognized over the period of use. Revenue is stated net of discounts and waivers.

Unbilled receivables represent revenues recognized 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.

Unearned revenue includes amounts received in advance on pre-paid cards and advance monthly rentals on post paid. The related services are expected to be performed within the next operating cycle.

### (ii) Equipment sales
Equipment sales consist primarily of revenues from sale of VSAT and internet equipment (hardware) and related accessories to subscribers. Equipment sales are treated as activation revenue and are deferred and amortized over the customer relationship period.

### (iii) Multiple element arrangements
The Group enters into certain multiple-element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets including VSAT and internet equipment, internet and satellite services, indefeasible right to use and hardware and equipment maintenance. The Group evaluates all deliverables in an arrangement to determine whether they represent separate units of accounting at the inception of the arrangement in accordance with EITF 00-21 "Revenue Arrangements with Multiple Deliverables".

The Group has determined that objective and reliable evidence of fair value does not exist for undelivered items in arrangements involving the bundling of sales of VSAT and internet equipment with provision of internet and satellite services or for other arrangements with multiple deliverables. Accordingly, equipment sales for these arrangements are deferred and amortized over the term of the arrangement. The arrangement consideration allocated to delivered items that do not qualify as separate units of accounting are combined with the other applicable undelivered items within the arrangement. The Group then recognizes revenue for those combined deliverables as a single unit of accounting over the term of the arrangement.

### 8. License fees

**Licenses signed prior to NTP - 99**

Annual license fees incurred by the Group under the old license fee regime until the date of migration to the NTP - 99, i.e. July 31, 1999 and revenue-share fees from the date of migration to NTP – 99 were expensed as incurred. However, the Group's share of licenses acquired under business combinations during the old license regime, prior to July 31, 1999, were accounted for at their respective fair values as at the date of acquisition and are amortized on a straight-line basis over the remaining period of the license from the date of acquisition of respective circles. Upon the migration to the NTP - 99, the remaining unamortized cost of such licenses acquired had been carried over and forms a part of the new cost basis for the license signed under NTP - 99. Amortization of licenses is recorded as a component of depreciation and amortization.

**Licenses signed under NTP - 99**

License agreements signed/awarded under NTP - 99 stipulate the payment of: 1) one time fee termed as 'license entry fee' to obtain the right to operate services and 2) annual usage charge on the basis of the percentage of revenues i.e. 'revenue share'.

License entry fees were recognized as an intangible asset and were measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any impairment losses that have been recognised. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles. The Group's share of licenses acquired under business combinations arising after the 'applicability' of NTP - 99 were accounted for at their respective fair values as at the date of acquisition and are amortized on a straight line basis over the remaining period of the license. Amortization of license entry fees is recorded as a component of depreciation and amortization. The revenue-share fee is computed on the basis of Adjusted Gross Revenue ('AGR') and is expensed as incurred.

**UASL Licenses & license fees**

The Group has migrated its cellular mobile licenses in 15 circles to Unified Access Service Licenses (UASL) after obtaining the necessary approvals from DoT. UASL permits the licensee to provide basic and / or cellular services using any technology in a defined service area.

UASL entry fees were recognized as an intangible asset and were measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any impairment losses that have been recognised. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles.

### 9. Other intangible assets

Other intangible assets comprising enterprise resource planning software, bandwidth capacities, brands, customer relationships, distribution networks, licenses and noncompete clauses, are capitalized at the Group's share of respective fair values on the date of an acquisition. The methodologies used for valuation of these intangibles is as follows:

- Software is capitalized at the amounts paid to acquire the respective license for use and is amortized over the period of such license, not exceeding three years.
- Bandwidth capacities are capitalized at the amounts paid to acquire the capacities and are amortized over the period of the agreement subject to a maximum of 15 years.
- Brands are valued using the Royalty Relief approach and are amortized on a straight-line basis over the period of expected benefit, not exceeding the life of the licenses and are written off in their entirety when no longer in use.
- Customer relationships reflect the estimated fair value of the customer accounts acquired from which the Group can expect to derive future benefits over the estimated life.
- Distribution networks reflect the fair value of the estimated benefit and are amortized over an estimated useful life of three years.
- The fair value of licenses are valued using the Market Value Approach. The licenses are amortized over the remaining license period
- Noncompete clauses are fair valued based on the actual and projected business plans and are amortized on a straight-line basis over the remaining period of license.

Amortization of intangible assets is disclosed as part of cost of services and selling, general and administrative expenses in the consolidated statement of income.

### 10. Income-taxes

In accordance with the provisions of FAS 109, "Accounting for Income Taxes", income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of income in the period in which the change is enacted. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

### 11. Pre operating costs

Pre operating costs represent certain marketing and administrative expenses incurred prior to the commencement of commercial operations of the new circles. These costs are expensed as incurred.

**12. Derivative financial instruments**

The Group enters into derivative instruments, including interest rate swaps and foreign currency forward contracts, to manage interest rate movements of its debt obligations and foreign currency exposures related to the import of equipment used in operations and its foreign currency denominated debt instruments.

FAS No. 133, ''Accounting for Derivative Instruments and Hedging Activities'', requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship.

**13. Asset Retirement Obligations**

Asset retirement obligations associated with the Group's wireless and wireline services cell sites, switch sites, retail, and administrative location operating leases are subject to the provisions of FAS No. 143 "Accounting for Asset Retirement Obligations" and FASB interpretation no. 47 "Accounting for Conditional Asset Retirement Obligation".. The lease agreements entered into by the Group may contain clauses requiring restoration of the leased site at the end of the lease term and therefore create asset retirement obligations. The Group records the fair value of a liability for an asset retirement obligation in the period in which it is incurred and capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, the Group either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

**14. Indefeasible right to use (IRU)**

Fibre and duct are sold as part of the operations of the Group's Enterprise service carriers business. The Group has determined these as integral equipment. Under the agreements, title is not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. Direct expenditures incurred in connection with agreements are capitalized and expensed off over the term of the agreement. The contracted sales price is primarily paid in advance and is recognized as revenue during the period of the agreement. IRU Sales not recognized in consolidated statements of income, net of amount recognizable within one year is recorded as unearned income in non-current liability and amount recognizable within one year is recorded as unearned income in the current liabilities. Cashless swap of IRU where either the fair value of the equipment relinquished can not be reasonably determined or the group has continuing involvement with the equipment transferred are accounted for at costs.

**15. Allowance for uncollectible accounts receivable**

The allowance for uncollectible accounts receivable reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management primarily determines the allowance based on the aging of accounts receivable balances and historical write-off experience, net of recoveries. 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 pertaining to the same period or in specific cases where management is of the view that the amounts are not recoverable. Amounts due from debtors that have been outstanding, though fully provided, are evaluated on a regular basis by the management and are written off, if as a result of such evaluation, it is determined that these amounts will not be collected.

## A.4 Summarized Profit & Loss Statement as per Indian GAAP

*Amount in Rs million*

| Particulars | Quarter ended March 31, 2008 | Year Ended March 31, 2008 |
|---|---|---|
| | Audited | Audited |
| Service Revenue | 77,918 | 268,728 |
| Sales of Goods | 718 | 1,394 |
| **Total Income** | **78,636** | **270,122** |
| **Profit before Finance Expenses /(Income) (Net), Depreciation, Amortization, Pre-operative Expenditure,Charity and Donation, Taxation and Other Income** | **32,743** | **114,018** |
| Finance expenses (net) | 3,045 | 5,279 |
| Depreciation and Amortization | 9,991 | 38,102 |
| Other Income | 663 | 2,796 |
| Charity and Donation | 208 | 317 |
| **Profit Before tax** | **20,162** | **73,115** |
| Tax Expenses/ (Income) | | |
| -Current Tax | 2,226 | 8,954 |
| -Fringe Benefit Tax | 130 | 403 |
| -Deferred Tax | (1,595) | (1,196) |
| **Profit After Tax** | **19,401** | **64,954** |
| Minority Interest | 412 | 1,000 |
| **Profit for the period** | **18,989** | **63,954** |

## A.5 Summary of Differences in Net income/ Profit between USGAAP (audited) and Indian GAAP (audited)

*Amount in Rs million*

| Particulars | Quarter ended March 31, 2008 | Year Ended March 31, 2008 |
|---|---|---|
| **Net profit / (loss) as per US GAAP** | **18,529** | **67,008** |
| **Add: Differences on account of:** | | |
| Minority Interest and loss of Joint Venture | 11 | 59 |
| Deferred Tax expense | 1,454 | 1,749 |
| | | |
| **Less: Differences on account of:** | | |
| Amortization of Goodwill/ Intangibles | 198 | 569 |
| Being difference in revenue recognition | (88) | 70 |
| License fee amortization | 195 | 632 |
| Differences in accounting for finance charges | 921 | 2,932 |
| Remeasurement of financial instruments not applicable in IGAAP | (32) | 5 |
| Differential depreciation provided in IGAAP due to forex fluctuations not considered in US GAAP | (189) | (472) |
| Provision for current tax | 0 | 1,126 |
| **Net profit/(loss) as per Indian GAAP** | **18,989** | **63,954** |

# GLOSSARY

**Technical and Industry Terms**

| **Company Related** | |
|---|---|
| Access and Interconnection Charges / Total Revenues | Access and interconnection charges for the relevant period divided by total revenues for the relevant period. |
| ARPU (for Mobile and Telemedia Services) | Average revenue per customer per month is computed by: dividing the total revenues, excluding equipment sales and the interconnection fees, during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. |
| Asset Turnover | Asset Turnover is defined as total revenues, for the preceding (last) 12 months from the end of the relevant period, divided by average assets. Asset is defined as the sum of non current assets and net current assets. Net current assets are computed by subtracting current liabilities from current assets. Average assets are calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period. |
| Average Minutes of Use per user | Average minutes of usage per customer per month is calculated by: dividing the total minutes of usage (incoming, outgoing and in-roaming) on our network during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. |
| Average Sharing Operators | Average Sharing Operators are derived by computing the average of the monthly average sharing operators for the relevant period |
| Average Customers | Average customers are derived by computing the average of the monthly average customers for the relevant period. |
| Average Towers | Average towers are derived by computing the average of the monthly average towers for the relevant period |
| Book Value Per Equity Share | Total stockholder's equity as at the end of the relevant period divided by issued and outstanding equity shares as at the end of the relevant period. |
| Capital Employed | Capital Employed is defined as sum of stockholder's equity and net debt. |
| Cash Profit From Operations | It is not a US GAAP measure and is defined as operating income adjusted for depreciation and amortization, pre-operating costs, interest expense and interest income. |
| Churn | Churn is calculated by dividing the total number of disconnections during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. Post-paid churn has been subdivided into:<br>a) Voluntary: indicating the number of subscribers who opt out of the network at their own behest.<br>b) Company initiated churn: indicating the number of subscribers whose churn is initiated by the company due to non-payment. |
| DTH | Direct to Home broadcast service |
| Earnings Per Basic Share. | It is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. |
| Earnings Per Diluted Share | The calculation of Net Profit/ (loss) per diluted share adjusts net profit or loss and the weighted average number of ordinary shares outstanding, to give effect to all dilutive potential ordinary shares that were outstanding during the year.<br>Net profit or loss attributable to ordinary shareholders is adjusted for the after-tax effect of the following: (1) dividends on potential ordinary shares (for example, dilutive convertible preferred shares); (2) interest recognized on potential ordinary shares (for example, dilutive convertible debt); and (3) any other changes in income or expense resulting from the conversion of dilutive potential ordinary shares (e.g., an entity's contribution to its non-discretionary employee profit-sharing plan may be revised based on changes in net profit due to the effects of items discussed above). |
| EBITDA | Earnings/ (loss) before interest, taxation, depreciation and amortization.<br>It is not a US GAAP measure and is defined as operating income adjusted for depreciation and amortization and pre-operating costs. |
| EBITDA Margin or EBITDA / Total Revenues | It is computed by dividing EBITDA for the relevant period by total revenues for the relevant period. |
| EBIT | Earnings / (Loss) before interest and taxation for the relevant period. It is equivalent to Income/ (loss) before interest income, interest expense & taxes. |

| | |
|---|---|
| Gross Revenue per Employee per month | It is computed by dividing the Gross Revenue (net of inter-segment eliminations) by the closing number of employees in a given business unit and number of months in the relevant period. |
| Ground Based Towers | Ground based towers refer to towers erected on ground. |
| ILD | International Long Distance Services. |
| Income/(loss) after current tax expense | It is not a US GAAP measure and is defined as Income/ (loss) before taxation adjusted for current tax expense. |
| Interest Coverage Ratio | EBITDA for the relevant period divided by interest on borrowing for the relevant period. |
| Investments in projects | The investment in projects comprises gross fixed assets, intangible assets, capital work in progress, gross goodwill, investment in JV's and one-time entry fee paid towards acquisition of licenses. |
| IPTV | Internet Protocol TV. IPTV is a new method of delivering and viewing television programmes using an IP transmission and service infrastructure, which can deliver digital television to the customers. IPTV when offered using an IP network and high speed broadband technology becomes interactive because of availability of return path and is capable of providing Video on Demand (VOD), time shifted television and many other exciting programmes. |
| LTM | Last twelve months. |
| Market Capitalization | Number of issued and outstanding shares as at end of March 31, 2008 multiplied by closing market price (BSE) as at end of March 31, 2008. |
| MoU | Minutes of Usage. Duration in minutes for which a customer uses the network. It is typically expressed over a period of one month. |
| Mobile Customers Per Employee | Number of GSM customers on our networks as at end of the relevant period divided by number of employees in the mobile segment as at end of the relevant period. |
| Mobile TV | Mobile Television. Mobile TV service refer to provision of television services to subscribers for viewing on handheld or portable devices. Technically, there are two main ways of delivering television content to mobile devices; via the mobile telecommunications networks or by using broadcasting technologies. |
| MPLS | MPLS stands for Multi Protocol Label Switching network created on SDH platform. It simplifies the configuration and management of larger networks as point to point connections are not required. |
| Network Site | Comprises of Base Transmission System (BTS) which holds the radio transreceivers (TRXs) that define a cell and coordinates the radio links protocols with the mobile device. It includes all the Ground based, Roof top and In Building Solutions as at the end of the period. |
| Net Debt | It is not a US GAAP measure and is defined as the long-term debt, net of current portion plus short-term borrowings and current portion of long-term debt minus cash and cash equivalents, restricted cash, restricted cash non-current, short-term investments and investments as at the end of the relevant period. |
| Net Debt to EBITDA | It is computed by dividing net debt as at the end of the relevant period by EBITDA for preceding (last) 12 months from the end of the relevant period. |
| Net Debt to Stockholder's Equity | It is computed by dividing net debt as at the end of the relevant period by stockholder's equity as at the end of the relevant period. |
| Net Revenues | It is not a US GAAP measure and is defined as total revenues adjusted for access charges for the relevant period. |
| NLD | National Long Distance Services. |
| Non Voice Revenue as a % of consolidated revenue | It is computed by dividing the total non-voice revenue of the company (consolidated) by the total revenues for the relevant period. Non-voice revenues include VAS Revenues for Mobile, VAS and Internet Revenues for Telemedia Services, Bandwidth Revenue for Long Distance Services, and Bandwidth and Internet Revenues for Enterprise Services. |
| Non Voice Revenue as a % of Mobile Revenue | It is computed by dividing the total non voice revenue of mobile services by the total revenues of mobile services for the relevant period. Non voice revenue for mobile services includes revenues from value added services (including SMS, GPRS, MMS, Ring Back Tones etc.). |
| Operating Income | Operating Income is defined as total revenues less total operating expenses for the relevant period. |
| POI | The geographical location where two networks interconnect and exchange traffic |
| POP | Point of Presence. POP means a technical arrangement made by the National Long Distance Service Operator under which it can accept outgoing calls from and deliver terminating calls to the area required to be served from such Point of Presence. |

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| Post-Paid Services | The provision of mobile services, wherein the subscribers pay for usage including airtime, rental value added services, access and interconnection charges and any other applicable charges at the end of the billing period. |
| Pre-Paid Services | The provision of mobile services wherein subscribers pay a fixed amount, which is valid for a certain period, for usage including airtime, value added services, access and interconnection charges and any other applicable charges prior to commencement of service. |
| Return On Capital Employed (ROCE) | For the full year ended March 31, 2005, 2006, 2007 & 2008, ROCE is computed by dividing the sum of net profit and finance cost (net) for the period by average (of opening and closing) capital employed. For the quarterly computation, it is computed by dividing the sum of net profit & finance cost (net) for the preceding (last) 12 months from the end of the relevant period by average capital employed. Average capital employed is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period. |
| Return On Stockholder's Equity | For the full year ended March 31, 2005, 2006, 2007 & 2008, it is computed by dividing net profit for the period by the average (of opening and closing) Stockholder's equity. For the quarterly computations, it is computed by dividing net profit for the preceding (last) 12 months from the end of the relevant period by the average Stockholder's equity for the preceding (last) 12 months. Average Stockholder's equity is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period. |
| Roof Top Towers and Others | Roof top towers refer to towers erected on the roof top, and others include IBS and micro towers. |
| SDH | Synchronous Digital Hierarchy. It is a standard technology for synchronous data transmission on optical media, andprovide faster and less expensive network interconnection. |
| Sharing revenue per Sharing Operator per month | It is computed by dividing gross revenue less energy and other pass through, from Passive Infrastructure services by average sharing operators. |
| Sharing factor | It is computed by dividing average sharing operators by average towers |
| Telemedia Customers Per Employee | Number of Telemedia customers on our networks as at end of the relevant period divided by number of employees in the Telemedia segment as at end of the relevant period. |
| Total Towers | It is the sum of ground based towers, and roof top towers and Others. |
| Total Operating Expenses / Total Revenues | Total operative expenses for the relevant period divided by total revenues for the relevant period. |
| Total Operating Expenses | It is defined as sum of equipment costs, employee costs, network operations costs and selling, general and administrative cost for the relevant period. |
| **Regulatory** | |
| AGR | Adjusted Gross Revenues. Used for computing the License Fees and WPC charges payable by an Access Provider and have been provisionally defined as gross revenue of the Access Provider net of access charges actually paid to other telecom service providers, roaming revenues passed on to other telecom service providers and service tax and sales tax actually paid to the Government, if the same had been included in the Gross Income. |
| AUSPI | Association of Unified Telecom Service Providers of India. It is the representative industry body for private Basic Service Operators which interacts on policy and regulatory issues with various Government bodies such as Department of Telecommunications (DoT), Telecom Regulatory Authority of India (TRAI), apex industry organizations like ASSOCHAM, Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce & Industry (FICCI), analysts and other institutions of world repute. |
| COAI | The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non - profit, non - governmental society dedicated to the advancement of communication in India, in particular of modern communication through Cellular Mobile Telephone Services.<br>The main objective of the COAI is to protect, promote and upgrade cellular operations in India and also to look after the common and collective interests of its members. |
| CMSP | Cellular Mobile Service Provider. CMSP is another term for Cellular Operators or Cellular Mobile Telephone Service Licensees. |

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| DoT | Department of Telecommunications. DoT is a department under the Ministry of Telecommunications, Government of India. The Department of Telecommunications is responsible for the policy formulation, licensing, wireless spectrum management etc. The department allocates frequency and manages radio communications in close coordination with the International bodies and is responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country. |
| IUC | Interconnection Usage Charges. IUC are the charges prescribed by TRAI vide IUC Regulations including amendments issued from time to time, which are payable by one service provider to another for usage of the network elements for origination, transit or termination of the calls. |
| SACFA | Standing Advisory Committee for Frequency Allocation. SACFA is a high owner committee comprising representatives from all Ministries and Administrative Departments of the Government of India which are major users of wireless spectrum. All wireless installations in the country (including cell sites set up by mobile operators) require prior clearance from SACFA. |
| TDSAT | Telecom Disputes Settlement & Appellate Tribunal. TDSAT has been set up under Section 14 of the Telecom Regulatory Authority of India Act, 1997 by TRAI (Amendment) Act, 2000 to adjudicate disputes and dispose of appeals with a view to protect the interests of service providers and consumers of the telecom sector and to promote and ensure orderly growth of the telecom sector. |
| TEC | Telecom Engineering Centre. TEC is a core technical wing of DoT, Ministry of Communications and Information Technology, Government of India. It is responsible for specification of common standards and formulation of Fundamental Technical Plans with regard to telecom network equipment, services and interoperability in India. It interacts with multilateral agencies like APT, ETSI and ITU etc. for standardization. It issues interface approvals and Service Approvals. TEC provides technical support to DOT and technical advice to TRAI & TDSAT. |
| TRAI | Telecom Regulatory Authority of India. TRAI is a statutory body established under the Telecom Regulatory Authority of India Act, 1997 in January 1997, as an autonomous body with quasi-judicial powers to regulate telecommunication services in India. |
| UASP | Unified Access Service Provider. UASPs are licensed by DoT for providing access services viz wireline and wireless including full mobility, limited mobility and fixed wireless using any technology. |
| WiMAX | Worldwide Interoperability for Microwave Access. WiMAX is a telecommunications technology aimed at providing wireless data over long distances in a variety of ways, from point-to-point links to full mobile cellular type access. |
| **Others (Industry)** | |
| BSE | The Stock Exchange, Mumbai |
| GSM | Global System for Mobile Communications. This is a second generation digital technology originally developed for Europe. Initially developed in the 900 MHz band and subsequently modified for the 850, 1800 and 1900MHz bands. Originally stood for Groupe Speciale Mobile. It is an open and non-proprietary system with one of its great strength being the international roaming capability. |
| IGAAP | Generally Accepted Accounting Principles in India. |
| NSE | The National Stock Exchange of India Limited. |
| Sensex | Sensex is a stock index introduced by The Stock Exchange, Mumbai in 1986. It is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The base year of Sensex is 1978-79 and the base value is 100. The index is widely reported in national and international markets through print as well as electronic media. |
| SMS | Short Messaging Service. It is a text message service, which enables the user to send short messages to other users. |
| US GAAP | United States Generally Accepted Accounting Principles. |

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