

Earnings Call Transcript

Event: Bharti Tele-Ventures Limited Earnings Conference Call for the First Quarter Ended June 30, 2005.

Event Date/Time: July 26, 2005 / 2:30 p.m. IST

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

CORPORATE PARTICIPANTS**Akhil Gupta**

Bharti Tele-Ventures Limited - Joint MD

Anand Ramachandaran

Citigroup Smith Barney – Director Asia-Pacific Telecoms Research

Badri Aggarwal

Bharti Tele-Ventures Limited - President Infotel

Manoj Kohli

Bharti Tele-Ventures Limited - President Mobility

Rajan Bharti Mittal

Bharti Tele-Ventures Limited - Joint MD

Sonal Kapasi

Bharti Tele-Ventures Limited – Head, Investor Relations

Sunil Bharti Mittal

Bharti Tele-Ventures Limited - Chairman and Group MD

CONFERENCE CALL PARTICIPANTS**Alistair Scott**

Merrill Lynch – Hong Kong

Henry Cobb

Thames River Capital – UK

Jaspreet Singh

Prabhudas Lilladher - Mumbai

Mark Shuper

Morgan Stanley - Hong Kong

Prabhat Avasthi

Brics Securities – Mumbai

Rahul Singh

SSKI – Mumbai

Reena Verma

DSP Merrill Lynch – Mumbai

Sanjay Chawla

Kotak Securities – Mumbai

Shalini

Crisil Market - New Delhi

Sreenivas Rao

Enam Securities – Mumbai

Sundeep Bihani

Lehman Brothers – Hong Kong

Suresh Mahadevan

ABN AMRO

Thaharan Gwala

Pyramid Research Cambridge – USA

Vaibhav Doshi

Network Stock Brokings – Mumbai

Vikas Mantri

SBI Capital Markets – Mumbai

Vinay Jai Singh

JM Morgan Stanley - Mumbai

PRESENTATION**Swati – Moderator**

Good afternoon ladies and gentlemen. I am Swati, the moderator, for this conference. Welcome to the Bharti Tele-Ventures' first quarter ended June 30, 2005 earnings call hosted by Citigroup Smith Barney. Mr. Anand Ramachandaran, Director Asia-Pacific Telecoms Research - Citigroup Smith Barney, is your call leader today. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the Question and Answer session will be conducted for the international participants connected to Airtel International Center. After that, a similar Question and Answer session will be conducted for the participants in India. Now, I hand over to Mr. Anand Ramachandaran of Citigroup Smith Barney.

Thank you and over to you Mr. Anand Ramachandaran.

Anand Ramachandaran – Citigroup Smith Barney – Director Asia-Pacific Telecom Research

Hi. Thank you Swati. Good morning or afternoon ladies and gentleman. Welcome to this analysts briefing for Bharti's first quarter FY06 results. We at Citigroup are delighted to be hosting this call. Bharti appears to have started the new fiscal year just the way they ended the last one with yet another set of splendid results. I am sure you will all join me in congratulating the management team on this performance. As usual, we have a full representation from Bharti's senior management on the call today. On behalf of all the participants and Citigroup, I would like to take this opportunity to thank senior management for taking the time to be with us on the call today. I will now hand over the call to Ms. Sonal Kapasi, the Head, Investor Relations of Bharti Tele-Ventures to initiate the proceedings.

Over to you, Sonal.

Sonal Kapasi - Bharti Tele-Ventures Limited - Head, Investor Relations

Thank you, Anand. A very warm welcome to all of you. We hope each one of you is in receipt of the results for the first quarter ended June 30, 2005. The results are also available on our website www.bhartiteleventures.com. Today, we have with us the entire senior management on the call. Mr. Sunil Bharti Mittal, Chairman and Group Managing Director; Mr. Rajan Bharti Mittal, Joint Managing Director; Mr. Akhil Gupta, Joint Managing Director; Mr. Manoj Kohli, President of the Mobile Operations; and Mr. Badri Aggarwal, President of the Infotel Operations, are with us on the call today. Before I hand over the call to Mr. Sunil Bharti Mittal, I must remind you that the overview and the discussions today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face. Also, I would like to request all of you to kindly send in your queries, which remain unanswered during the today's

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

earnings call at ir@bharti.com to facilitate us to respond to the queries at the earliest.

I now hand over the call to Mr. Sunil Bharti Mittal.

Thank you.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Thank you Sonal. Let me add my own very warm welcome to all of you who have joined us on this call. It has been another great quarter, and I take pleasure in presenting the overview on a few of the developments in the economy, in the sector, and in the company, and this will be followed by a detailed financial and operational performance analysis by Akhil. The company completed 10 years of its existence this month. These 10 years, if one looks back, have been very-very hectic at one level, very challenging at one level, but very satisfying at another. We have grown from being a one-circle company to an all-India company today, clearly establishing Bharti as a leader in the telecom space. Concurrently, the Indian economy and business have become formidable players on the global playing field. There are very clear changes that are being witnessed in the Indian economy, and in the last 10 years, India has emerged as one of the most rapidly growing economies in the world, grasping firmly the opportunities presented by liberalization and globalization. India's ability to compete on a global stage is amply illustrated by the boom in telecom and information technology. Today, the country features amongst the fastest developing telecom markets in the world. India's position as a leader in the IT space is already firmly established. However, telecom and IT are far from being the entire India story. India is projected to have the second fastest growing tourism industry in the world over the next 10 years. The cost of steel production in India is now amongst the lowest globally. Pharmaceutical and biotech firms are very competitive in international arena; and now finally, the Indian firms are increasingly carrying out their own R&D. Last year alone, Indian pharmaceutical companies filed over 200 patents. All this, clearly suggests that India is finding a very strong and new confident step into the world economy. The country's GDP registered a growth of 7% in 2005. The Sensex has been reaching new highs. This is clear and strong reflection of the faith that the Indian capital markets are enjoying from both domestic and international investors. These are exciting times that bode well for Indian consumers and India Inc. as a whole. Before I give you an update on the company, let me just mention some of the key regulatory and industry issues that have gone by in this quarter. India joined the exclusive club of our country having over 100 million telephone connections, both mobile and fixed line put together. There are only 6 or 7 countries, China, US, Japan, Germany, and Russia that have more than 100 million telecom users. There is a tremendous momentum in the Indian telecom industry, and we believe that the vast expansion that is taking place by all the leading players is going to take this space even to a higher level. I believe the industry is moving from a paradigm of incremental growth to paradigm of exponential growth. This paradigm change was reflected in June when the Indian wireless industry added 2 million subscribers. This was the first sign of a change in the trends of subscriber additions that the industry had been waiting for. I am confident that the net add in subscriber numbers could grow exponentially in the coming months, riding on a wave of declining entry costs for consumers, wider coverage, and enhanced income levels across all segments of society. Moving on to 3G, this space is being

closely watched by us at Bharti. We are very pleased that the TRAI made its recommendation aligning India with the IMT-2000 band. This would mean that India will enjoy the benefits of the most advanced technology for its 3G services. More importantly, it will be buying a kit and infrastructure, which will be widely manufactured and available from the existing vendors like Ericsson, Nokia, and Siemens. There has been a talk of entry fee on 3G. I personally believe telecom companies like Bharti and others are already offering almost 3G type of services under the GPRS and EDGE services. Providing 3G services only means giving these services at a faster speed and better quality. At Bharti, we feel there is absolutely no reason for the government to levy any entry fee for providing 3G services. The fact is 3G services can be provided with increased spectrum in the existing bands itself. More importantly, it is Bharti's view that the government cannot charge additional entry fee especially when it is already charging a revenue share for every rupee that is billed to the customer, but be that as may, that is our view and there have been some different views from the industry. We will await the government decision and fully abide by that. We are ready to start trials in 3G. Some early work has already started. However, I believe, it will be about 15-18 months before 3G services will become a reality in the country. Roaming and long distance tariffs were reduced across the market with the Airtel as the first operator to provide the benefits of reduced roaming to its customers. TRAI has given its recommendation on spectrum. We are awaiting the DoT's final policy approval on this matter. In another move to benefit customers, inter services area connectivity was permitted between state capitals and four respective states. The regulator also issued ceiling tariffs for domestic leased circuit.

Coming to Bharti Tele-Ventures, as an initiative from this quarter, we have started presenting our results as per US GAAP. Akhil will speak more on the financial and operational performance and also talk about our reasons for this move to US GAAP. However, to highlight: Bharti has maintained its position as a dominant leader in the market, with a wireless market share of 21.5% and the highest ever net addition of 1.27 million for the quarter on our mobile networks alone. We earned revenue of Rs. 25.2 billion, EBITDA of Rs. 9.4 billion, cash profit of Rs. 9.3 billion, and a net profit of Rs. 5.1 billion. As an industry wide initiative, the company introduced the Rs. 200 recharge coupon to reduce the entry cost for the new customers as well as for those who would like to top up on a lower level of coupons. On the mobile services side, approximately 1,800 new cell sites were added during the quarter. We are now present in over 2,700 towns as on June 30, 2005 and quickly moving to our target of covering most of the key small towns after having covered all the major towns. In continuation of our strategy to outsource our network needs, Bharti entered into managed capacity expansion contract with Ericsson. Others are on the anvil and likely to be finalized soon. The sponsored ADR was called off due to insufficient interest by the company's principal shareholders. We have always been as a company at the forefront to bring unique and innovative services to our customers. I am pleased to inform you that during the quarter there was a hectic activity in launching new and innovative services, Bridge Roaming Alliance was announced, Bridge Prepaid, Bridge Enterprise, and Bridge Concierge services, to enable our customers to enjoy a seamless mobile experience and the ease to access a range of services when roaming overseas on the network of Bridge Alliance members principally in the Southeast Asia. I am also delighted to share with you some recognitions that we

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

have received during the quarter. Bharti was adjudged as the "Asian Mobile News Mobile Operator" of the Year, "Best GSM Carrier in Asia," the "Best Indian Carrier" across all players. The company was ranked 2nd amongst the best-managed companies in India, Asia's best companies 2005 poll conducted by Finance Asia, Fitch upgraded Bharti's long-term foreign currency rating from "BB" to "BB+", and CRISIL has assigned AAA/Stable to the company's long-term debt programme indicating the higher safety. Before I hand over the floor to Akhil, I would like to point out that the period ahead is full of challenges and excitement, particularly in this environment, where the industry is not only going at a blazing speed in terms of growth but is also undergoing a paradigm change. We have proven ourselves in the past. I believe we are prepared and committed in creating value for all our stakeholders and our customers going forward. The biggest challenge that lies ahead of us is to sustain our market position, in the midst of an extremely competitive environment by capturing the benefit of economies of scale that we have so assiduously developed across the country. There is a clear emphasis on providing value propositions to our customers while being competitive on price. Through superior products, services and customer service delivery, wider and stronger networks and reach, we will build this company to the next level. Building a strong brand identity and promise, Airtel clearly has emerged as a superior and today the most preferred brand, by our customers. Our aim is to create competitive advantage by connecting and enhancing the lives of our customers and providing world-class services. We remain committed to achieve our vision of "To be globally admired for telecom services that delight customers." Let me now at this stage hand over the call to Akhil who will take you through the detailed financial and operating performance of the company for the quarter.

Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thank you Sunil. A very warm welcome and good afternoon to all the participants on this call. I hope you are in receipt of the quarterly report and have had a chance to go through it. You would have observed some new additions to this quarter's report. Let me take few minutes to take you through the material disclosures and inclusions that are available in this report.

First of all, as Sunil mentioned and as you are aware, Bharti Tele-Ventures had planned to go for a sponsored ADR, and while preparing for the same, we had initiated the process of migrating from IFRS to US GAAP. As you know, US GAAP is the most widely accepted and preferred accounting standard across the world. Even though the company subsequently decided not to go ahead with the sponsored ADR due to lack of interest from its principal shareholders, the company decided to migrate to the next level of governance and transparency by henceforth disclosing its quarterly results as per US GAAP. Accordingly, I am extremely pleased to announce that from this quarter onwards we have now started declaring our results based on US GAAP. You will also be able to view and download the audited financial statements for the full years ended March 31, 2003, 2004, and 2005 as per US GAAP from our website shortly. Let me now talk about some other additions to this quarterly report. This report is being presented in three parts.

Part I gives you a snapshot over the last few years of the performance of the company and an overview of the company. Part II discusses the results for the quarter ended June 30, 2005. This part includes sections on financial and operational results, MD&A, stock market highlights, use of non-GAAP measures, and the annexure, which have the detailed financial statements and related information. You will notice that out of the above, the financial information under US GAAP is provided separately under subsection A and as per IFRS for the purpose of comparative analysis under subsection B. I would like to point out the disclosures as per IFRS have been provided to facilitate trend analysis and comparison to the corresponding quarter last year for which the financial information is available only as per IFRS. We have not got the quarterly information of last year as per US GAAP still and that is why this comparison. I must also point out that the difference between the financial information as per US GAAP and IFRS is very marginal. Table 1A (1.3) provides the details of such differences. Finally, part III contains the results for the full year ended March 31, 2005. This section includes the summarized US GAAP audited financials reconciled to the un-audited IFRS financials for the full year ended March 31, 2005 as were provided in the last quarterly report. This part also contains a summary of differences between IGAAP audited and un-audited financials for the financial year that ended on March 31, 2005 and which were provided in our last quarterly report. The material differences between US GAAP and IFRS un-audited financials have been there because of the following reasons:

Pursuant to the scheme of amalgamation of Bharti Cellular Limited and Bharti Infotel Limited with Bharti Tele-Ventures, which was approved by the High Court, vide its order dated May 21, 2005, the two entities now stand merged into Bharti Tele-Ventures with effect from April 1, 2004. Due to this merger, the impact on balance sheet and Profit & Loss had been as follows: Under IGAAP, pursuant to said merger, goodwill and other intangible assets stand reversed to the extent of Rs. 11 billion in the balance sheet. This has led to a reduction in amortization expenses in the Profit & Loss account for the full year to the tune of Rs. 626 million. However, under IFRS and US GAAP, there is no impact of this on Profit & Loss account. This is on account of the fact that under IFRS and US GAAP the goodwill was not being amortized. Another material difference is on account of deferred tax. Under IGAAP, the group had been under its income tax assessments, was being allowed license fee on an amortization basis that means the revenue share, which was being paid, the income tax department was allowing us to amortize it over the period of the license. We had contested that situation and had protested that this must be allowed for income tax also in the year in which we incur. We are pleased that by decision of the Appellate authority, this position was ruled in our favor and it was held that the license fee by way of revenue share would be deductible in the year of incurrence for the income tax purposes. This has resulted in a reversal of deferred tax income, which was recognized earlier in these financial statements to the extent of Rs. 1633 million for the full year ended March 31, 2005. Under IFRS, the treatment is same as IGAAP; however, under the US GAAP, since the company was getting its accounts audited for the first time, the respective adjustments have been made in the respective years itself. You can refer to table C1 of the quarterly report in this regard.

Let me now take you through the performance highlights for the quarter ended June 30, 2005. Kindly note that the

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

absolute figures and margins referred to during my speech for this quarter are as per US GAAP; however, the key ratios and the percentage movements for the purpose of comparison are as per IFRS, as I explained earlier. The comparison during my discussion will be with the quarter ended on June 30, 2004.

First of all let me point out that during this quarter there were certain regulatory interventions, which directly impacted the revenue and the consequent EBITDA margins adversely. Let me give you a few examples of these developments and interventions: TRAI reduced the domestic leased circuit rates by imposing a ceiling thereon. This was a significant reduction. The domestic roaming rates were reduced. There was implementation of inter-circle connectivity in case of Tamil Nadu and Chennai, Calcutta and West Bengal, and Mumbai and Maharashtra with zero (0) dialing in the case of few circles which means that any calls between these cities and these circles were now local calls instead of the STD calls earlier. There was a reduction in the carriage charges in case of NLD, and the ADC to fixed line was denied on incoming international calls under the new ADC regime. Since these came into effect at various points during this quarter, the full impact on the volumes, which we have conventionally seen due to elasticity, has not been fully visible in financial and operational performance of the company. Considering the above developments, I would say the first quarter result of the year was an extremely satisfying one.

Let me now talk in detail about the consolidated performance highlights of the business. The company had 13.2 million customers on its network as on June 30, 2005 comprising of 12.3 million mobile and 935 thousand broadband and telephone customers. The 1.35 million new customers added in both the segments were the highest net adds seen by the company in a single quarter till date. The company earned revenue of Rs. 25.2 billion, EBITDA of Rs. 9.4 billion, cash profit of Rs. 9.3 billion, and the net profit of just over Rs. 5 billion. For the first time, our revenue crossed Rs. 25 billion and the net profit for the quarter crossed Rs. 5 billion. On a like-to-like basis, the revenues grew by 48%, EBITDA by 52%, cash profit by 70%, and net profit by 70%. The non-voice revenue contribution to the total revenue for the quarter was 16.5%. The consolidated capex for the period was Rs. 9.6 billion of which Rs. 7 billion was invested in mobile operations. The net debt at the end of the period was Rs. 33 billion, and net debt to EBITDA was, for the first time, just under 1, which was an improvement from 1.91 for the quarter ended June 30, 2004. To recap on a couple of key ratios, the company's return on stockholders' equity was 23%, an improvement for 18%, and return on capital employed was 16%, up from 13% a year ago.

Moving on to the mobile segment: as mentioned to you earlier, at the end of the quarter, the company was the market leader with 12.3 million GSM mobile customers on its network. These customers accounted for a market share of 27.3% of the all India GSM market and 21.5% of the overall wireless market. On the financial side, I am extremely pleased to inform that the company's new mobile operations on a consolidated basis turned EBITDA positive in this quarter within 10 months of launch of the first new circle. This has been made possible due to the benefits derived from scale and size of the company's operations. During the quarter, the company's 12.3 million mobile customers generated revenues of Rs. 17.5 billion, EBITDA of Rs. 6.1 billion, EBIT of Rs. 4 billion, which represented a year-to-year growth of 59%, 58%, and 65% respectively. The

EBITDA margin for this segment was 34.8%. The existing mobile operations earned revenues of Rs. 16.4 billion, EBITDA of Rs. 6 billion, and EBIT of Rs. 4 billion. The EBITDA margin of existing operations was 36.6%. As mentioned earlier, the company's new operations turned EBITDA positive. The revenues from the new operations were Rs. 1.1 billion, which earned an EBITDA of Rs. 104 million for the quarter. For this quarter, non-voice and SMS revenues contributed to 10.3% and 6.8% of mobile revenues respectively.

On the broadband and telephone services segment: I would like to highlight that from this quarter onwards we have provided you with a breakup of financial and operational information for existing and new operations. At the end of this quarter, the company offered its broadband and telephone services in 14 circles covering 66 towns. The company had 935 thousand customers on its networks of which approximately 15% were also subscribing to DSL broadband services. The consolidated revenues of this segment were Rs. 3.4 billion, up by 42%; EBITDA of Rs. 1 billion, a growth of 54%; and EBIT of Rs. 477 million, an improvement of 110%. The EBITDA margin for this segment was 28.9%. The revenue of the existing operations was Rs. 3.3 billion and new operations was Rs. 63 million. The EBITDA margin of our existing B&T operations was 32%.

Long Distance Segment: The Company ended the quarter with approximately 30,000 km of long distance fiber running across its networks. This segment earned revenue of Rs. 5.2 billion for this quarter, up 21%; EBITDA of Rs. 1.9 billion, a growth of 57%; and EBIT of Rs. 1.5 billion, up by 66%. The EBITDA margin of this segment was close to 36%.

Enterprise segment: This segment earned revenue of Rs. 1.6 billion for this quarter. EBITDA was Rs. 663 million. The EBITDA margin of this segment was 41.1%. The enterprise service business saw intense downward pressure on its revenue due to regulatory interventions as mentioned earlier. However, we are hopeful that the increased volumes should make up for the revenue loss in the coming quarters.

Before we open the floor for Q&A, I would like to summarize by saying that we are very excited about the growth in this sector and the outcome of our expansion strategy. We believe that we are very well prepared in all respects to lead the growth in this sector. This quarter has been a very significant one for us at Bharti as we have now entered a very exclusive club with quarterly revenue exceeding Rs. 2,500 crore and net profit exceeding Rs. 500 crore.

I would like to now hand over the floor back to Swati for question and answers.

Thank you.

Swati – Moderator

Thank you very much Sir. I now hand over the proceedings to Farida at Airtel International Center to conduct the question and answer session for the international participants. After this, we will have a question and answer session for the participants in India.

Over to you, Farida.

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Farida - Moderator

Thank you Swati. At this time, international participants may press zero one (01) if they would like to ask a question. On pressing zero one (01), participants will get a chance to present their questions on a first-in-line basis. The international participants who wish to ask a question may please press zero one (01).

Please press zero one (01) now.

The first question is from Mr. Henry Cobb. Go ahead, sir.

Henry Cobb - Thames River Capital - UK

Good afternoon. Thank you very much for the presentation and results. I have got just three questions. The first is you talked about subscriber growth and growing exponentially in the coming month. Are you prepared to put some kind of number on what your expectation net add rate is for the coming quarters? Second question is just on the enterprise business, the EBITDA margin there seems to decline very dramatically to the low 40s. So, do you expect a recovery in profitability, and the last question is just could you take us through the derivative losses of Rs. 368 million and just explain how they come about?

Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Let me take up the subs growth first. Well, you know, since we do not give any guidance, it would not be possible for us to give any specific guidance about the growth in the coming quarters. All that I would say is that what we are seeing in the market, especially with the introduction of the Rs. 200 coupon, and as we had always believed, I think the market is expanding, and as Sunil mentioned in speech, we do believe that the growth will be strong. As far as the enterprise segment is concerned, well the margin has come down to about 42%, but I do not think by any stretch of imagination we can call it a very low margin. I mean it is a pretty decent margin. It has come down a bit from earlier times, but surely the revenues are going up. As I had also explained the brunt of the impact of the regulatory changes whether it was by way of lease line charges reduction that has been borne by the enterprise segment in this quarter. I am hopeful that in times to come this segment will be able to show a very robust growth.

Can you please repeat what you mentioned on the derivative side?

Henry Cobb - Thames River Capital - UK

Could you just explain what derivatives that are outstanding, is it on debt, is it on currency? How could we estimate that going forward, what is the cause of this derivative loss?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of BTVL.

Oh, It is actually not a loss. It is an income for the quarter. We have derivatives outstanding which are principal only swaps, there are interest rate swaps. There are combined swaps where there is a part of principal only as well as some interest rate swap. So, there are variety of derivatives and hedging transactions, which the company keeps doing as per its statutory policy. At this time because the rupee had a favorable movement, it is strengthened during this quarter as compared to earlier quarters, and the future outlook has also improved. Due to that, there was a deemed benefit in terms of the evaluation of options by the banks on the derivatives and these transactions made by us.

Henry Cobb - Thames River Capital - UK

Okay, apart from the prepaid refills, what else will be driving the subscriber growth in the coming months or do you think it is simply a function of affordability?

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

I think it is a combination of many things, one is of course this Rs 200 coupon has certainly accelerated the market. The other is roll out of networks. We are getting into areas and you know, we have launched 1800 base stations in the last quarter. In fact, we are adding more now in the coming months ahead. So, all these new base stations and adding new territories under our belt, while it also expands capacity in existing areas. So, addition of new areas, Rs 200 coupon, affordability of handsets, I think all of these things are spurring growth and I think we are also getting into a very good sweet spot where in some of the areas where the teledensity is going up, we are seeing a multiplier effect of more customers joining the band. So, it is just looking good from many angles.

Henry Cobb - Thames River Capital - UK

Okay. So my last question, for how much longer will you report IFRS or is this the last quarter that you report IFRS?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well, we are trying to assess whether we can try and split the last year performance on a quarterly basis on US GAAP. What I could definitely commit is that next to next quarter it would be gone. Our attempt is that the coming quarter when we present, we would present to you US GAAP versus US GAAP, but for the next quarter, it is a definite commitment.

Henry Cobb - Thames River Capital - UK

Okay and last question, any news on dividend policy? Any change in the plans for increasing dividend?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Well, I think the board has been engaged from time to time in terms of discussing the dividend policy. It is the philosophy of this management that the day we feel that the cash being generated by this company is not being utilized in a manner which can provide better return to the shareholders in our hands than in their hands, I think the philosophy of this management would be the time we would like to return the money to the shareholders. I think the growth we are seeing in India is suggesting otherwise at this point of time. As you can see from the results, the return on capital deployed is so huge, it is I believe something about 16% and I think it is at this point of time perhaps more in favor of the shareholders to redeploy this money back into the business.

Henry Cobb - Thames River Capital - UK

Okay. Thank you very much indeed everyone.

Farida – Moderator

Thank you. The next question comes from Mr. Suresh Mahadevan.

Suresh Mahadevan - ABN AMRO

Yes. Thanks a lot for taking the time to do the call and congrats on an excellent set of numbers. I had a couple of really quick questions. One is that your depreciation has been pretty stagnant. Normally, there is a pretty big growth quarter on quarter. I was just wondering if you could shed some light on that and second thing is just wanted to get a clear update in terms of specifics in terms of how many cities and towns Bharti is present currently and where do you plan to take it as of end of FY06, and possibly, if you can outline your plans for FY07 as well and finally quick update on easy recharge, where the percentages stand in terms of the value of recharges done.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Okay, on the depreciation, you are right; the depreciation for the quarter is pretty flat. I think the two reasons why that has happened is one, in this quarter the bulk of the capital expenditure has taken place in the latter half of the quarter because of some supply problems in the initial one or two months and that means that the additional depreciation was small. Also, in the last quarter, you know, there are customary adjustments in the last quarter on account of the vendor account settlement and so on, that did give a little bit of extra credit to the depreciation. So that was the reason why the depreciation is looking a little flat for the quarter. In terms of number of towns, we are now at about 2,700 towns up from 2,300 towns in the last quarter, and it is the endeavor of the company that over a period of time we would like to cover about 5,000 towns, which are the number of towns as per the census. On easy recharge, Manoj, if you could give the percentage figure please.

Manoj Kohli - Bharti Tele-Ventures Limited - President Mobility

Good afternoon, this is Manoj. Our easy charge technology is being picked up very well by our retailers and customers. At present, about 53% of our prepaid recharge value is being recharged through the electronic mode and about 65% of our retail outlets have already been trained and are doing this recharge on a daily basis.

Suresh Mahadevan - ABN AMRO

Yes, a quick follow-up, I mean, have you changed any of the commissions you pay to the retailers because, you know, now they do not need to store anything?

Manoj Kohli - Bharti Tele-Ventures Limited - President Mobility

The commission structure of the paper coupon and easy charge is exactly the same because it is only a technology change and more and more retailers are adopting the electronic methodology.

Suresh Mahadevan - ABN AMRO

And in terms of towns, is this 5,000 by FY06?

Manoj Kohli - Bharti Tele-Ventures Limited - President Mobility

Akhil?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I thought you were answering that.

Manoj Kohli - Bharti Tele-Ventures Limited - President Mobility

Okay. Okay. Our attempt is to cover as many towns as possible this year and go close to 5,000 if not cross it because as per census we have just about 5,000 towns and roll out has started at the right earnest in the first quarter by adding 400 towns, and I think this quarter it should pick up at a faster clip.

Suresh Mahadevan - ABN AMRO

Thanks a lot.

Manoj Kohli - Bharti Tele-Ventures Limited - President Mobility

Thank you.

Farida – Moderator

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Thank you. Next question comes from Mr. Sundeep from Lehman Brothers. Go ahead sir.

Sundeep - Lehman Brothers – Hong Kong

Thanks for the call gentleman.

Sundeep - Lehman Brothers – Hong Kong

Hello.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Yes. Go ahead please.

Sundeep - Lehman Brothers – Hong Kong

Thanks for the call gentleman. Can you give me some color as to what percentage of subscribers have started opting for the Rs. 200 recharge coupon instead of the earlier Rs 300 coupon, and how do you anticipate would be the resulting impact on your ARPUs going forward. My next question is that there has been a significant jump in the other current liabilities item from Rs. 16 billion in March 2005 to Rs. 23 billion in June 2005, what is contributing to this increase? Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Manoj could you take the first one please on the Rs. 200 coupon.

Manoj Kohli - Bharti Tele-Ventures Limited - President Mobility

Yes Akhil. The industry launched Rs. 200 coupon in May, and we launched the coupon around the same time. The initial reports are quite positive. However, we think it is premature to comment on its impact on customer addition because it has been a few weeks. We believe that in this quarter we will see the full impact of Rs. 200 RC, and we will give you a report by the time we have the next investor call next quarter. It will definitely bring in much more customers in the middle and lower middle end of the society. The impact on ARPUs may be marginal, but there may be a positive impact on the effective rate because we believe that effective rate is more important than ARPUs. So, I think you will have to wait for another quarter for the full impact and analysis.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the liability side, well I think on the face of it, the current liabilities, the major reason for upward movement would be the amounts payable to the capex vendors. I may like to remind you that under an arrangement with the capex vendors we have to pay them once we start utilizing the

capacity that they have set up and that does give us quite a good benefit in terms of current liability. However, I will ask IR to send you the exact details of this movement between Rs. 23 billion to Rs. 16 billion in this quarter.

Sundeep - Lehman Brothers, Hong Kong

Thank you.

Farida - Moderator

Thank you sir. Next on line is Mr. Mark Shuper

Farida-Moderator

Mr. Mark Shuper from Morgan Stanley you may ask your question now. Sorry sir.

Next question is from Mr. Thaharan Gwala from Pyramid Research Cambridge.

Thaharan Gwala - Pyramid Research Cambridge - USA

Thanks for a great call today. I have a three-part question.

My first question is in regards to the number of cell sites that you added. Someone mentioned earlier that Bharti had added about 1,800 cell sites this quarter. Can you give a number, actually the number of cell sites in service at the end of Q105 and what percentage of that are GPRS enabled and/or EDGE enabled as well?

My second question is, as your customer base is about 12.25 million at the end of Q106 what percentage of your subscriber base has subscribed to GPRS services, and finally, if you can provide a breakdown of ARPU by prepaid and postpaid, and I know, the blended ARPU that you reported is about Rs. 493. If you can provide a split of prepaid and postpaid ARPU or just give a multiplier as to by what factor postpaid ARPU is higher than prepaid, that will be great.

Thanks a lot.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Manoj, well you could give the number of total sites, I believe it should be close to about 11000 to 12000 now.

Manoj Kohli - Bharti Tele-Ventures Limited - President Mobility

Akhil, the total sites at the end of this quarter is close to 12000, and as you know that our deployment of the EDGE is in 14 towns, the top 14 towns of the country, and the balance towns are GPRS enabled.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

However I would like to point out that we, for competitive reasons, do not give out the number of customers who are using GPRS services or EDGE services or the breakup of ARPUs between prepaid and postpaid.

Thaharan Gwala - Pyramid Research Cambridge - USA

Is it possible, if you can give just a multiplier or guidance towards how much your prepaid ARPU is compared to your postpaid ARPU, if not in definite rupee terms?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

No, I think, definitely it is possible because we have all those information. As I said, for competitive reasons, we do not give that and as a matter of principle we do not give any forward guidance, so unfortunately I would not be able to help you in terms of how going forward the ARPU would be moving.

Thaharan Gwala - Pyramid Research Cambridge – USA

Okay.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I would, however, like to point out and reiterate that in our business and in a country like India where affordability will play a major role and for instance the Rs. 200 coupon is expanding the market, we believe that ARPUs have not too much of significance in this market.

Thaharan Gwala - Pyramid Research Cambridge - USA

Okay. Thank you very much.

Farida – Moderator

Thank you. Next question comes from Mr. Patrick Russell.

Over to you sir.

Alistair Scott - Merrill Lynch – Hong Kong

Hi, it is actually Alistair Scott from Merrill Lynch. Thank you very much for the call as always. Just two or three questions. One, very big picture, obviously there is another flurry of M&A or merger activity in the market. Just your judgment at this stage is to whether that creates a more stable market for you going forward or whether there are issues to do with changing footprint of your competition assuming deals happen that may raise the competitive temperature, that would be very kind. Secondly, Akhil on your balance sheet, obviously as you highlighted net debt to EBITDA has dropped below 1 times, obviously, I understand your position on the dividend short term and obviously cash flow requirements, but as you start looking forward, do you have a sense yet as to what sort of net debt to EBITDA ratio you

are going to be comfortable with in the medium term which obviously may give us some senses to your thoughts there. I suppose the final question of detail really, on the new fixed line circles, understandably in the early days they are running at a loss but just, are you fairly happy at this point that they are heading in the right direction in terms of operations, etc., and they will follow the usual trajectory into the EBITDA positive territory in the reasonably near future.

Thank you very much.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Before I give it to Sunil to talk about the consolidation, in fact, Alistair, let me talk about the dividend policy and the new fixed line cities. I think in terms of, you mentioned about dividend policy, net debt to EBITDA, there, clearly less than 1 is a little too comfortable perhaps. I think anything up to 1.5 to 2.0 is actually quite acceptable. So, less than 1 is definitely very very comfortable. On the new fixed line cities which we have launched, we are very-very pleased with the development there, and I have absolutely no doubt that considering that these are very high potential cities, we would follow the same trajectory that we have followed in the past for some of the other principal cities. But let's wait and watch. In the coming quarter, I think the results should speak for themselves.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Just, you know, I think you had also asked the net debt to EBITDA position with respect to dividend policy, I think as Akhil mentioned earlier we need to really see how we perform this year. We believe we are getting to a point where most of the money that the company requires in very aggressive capex is going to be met from what we generate from operations, and I am sure that the board will engage itself in looking at a very clear dividend policy going forward. The debt is now at a very comfortable level. The coverage is huge, but I don't think that we are at a point where we can suggest that more debt for dividend may be appropriate. I would say that we need to really focus this year on building out our 5,000-city network and covering most of the key highways, in fact most of them have been done, whatever is left needs to be done. So, we will probably be able to answer this point in a more clear manner at the end of the year. Yes, of course, the low leverage that we have in terms of debt allows us to do M&A in the marketplace, but if you would recall in our earlier conference calls we had mentioned very clearly that we will acquire only for value. For us, there is no strategic value in buying anything where we are already present. If you see in this classic case, Hutch has bought a company which has four properties of which three properties are new for them and that obviously makes better sense for them, gives them a better value, only one overlap and I am sure they will be able to absorb that. Are we happy, absolutely yes because I believe that this industry needs to get into a more consolidated mode. We need four and maximum five big players and anytime regional small player gets out into merger into a larger player, I think it is a good news for the industry because we need more sanity in the industry, the small ones are finding it difficult to expand, difficult to survive, the only thing that they can keep on doing is to provide low-end services at even cheaper prices. So, I am

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

pretty happy that this move has happened and it is clearing the arena quite clearly towards those four or five large operators.

Alistair Scott - Merrill Lynch – Hong Kong

Okay. I think that is very clear and I would not disagree. Thank you very much indeed for your help.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Thank you Alistair.

Farida – Moderator

Thank you sir. At this moment there are no further questions from participants outside India. I would like to hand over the proceeding back to Swati.

Swati – Moderator

Thank you very much Farida. We will now begin the question and answer interactive session for the Indian participants connected to Audio Conference Service from Airtel. Participants who wish to ask questions may please press star one (*and1) on their touchtone-enabled telephone keypad. On pressing star one (*and1), participants will get a chance to present their questions on a first-in-line basis. To ask a question, please press star one (* and1) now.

The first question comes from Mr. Vaibhav Doshi from Network Stock Brokings, Mumbai.

Mr. Doshi, you may ask your question now.

Vaibhav Doshi - Network Stock Brokings - Mumbai

Congratulations on good set of numbers. I wanted to ask you what exactly, in absolute terms, the gains we received because of the appreciating rupee.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I will come back to this one just give me a minute. If you could proceed with if there is any other question in the meantime.

Vaibhav Doshi - Network Stock Brokings – Mumbai

No.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Let me revert to it, please. I will just get the details and come back.

Vaibhav Doshi - Network Stock Brokings – Mumbai

Okay, not a problem. Thanks.

Swati – Moderator

Thank you very much sir. The next question comes from Mr. Rahul Singh from SSKI, Mumbai.

Mr. Singh, you may ask your question now.

Rahul Singh – SSKI - Mumbai

Good afternoon everyone. Basically, my question was on the existing mobile operations. The incremental EBITDA margins seem to have dropped quite drastically from 60% last quarter to about 30% this quarter. Basically, I am dividing incremental EBITDA by the incremental top line. So, just wanted some sense on that as to what would have led to decline in the incremental EBITDA margin, and the second question was more from a regulatory standpoint as regarding number portability. Do you think as a market we are ready for it and are you for it or against it so soon or would you have rather liked it after two years?

Thanks.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the incremental EBITDA margin, well to be very honest, we are not living this business for a quarter to quarter. There will be quarters when there will be disproportionate investments either in terms of the network or in terms of marketing. So, as long as we have the right trend and we are moving in the right direction, we are happy, but to answer your question, the main reason why the incremental EBITDA margin looks lower this quarter is because of the massive investment in the network. 1,800 new sites were put up. That was one of the principal reasons, but overall, I would say the margins are in the right direction, and we are preparing a very solid base.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

On the number portability, we remain, in concept, neutral on the proposal. We believe that the government must come out with a very clear policy on number portability. There are issues of cost involved, and those costs have to be clearly defined, how they need to be picked up, how are they going to be charged from the customer when a customer requests for a number portable being made available to him, what kind of charges one can take from him, and the other point is I think the government should be bold enough to look at number portability in the fixed line as well and perhaps even go further and enjoy a complete mutual exchange between mobile and fixed line. That will be, to my mind, the ultimate number portability in the country. We, as a company, are completely neutral. We believe the strength of our brand and services and the amount of customer care that we are doing in the organization should hold us in good strength in this particular area.

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

We do, however, feel that if it is implemented only in mobile services it would be a case of selective competitive activity being picked up.

Rahul Singh – SSKI - Mumbai

Okay. Thanks.

Swati – Moderator

Thank you very much sir. The next question comes from Mr. Sanjay Chawla from Kotak Securities, Mumbai.

Mr. Chawla, you may ask your question now.

Sanjay Chawla - Kotak Securities - Mumbai

Good afternoon everybody. Congratulations to the management on a good set of numbers. I have three questions. One just wanted to understand qualitatively the reason for a slight decline in the EBITDA margin of existing circles. You know, which are the cost items, which have moved adversely to result in a mild decline in the EBITDA margin? My second question is what kind of trend if you could just explain qualitatively are you seeing in, you know, prepaid subscribers down trading to a Rs. 200 refill, and the third question is, in your fixed line business at what premium are your broadband ARPU over your non-broadband ARPU?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Manoj, on the existing mobile operations, well as compared to previous year, of course the margin has gone up. As compared to last quarter I do not know, there may be a marginal decline of...

Manoj Kohli – Bharti Tele-ventures Limited – President Mobility

Akhil clearly, one there is an impact of some regulatory decisions, which is on roaming rate. As you know, we had to reduce the roaming rates during this quarter.

Sanjay Chawla - Kotak Securities – Mumbai

Okay.

Manoj Kohli – Bharti Tele-ventures Limited – President Mobility

Then impact of unification of eight circles Mumbai, Maharashtra; Chennai, Tamil Nadu; Calcutta, West Bengal; UP (East), and UP (West); and this led to certain impact plus some seasonal international roaming dropped which happens regularly in this quarter, and of course, as Akhil said major roll out of one site per hour which has been unprecedented in the history of the company, that definitely had some impact.

Sanjay Chawla - Kotak Securities - Mumbai

Manoj, if I may just follow up on this. If I look at your cost structure as a percentage of sales in your mobile segment you are saying interconnect costs have gone up on a quarter-on-quarter basis as a percentage of sales or is it only the network costs, which have gone up?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Interconnect has not gone up.

Sanjay Chawla - Kotak Securities - Mumbai

Interconnect, has it gone down.....

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

As a percentage, has not gone up.

Sanjay Chawla - Kotak Securities - Mumbai

Okay. So, interconnect has gone down, but you are suggesting network costs have probably gone up.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

It is stable. It is stable. It has neither gone up nor gone down. It is more or less there, but I must point out the margin drop is from 36.8% to just 36.4%. So, it is nothing significant on a quarter-to-quarter basis.

Sanjay Chawla - Kotak Securities - Mumbai

Sure, yes.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

And what is the other question he has asked?

Sanjay Chawla - Kotak Securities - Mumbai

What kind of trend are you seeing in the subscribers using Rs. 300 refill down trading to a Rs. 200 coupon, and on the

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

fixed line, you know, how high your broadband ARPUs compared to a non-broadband ARPUs?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Manoj and Badri, if you could take up those questions please.

Badri Aggarwal - Bharti Tele-Ventures Limited - President Infotel

Good afternoon, this is Badri Aggarwal. As far as the voice ARPU is concerned on the broadband customers or the non-broadband customers are concerned, the voice ARPU is similar. The broadband ARPU is over and above the voice ARPU. So, there is no difference in the voice ARPU of these two categories of customers.

Sanjay Chawla - Kotak Securities - Mumbai

Okay.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Manoj.

Manoj Kohli – Bharti Tele-ventures Limited – President Mobility

Yes. Coming to Rs. 200 RC, as I said earlier, it is quite early to comment on it because we are in the market only for a few weeks, but the initial trends are that we are picking up new strata of society rather than replacement of present Rs. 300 coupon with Rs. 200 coupon. I think the initial feedback from the market is that we are picking up new kinds of customers who were not mobile earlier, and they are becoming mobile now because of a lower entry fee. So, that is a positive start, and by next quarter, we will give you more reports.

Sanjay Chawla - Kotak Securities - Mumbai

Akhil, one last question on the regulatory side, this mention of the transit charges, has it started benefiting you and what kind of savings do you see on interconnect if you are able to avoid the transit charges paid to BSNL.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Yes, I think that 19 paisa thing, I believe the overall impact should be a couple of crore of rupees per month.

Sanjay Chawla - Kotak Securities – Mumbai

Okay. Thank you very much.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thanks.

Swati – Moderator

Thank you very much Sir. The next question comes from Mr. Vikas Mantri from SBI Capital Markets, Mumbai.

Mr. Mantri, you may ask your question now.

Vikas Mantri - SBI Capital Markets – Mumbai

Hello. Good afternoon to everybody. Congratulations for a good set of numbers. I had two questions basically. If I see your employee additions, it has been basically on the non-mobile services side, which is around 603. So, is it on the broadband and telephony side because you have gone into more circles or on the enterprise segment, which has like, pulled down the margins on the enterprise side, and the second question, how has the Comsat Max acquisition helped? What could be the contribution towards the enterprise segment and has it impacted the margins, again on the enterprise segment?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Badri.

Badri Aggarwal - Bharti Tele-Ventures Limited - President Infotel

Well, as far as the number of people is concerned, on the fixed line side, two things have happened. Number 1, that we are getting into many more new cities, and therefore, we are employing many more people for those cities, and number 2, as a company policy some of the people who were on the associate rolls earlier, who are doing crucial tasks, have been transferred on company's rolls. That is point number 1, and as far as the enterprise service is concerned, as you know we formed this group about a year ago, and this group is going to handle data as well as voice business, and therefore, employees have been added to AES for handling the voice business for the fixed line and mobile services to our enterprise customers.

Vikas Mantri - SBI Capital Markets – Mumbai

Okay, and the Comsat Max acquisition?

Badri Aggarwal - Bharti Tele-Ventures Limited - President Infotel

Well, Comsat Max continues to do well, and in fact, the quarter 1 results are better than the previous quarter.

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Vikas Mantri - SBI Capital Markets – Mumbai

Okay. Thank you.

Badri Aggarwal - Bharti Tele-Ventures Limited - President Infotel

Thank you.

Swati – Moderator

Thank you very much sir.

Participants who wish to ask questions may please press star one (*and1). The next question comes from Mr. Prabhat Avasthi from Brith Securities, Mumbai.

Mr. Avasthi, you may ask your question now.

Prabhat Avasthi - Brith Securities – Mumbai

Hi, I have got about three questions here. One is what do you think of competitive activity going forward especially from the geographical expansion that we are seeing from Hutchison and Essar, Aircel, and the increased capacity of BSNL that is going to come to the market. The second question that I have is on unearned revenue. There has been a huge increase there, and the increase in fact if it is only on account of prepaid that increase actually is more than the mobile revenue increase quarter per quarter. I was just wondering why that figure has gone up so sharply, and thirdly, the impact of regulatory changes. Will it carry forward into the next quarter because roaming rate cuts and the rate cut between Maharashtra and Mumbai that is you know one circle, happened some time in June. So, will that impact carry forward in the next quarter? Can we see margins getting pressured because of that going forward also for one more quarter?

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Let me take the first one regarding competitive activity. I think as I mentioned if you take the BPL circles, they were already in plain competition, so they will just get under the Essar Hutch belt in the next few months and carry on being a player, and as for the new areas where they are planning to roll out, I believe through Essar, in the Orissa, Bihar, West Bengal, Jammu & Kashmir areas, I think those places are currently underserved, and there are only three operators in most of the places, and typically, all over the country there are four or five operators, and I think that there is clearly scope to add one or two more players there; those markets are also not developing very well. So, as I had said, the overall competitive activity is bound to be with four or five serious players in the marketplace, and we are pleased that finally everybody is seeing the logic of what we saw two years back. There was a time when some of our competitors felt that being only in the selective area was the right strategy, and a lot of questions were asked why we are going to the smaller places. I think both us and BSNL have clearly demonstrated that India has customers available all across the universe of the market now, and we are pleased

that Hutch and some others are going to follow this strategy now.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the unearned revenues, well I think we will give you a detailed reply on that. Let us just get the correct facts on that so that we do not make any second guess. On the roaming charge, I think since the impact has happened in this quarter, we do not expect that to keep hampering the margins going forward.

Prabhat Avasthi - Brith Securities – Mumbai

And about Maharashtra and Mumbai calls being made local, will that impact carry forward in the next quarter because they are only for a month?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well, marginally. I do not see that as a very-very major impact, but yes you are right, for this quarter it has been for a part of the quarter. So, there could be some impact but maybe not very significant.

Prabhat Avasthi - Brith Securities – Mumbai

Akhil one more question on the revenues that are being booked on the amount of money which was received from VSNL, Rs. 500 crore, what is the accounting treatment of that right now and what kind of revenues are being booked on that account.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well, we have received Rs. 500 crore from VSNL and that is being amortized over the period of the agreement, which is 15 years. So, we take roughly about Rs. 30-35 crore as income each year.

Prabhat Avasthi - Brith Securities – Mumbai

Okay.

Akhil Gupta – Bharti Tele-Ventures Limited -Joint Managing Director

That is why that has not been taken as a one-time income.

Prabhat Avasthi - Brith Securities – Mumbai

Okay.

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Akhil Gupta – Bharti Tele-Ventures Limited -Joint Managing Director

I think before we go to the next question let me just answer a question, which Vaibhav had asked earlier about the foreign exchange gains. The foreign exchange gain on the unhedged loans came to about Rs. 15.7 crore for the quarter. Please go ahead.

Swati – Moderator

Thank you very much sir. The next question comes from Mr. Jaspreet Singh from Prabhudas Lilladher, Mumbai.

Mr. Singh, you may ask your question now.

Jaspreet Singh - Prabhudas Lilladher - Mumbai

Good afternoon everybody. This question is actually on the 3G services. We believe that the next big thing for metros and A circles will be 3G, and there was controversy on the allocation of frequency, whether it is IMT-2000 or 1800. So, does it impact your plans if government does not go ahead with IMT-2000 or does it favor CDMA if it is 1800 MHz?

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

I think that the recommendations are very clear that India will align with the world standards and that is IMT-2000, and the earlier issue of US PCS not necessarily the 1800 but the US PCS 1900 band, which was being talked about, has been completely debunked by TRAI, and the recommendation is unambiguous in this regard. I have no doubt that the government will look at this from the TRAI recommendations point of view, and also I believe, independently DoT is also of the same view that India needs to align with the world. So, I am very positive there will be IMT-2000 for 3G services, the only issue is when does the band become free from the defence authorities, and I think the government needs to come out with a very clear policy how to migrate the defence users on this spectrum.

Jaspreet Singh – Prabhudas Lilladher - Mumbai

Thank you.

Swati – Moderator

Thank you very much sir. The next question comes from Ms. Reena from DSP Merrill Lynch, Mumbai.

Ms. Reena, you may ask your question now.

Reena - DSP Merrill Lynch – Mumbai

Good afternoon everybody. My question is pertaining to the FDI policy. If you could please help us understand based on

your interaction with the government on where we are with respect to the FDI hike. Also, if you could please help us understand how a one-India tariff that is being talked about; firstly, what it is that is being envisaged, and secondly, how it would impact operations for pan-India players like Bharti.

Thank you.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Very clearly, as you know the FDI that got approved in February has not been notified on account of some practical difficulties that the government has been facing in notifying this particular decision. So, all we know is that it is being attended to at the highest level, and we remain hopeful that this notification is imminent.

Reena - DSP Merrill Lynch – Mumbai

Sir, do we know what those practical difficulties are?

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

I think they are in the area of direct and indirect stakes to be counted, how to be counted, and how the mechanism will be evolved to count the direct and indirect stakes.

Reena - DSP Merrill Lynch – Mumbai

I see. Thank you.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

And now the second issue of one-India, I think the minister has desired that India should move towards the national rates, and I think BSNL, private players, DoT, TRAI are all engaged in this particular process. The fact is the local rates are being subsidized by both domestic and international call service charges for the last 50 years. A lot of money has been already taken away from those long distance services and the tariffs have come down dramatically. I think there is really no scope for it to come down further without the local charges being increased and that balancing act the government will have to decide how best they would want it. The via media could be one rate for the circle and another rate for the entire nation. So, we will await the government's decision in this regard.

Reena - DSP Merrill Lynch – Mumbai

Thank you.

Swati – Moderator

Thank you very much madam. The next question comes from Ms. Shalini from Crisil Market, New Delhi.

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Ms. Shalini, you may ask your question now.

Shalini - Crisil Market - New Delhi

Hi, I am Shalini this side. Just wanted to find out any more outsourcing contracts on the lines of Ericsson. I think the speech mentioned something about more contracts being worked on. So, I wanted to know what kind of contracts and what is the time frame on those.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

These are really ongoing contracts. There are no fresh new outsourcing contracts being looked into, but clearly, we keep on enhancing the scope of our existing contracts and getting into such agreements like the one we just mentioned for Ericsson for the next round. So, this is being the regular scope of business. Our managed services, supply of networks, and IT continued to move forward.

Shalini - Crisil Market - New Delhi

Thank you

Swati – Moderator

Thank you very much madam. The next question comes from Mr. Sreenivas Rao from Enam Securities, Mumbai.

Mr. Rao, you may ask your question now.

Sreenivas Rao - Enam Securities – Mumbai

I have two questions to ask. One is on your this equipment supply Payable that number, it was a kind of you know, this particular quarter it seems that you have paid money so the cash flow impact is negative, but it had been positive over the last four or five quarters. I just want to figure out two things exactly what does this number signify and what is its relation to the capex number which you put it out in your cash flow. Is the capex actually a cash capex number?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

No, the capex number is definitely not a cash payment number. Whatever capex we put up or whatever capacities we put up that goes at capex. Now, how much becomes payable is clearly a function of what capacity gets utilized in this quarter or in a particular quarter. So, therefore, there would not ever be a very direct correlation between the capex and the payables. However, one could assume that if the acceleration on capital expense deployment is stronger, the creditors should normally on an overall basis be going up somewhat.

Sreenivas Rao - Enam Securities – Mumbai

Ok. The second question is that you work over with a lot of outsourcing contracts, so your sense on what is the total number of employees, you know, within Bharti and one who are working with Bharti would be, you know and as an organization, how many people would you be kind of using, if I may put it, if that is the right word.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I think if I am not mistaken, we did give this information somewhere. Yes, I think if you will please see page no. 50 of the quarterly report you do get the total number of employees in mobile services which is 5081, total number of employees in non-mobile services 3450. These are the persons on our rolls.

Sreenivas Rao - Enam Securities – Mumbai

Yes, exactly.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Badri and Manoj if you could just give an idea of how many outsourced people would be there.

Manoj Kohli – Bharti Tele-ventures Limited – President Mobility

Well, I think Akhil is talking about the outsourced employees on the contract, which we have given out.

Sreenivas Rao - Enam Securities – Mumbai

Yes, that is right, I mean, you know, how many there would be working for Bharti, if I can just paraphrase the question that way.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

This is a little difficult question because working for Bharti in direct and indirect manner, even the painters of the billboards one could say are working for Bharti, but I think on a direct basis, we have given the number of people on rolls. On indirect basis, for instance, people working with Ericsson on our project or IBM on our project, my guess is easily there should be something around 1,600 or 1,700 people overall if not more.

Sreenivas Rao - Enam Securities – Mumbai

Okay.

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Perhaps touching 2,000 easily.

Sreenivas Rao - Enam Securities – Mumbai

That is fine. That is fine. Thank you very much.

Swati – Moderator

Thank you very much Sir. The next question comes from Mr. Vinay Jai Singh from JM Morgan Stanley, Mumbai.

Mr. Jai Singh, you may ask your question now.

Vinay Jai Singh - JM Morgan Stanley - Mumbai

Thank you. Congratulations for the great set of results. I have three questions out here. Firstly, on the taxation for last year and going ahead, I assume if you have written back the taxation last year, the net profit as per IFRS would be written down from Rs. 14.3 billion down to Rs. 12.75 billion. What does one do for calculating the future taxation especially, you know, assuming you have a deferred tax element and the section 80 IA benefit. That is my first question. The second question is on the fixed line business. The ARPUs have marginally improved, which is great. Is it because of more broadband subscribers or is it because of new circle launches wherein due to cherry picking we are seeing better subscribers coming up out there, and thirdly, on your overall capex for the year would you be revising the number of billion dollars for the year as a whole.

Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Okay, on the deferred tax, Vinay, definitely the deferred tax is a pretty complex one, and I am glad that one entry which we had to pass of showing a massive deferred tax income is gone. Going forward, how it will behave is also a function of how the changes in the tax rates, as you know take place, and every time that changes there is a deferred tax adjustment which is required. So, I would not be able to give you a very clear idea at this stage, but definitely over a period of time, I think a clearer picture as regard to deferred tax should emerge. On the fixed line business, Badri could you take that about the ARPU.

Vinay Jai Singh - JM Morgan Stanley – Mumbai

Before you go there, again on the taxation, let us just forget deferred taxation for a minute, but we also have section 80 IA benefit, right. So, the actual tax paid out should not be more than 7% to 8% for the year as a whole.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

That is right.

Vinay Jai Singh - JM Morgan Stanley – Mumbai

For the year as a whole

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

That is right. I think that will be a fair thing to assume.

Vinay Jai Singh - JM Morgan Stanley – Mumbai

Thank you.

Badri Aggarwal - Bharti Tele-Ventures Limited - President Infotel

Well, on the fixed line side, the ARPU has been pretty robust primarily because of our continuously getting very good quality of customers and the effort on diverting the usage from the BSNL and MTNL lines to our lines is practically an effort of getting much better quality of customers which is yielding the results.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the capex, Vinay, at this stage I think we would believe that the earlier estimate that we had given we seem to be on track with that. As you know, we spent about Rs. 970 odd crore in the first quarter, and I would say that anywhere between Rs. 4000 crore and Rs. 4200 crore is what we expect as the total capex.

Vinay Jai Singh - JM Morgan Stanley – Mumbai

Thank you, sir.

Swati – Moderator

Thank you very much Sir. Ladies and gentleman, we have a few more questions from the international participants. So, I would like to hand over to Farida at Airtel International Center.

Over to you Farida.

Farida – Moderator

Thank you Swati. The next question comes from Mr. Mark Shuper from Morgan Stanley, Hong Kong.

Over to you sir.

Mark Shuper - Morgan Stanley - Hong Kong

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call

Thank you very much and thank you all. I apologize for any confusion apparently earlier. I really only have one remaining question with regard to the lower denomination cards that have clearly started quite successfully in the market. Under what circumstances would you consider or expect another operator perhaps to lower either the denominations or the maturities of such recharges. Is that something you think needs to or will happen within the next 6 to 12 months in terms of broadening out even further the affordability of the product or is that something perhaps that is longer down the road, and under what circumstance do you think that would come with a lowering in the effective tariff per minute relative to the one you are currently charging on the Rs 200 plans?

Thank you very much and again thank you and congratulations for the call.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thanks Mark. Thanks for being on the call. On the lower denomination card, I think Rs. 200 down from Rs. 300 is a big move and I believe that it is always the responsibility of the industry to keep doing things at the right time to expand the market. Rs. 200 is a very-very good move, and I think it will be premature to try and do something lower than that because we could go to a lower figure and the validities could be adjusted, but I think the necessary volumes must come. So I do not think that in a very great hurry anybody should or would be in a position to really breach this Rs 200, and there is no need really. I think this should be good enough with this. Was there anything else apart from this?

Mark Shuper - Morgan Stanley -Hong Kong

No, it is really just as we see some of your other competitors brought now their footprints. I am just wondering if you start to see them become that much more competitive in the market.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well I think over a period of time it really would not matter because what we are clearly seeing is our outgoing traffic as a percentage is increasing. The overall traffic are pretty robust, so, at the end of the day at some stage it really would not matter all that much.

Mark Shuper - Morgan Stanley - Hong Kong

Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Okay, it could happen. Somebody could, perhaps in the next 6 to 12 months, try and lower it a little bit.

Mark Shuper - Morgan Stanley - Hong Kong

But I guess we would not expect Bharti to be the price leader on that one.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well, you know, Bharti has never been a price leader in that sense. I think we have always tried to concentrate on two things, one is to give the best value to our customers and second I think take the whole industry together to try and take steps which could expand the market, and I think we will continue to do that.

Mark Shuper - Morgan Stanley -Hong Kong

Very good. Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thank you.

Farida - Moderator

Thank you. At this moment, there are no further questions from participants outside India. I would like to hand over the proceeding back to Swati.

Swati – Moderator

Thank you very much Farida. At this moment, I would like to hand over the floor back to Mr. Sunil Bharti Mittal for the final remarks.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Thank you. Let me convey my thanks to all of you for being on this call. It has been a great quarter, and we will be back with you in the next quarter with all the details. Until then, I am sure this space is going to keep on creating new waves of excitement. Thank you very much.

Swati - Moderator

Ladies and gentleman. This concludes the earnings call. You may now disconnect your lines.

Thank you for connecting to Audio Conference Service from Airtel and have a nice evening.

BTVL First Quarter Ended June 30, 2005 Bharti Tele-Ventures Limited Earnings Conference Call**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.