

Earnings Conference Call Transcript

Event: Bharti Airtel Limited Second Quarter and Half-Year Ended September 30, 2007 Earnings Call

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Bharti Airtel Limited Second Quarter and Half-Year ended September 30, 2007
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PRESENTATION**Priyanka – Moderator**

Good Afternoon ladies and gentlemen, I am Priyanka, the moderator for this conference. Welcome to the Bharti Airtel Limited's Second Quarter and Half-Year ended September 30, 2007 Earnings call. For the duration of the presentation, all participants' 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 Ms. Sonal Kapasi, Head

Investor Relations, to initiate the proceedings. Thank you, and over to you Ms. Kapasi.

Sonal Kapasi – Head Investor Relations – Bharti Airtel

Thank you, Priyanka. A very warm welcome to all the participants who have dialed into the Earnings Call of Bharti Airtel for the Second Quarter and Half-Year ended September 30, 2007. I hope all of you must be in receipt of the results. The same is also available on our website www.bhartiairtel.in. Present with us on the call today is the senior leadership team of Bharti Airtel. Mr. Sunil Bharti Mittal, Chairman and Managing Director, Mr. Rajan Bharti Mittal, Director, Mr. S.L. Narayanan, Director of Finance, Mr. Manoj Kohli, President and CEO, Mr. Sanjay Kapoor, President for Mobile Services, Mr. David Nishball, President for Enterprise Services, and Mr. Sarvjit Dhillon, CFO and Director of Strategy. We propose to commence this call with opening remarks by Mr. Sunil Bharti Mittal and Mr. Sarvjit Dhillon, after which the floor will be open for Q&A. Before I hand over the call to Mr. Mittal, I must remind you that the overview and discussions today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face. I now hand over the call to Mr. Mittal. Thank you.

Sunil Bharti Mittal - Chairman and Managing Director – Bharti Airtel

Thank you, Sonal and let me add my own warm welcome to all the participants to this Earnings call. The quarter gone-by for the telecom industry, as most of you would have seen from the reports, has been an outstanding one and I would say yet another quarter of satisfying growth for all of us at Bharti Airtel. The industry crossed the big milestone of 250 million subscribers. Most of these customers coming in from the mobile side and this really clearly comes to a point where we can say with safe comfort that India is poised to have 500 million mobile connections by 2010. A number of reports as you are aware have gone out in the past, suggesting numbers between 375 and 550 million, but I think based on what we have achieved on the run rate by the industry is continuously on a sustainable basis achieving, I think the number of 500 million looks no more ambitious. In fact the government has set up a target of 250 million total connections by December 2007, which has been met well ahead of time. We also believe that the wireless subscriber base, which has touched 210 million, will continue to grow at this particular pace and perhaps at a faster clip as we roll out a network to reach that big magical number of 500 million. This is based on the fact that the wireless segment in the quarter gone by has added 24 million customers. The overall tele-density now in the country stands at 22%. Despite the big growth in the connectivity and number of customers, India still remains lowly penetrated market anywhere in the world. This clearly holds a great promise for our company and we believe that the coming quarters should continue to see significantly higher growth. Affordability is always an issue, something I would say the telecom industry have been able to crack the code much earlier than many others now. I think the Indian

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telecom tariffs are the lowest anywhere in the world and by a very wide margin with the western world but now also having a significantly lower level of tariffs compared to even countries like China. We continue to make innovative business practices as our way forward and the de-merger of our Tower Company, which will probably be spoken in a little more detail later on, is again a step towards bringing down our cost further and making us more efficient to manage the low tariffs.

Let me spend a moment on some of the regulatory developments that have taken place in the last few weeks. TRAI finally made its recommendation on a number of issues, amongst them there was a recommendation on the issue of spectrum allocation to the existing operators on the basis of subscribers. This was announced solicited the recommendations from the TRAI, which was never sought and TRAI, in our opinion, has erroneously come up with a formula which does not take into account the network design and the deep topography of the network which requires the central business districts to have a much higher capacity requirements. We await the TECs report in this regard. TRAI has recommended the formation of the committee within the OTFTC, but we believe that there is likely of our tightening of the subscriber base for existing operators, the amount of that difference is yet to be seen. Clearly, it is our opinion as the existing operator that we welcome competition. In fact to my mind as I move around the globe, I do not see any part of the world having more competitive intensity than India is witnessing today, there is not only low tariffs, but a wide choice, an array of offers from seven operators in more or less all the circles in India and therefore to say that we do not have enough competition would be unfair.

Having said that if a few more operators would like to try their own luck in this industry coming in as the eighth or ninth operator, that's a business decision we will leave for them to handle, but as a company, as a corporation I want to state that our position is to always welcome competition so long as the legitimate demands of the existing industry are fully met. To that end, the Cellular Operators' Association has moved the honorable TDSAT to seek relief for the existing operators as the department moves forward with both migration of some of the CDMA operators seeking GSM spectrum and for those who are seeking to come into this segment afresh. Other recommendations that have come out of TRAI in more or less in line, not much of a change in the M&A arena, they have just allowed another 10% to be acquired through the permissions of the DoT, but as DoT was very clear to keep it at back at 10%, I do not think so that makes any significant difference because between 10% and 20% other than economic benefit there is nothing much to add. There were issues of crossover of technology on which TRAI has made a recommendation, that recommendation warranted the CDMA players to pay the license fee to come into GSM, which was a longstanding demand of the COI that the CDMA operators cannot claim GSM's spectrum either ahead of cues in the existing operators or without paying the charges. I believe the charges that they have paid reflect the charges that were paid by the GSM industries several years back and we therefore feel that the amount being charged from CDMA operators to migrate to GSM in itself maybe

much, much lower compared to what it should have been, but we will leave these matters and many more to come out finally from the process that the TDSAT has now started on the appeal that the COI has put in. Since the matter is sub-judice it is only appropriate that I do not delve too deeply into some of these issues, but I have no doubt in the coming weeks and months you will probably hear from the deliberations that go in to TDSAT and through the newspaper more in this regard.

Let me now turn to the company and give you some of the few updates for the quarter that ended on September 30 this year. Bharti finally crossed that magical number of 50 million-customer mark. Achieved the distinction of becoming the fastest private telecom company in the world to achieve this landmark in a single country. Bharti Airtel took 143 months from the start of operations to reach this magical figure of 50 million. Net additions during the quarter for Bharti Airtel were over 6 million wireless customers and importantly 100,000 broadband and telephony customers. We continue to maintain our leadership in the market and more importantly increase our market share. The wireless customer market share for Bharti expanded to 24% at the end of September 30, which was up from 21% at the end of September 2006, clearly demonstrating that the brand Airtel is working in the market place and is becoming a brand of choice for more customers than ever before. Even compared to the March quarter 2006, when we had 23%, we made a 1% gain in the market place. We are clearly emerging as one of the strongest players now not just in India, but we are being recognized in the region as one of the leading players in this arena. This is based on the fact that we are market leader in the country based on customer base and now parts of the Elite's top ten in-country wireless operators in the world.

Let me give you some of the key highlights of the quarter ended in terms of financials, which are perhaps already in front of you. The revenue is at Rs. 63.4 billion, EBITDA at Rs. 27.1 billion, and net income at Rs. 16.1 billion. Let me now briefly touch upon the Tower update. We have now obtained all requisite approvals from the creditors and shareholders and are now awaiting the high court approval. The matter is listed for hearing in early November and as soon as we have the high court's direction in this regard, we will update you on the same. Our philosophy on de-merger has been to enhance our efficiencies, share the Tower, make the Tower company independent, have a separate management team running it, lower the rentals for the operators both Airtel, and others, and more importantly allow more energy to be focused into the customer-facing areas within the company. I personally believe this move will be very, very beneficial to Bharti Airtel and on the other hand, Bharti Infratel will emerge as one of the largest Tower companies in the world. I am also glad to share with you some of the accolades that have been showered on the company. We were adjudged as the Best Value Creator by Outlook Money NDTV Profit by getting the award, and last week we were feted with the Company of the Year by Economic Times, an award, which is now counted as the Oscar for companies in India. I will now turn this to Sarvjit Dhillon, CFO, Bharti Airtel, who will take you through the detailed financial in-operation performance. I must mention this is something that has been done by

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Akhil Gupta throughout thus far. Akhil is out of the country at this point in time and Sarvjit will therefore ably fill in that position. Sarvjit.....

Sarvjit Singh Dhillon - CFO and Director of Strategy – Bharti Airtel

Thank you, Sunil. I would also like to welcome everyone on the call, both in India and around the world. Hope you all of you would have received the quarterly report of our results both for the second quarter and for the half-year. You all would have heard from Sunil's message some of the top line operational and financial indicators for the quarter. So before I move on to discussing them in the performance of the company I will just update everyone on a couple of developments. The first one being the i2i transaction has now been completed with Bharti Airtel acquiring 100% of the equity in Network i2i and this is at a net consideration of US\$110 million. Now the second one is around the de-merger. The scheme of de-merger of the passive infrastructure in mobile infrastructure of Bharti Airtel and Bharti Infratel has been approved by the shareholders and creditors of Bharti Airtel during the quarter and is now pending final approval of the Delhi High Court.

Now moving on, the operating performance of the company in terms of customers and coverage, you would have heard from Sunil that Bharti has actually crossed 50 million mark during the quarter, the minutes carried on our networks gross of eliminations for the quarter was 77 billion, representing an 82% increase over the same quarter last year. Specifically in mobile services we had nearly 49 million customers at the end of the quarter, and we are continuing with our strategy of aggressive roll outs, mobile services are now available in nearly 4,900 towns and over 290,000 non-census towns and villages, which means we are covering somewhere around 55% of the country's population. We added more than 7,000 cell-sites in the quarter taking our total to over 52,000 sites and enhancing our coverage and leadership in the country. On the distribution front we are now approaching 673,000 outlets across the country. Moving on now to Broadband and Telephony, I am pleased to say that we have crossed now the 2 million mark as far as this is concerned in the quarter and continue to offer the services based upon our focused strategy in the 94 cities across India. Moving on to Carrier Services we are now close to 56,000 km of optical fibre across the country including both owned and swapped fiber. That is as far as the customer and coverage is concerned.

I will just move on now to the financial results of the quarter. The consolidated revenue was Rs. 63 billion, a year-on-year growth of 45%. The consolidated EBITDA was Rs. 27 billion representing a year-on-year growth of 59%. The EBITDA margin for the quarter at 42.8% is a rise of 370 basis point over the corresponding period last year. Cash profit from operations before derivatives and exchange fluctuations for the quarter was Rs. 26.3 billion, an increase of 65% of the corresponding period last year. Just a note here, while actual interest on the borrowings has been stable at Rs. 776 million in the quarter, the notional movement and derivatives and lower quarter-to-quarter rupee

appreciations has resulted in a net derivatives and exchange fluctuation expense for the quarter of Rs. 359 million. Therefore cash from operation after derivatives and exchange fluctuations for the quarter was Rs. 25.9 billion that is an increase of over 58% over the same period of last year. Income after current expenses for the quarter was Rs. 15.3 billion, that's an increase of over 60% over the last year. Whilst the current tax expense has been relatively stable, there has been a deferred tax credit in the quarter of Rs. 985 million, on account of estimations and tax provisions, tax holidays available periods and capital timing projections. The net income therefore during the quarter was Rs. 16.1 billion and that is an increase of 73% over the same period last year.

Moving on now just on the capital front, our Capex in Q2 was nearly approximately US\$1 billion taking our first half capital expenditure to just under US \$2 billion at \$1.9 billion. This is fairly in line with our annual Capex expectation of about US\$ 3.3 to US\$3.5 billion. As far as the key financial ratios of the company are concerned, return on equity for the quarter was 41.8% as compared to 40.8% a quarter ago and the return on capital employed improved from 29.3% last quarter to 31.5% in the current quarter. A couple of more points on the balance sheet, the company had a net debt of 39 billion; that is about US\$ 919 as of the end of September. The net-debt to EBITDA was 0.242 times as compared to 0.39 times a quarterback and interest coverage was 35 times as against 33 in the last quarter. Just before I finish off I would like to say that you can see it is another quarter of a good growth for the company and I would now hand you over to the moderator for the Q&A session. Thank you, very much.

Priyanka - Moderator

Thank you, very much sir. I now hand over the proceedings to Zaini 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, Zaini.

Zaini – International Moderator

Thank you, Priyanka. At this time, international participants may press "01", if they would like to ask a question. On pressing "01" participants will get a chance to present their questions on a first-in line basis. Once again participants with questions please press "01" now. The first question comes from Mr. Henry Cobbe of Nevsky Capital, London.

Henry Cobbe - Nevsky Capital - London

Good evening. Thanks very much for the call. Just a few questions if possible. The first is on the long distance Capex, which seems to have increased substantially in the second quarter and if you can just talk where that came from. Secondly MoU growth seemed to decelerate quite dramatically and I think it has now dropped to a single digit year-on-year growth, do you expect MoU to recover in the coming quarters or

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what would be your full year estimate. The next questions say Reliance communications does get permission to rollout GSM nationwide, how do you see that affecting the competitive landscape? My last two questions is the update on the effective tax rate for the full year and also your plan for entrance into IPTV either via your broadband system or by mobile? Thank you.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Henry can you repeat your third question on the rollout please?

Henry Cobbe - Nevsky Capital - London

Just on the IPTV rollout.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

No, the nationwide GSM rollout?

Henry Cobbe - Nevsky Capital - London

How do you see Reliance Communications' entrance into the market affecting competition and pricing?

David Nishball - President Enterprise Services – Bharti Airtel

This is David Nishball.

I will just take the first question on long distance Capex. As you probably know that there is a major uptake in terms of the total gross book value of long distance assets. Most of that comes from the acquisition of the i2i system that Sarvjit mentioned earlier. Also the additional build of our domestic network. We have added an additional 4,000-5,000 kilometers of fiber. We are at about 55,000 route kilometers today. We have also increased the number of points of interface into the domestic landline networks. So that has been another major investment project we have been working on but the bulk of this is the 100% acquisition of the i2i cable.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Henry this is Sanjay Kapoor, and I will take your question on the MoU growth. If you really look at the numbers that we have declared 7.25 billion minutes is what we have added during the quarter and even if you were to look at the figures over the last few previous quarters you will see that they are all in the vicinity of 7.4, 7.5 billion, 7.8 billion minutes, so we are by and large in the ballpark. Obviously, when you look at the number of customers that are coming in and then see the minutes per customer surely we have shown a bit of decline, but we believe that it owes to a couple of actions that we have taken within the company and there is some rationalization of tariff plans etc., that

have happened during the quarter and because of that some free and cheap minutes have been eliminated from the network that is why you see that although there is an effective rate decline the decline is very minimal. It is just about 3 P compared to some bigger declines that we have seen in the past.

Secondly, if you were to analyze the data of minute increase over the last four years you will see that there is a general seasonality that sets in during Q2 and then it really recovers over Q3 and Q4. We do believe that there is some sort of seasonality that gets displayed even during Q2 this year; however, the number of customers who are below 100-minute usage at the moment or low-usage customers from the incremental side of the customers that we are adding I think pose a great opportunity for us and you will see that over the next few weeks there will be certain steps that the company will take to stimulate the usage among these and we see it as an opportunity and we do believe that once the seasonality is over there will be a recovery during Q3 and Q4.

Henry Cobbe - Nevsky Capital - London

So the ARPU erosion we saw in Q2 will be mitigated in the coming quarters.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Well our view on ARPU is slightly different Henry. We have always believed that as we rollout the network into rural India ARPUs are bound to decline with more and more incremental customers. However, our focus is always on our three-line graph - as long as our overall revenues go up, our capital productivity goes up and our operational productivity increases, we are not worried. It is not an ARPU game, we believe every customer needs to be profitable and if you look at our margins, despite marginal customers that we are adding the EBIDTA margins have gone up during the quarter.

Henry Cobbe - Nevsky Capital - London

The three-line graph is just showing a second quarter decline in terms of capital productivity?

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Yes, like I said that is owing to the top line and we do believe that once the seasonality's and the impact of some of the rationalization that we have done gets over you will see a recovery over the coming two quarters.

Henry Cobbe - Nevsky Capital - London

Okay. Thank you.

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Manoj Kohli – Chief Executive Officer – Bharti Airtel

Henry, this is Manoj Kohli. I think you had two more questions, one about national rollout of GSM network by a CDMA player. We really do not want to comment on this because the policy is still under discussion and in the court. The last question you raised was about IPTV and the rollout of IPTV will take place in NCR in this quarter and rollout of DTH will take place by the end of next quarter, which will be a national rollout.

Henry Cobbe - Nevsky Capital - London

DTH will be all satellite based?

Manoj Kohli –Chief Executive Officer – Bharti Airtel

We already have been allocated transponders by ISRO in the latest satellite of INSAT-4CR.

Henry Cobbe - Nevsky Capital - London

The IPTV will it be via your DSL network?

Manoj Kohli – Chief Executive Officer – Bharti Airtel

Yes. It will move in all the homes and offices where DSL is already being serviced.

Henry Cobbe - Nevsky Capital - London

In terms of the customer base you are targeting presumably it will be your residential DSL customers?

Manoj Kohli – Chief Executive Officer – Bharti Airtel

Yes. I think our focus will be on residential DSL customers who would like to have more interactivity in their TV viewing.

Henry Cobbe - Nevsky Capital - London

What kind of ARPUs are you looking at roughly.... what would you be targeting?

Manoj Kohli – Chief Executive Officer – Bharti Airtel

We cannot give any further details on this till we launch the product.

Henry Cobbe - Nevsky Capital - London

Okay. From the customer point of view would it would be the same platform DTH or IPTV.

Manoj Kohli – Chief Executive Officer – Bharti Airtel

Can I request you Henry that Sonal Kapasi will share more details with you offline.

Henry Cobbe - Nevsky Capital - London

Okay.

Sarvjit Singh Dhillon - CFO and Director of Strategy – Bharti Airtel

The last point you mentioned tax rate, we are looking at effective current tax of about 12% overall (indiscernible) deferred tax on a longer term basis but might get anything between 13% and 15% would be fine.

Henry Cobbe - Nevsky Capital – London

15 % for the full year .

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Yes, one last question Henry and I think Sunil's coming to answer that.

Sunil Bharti Mittal - Chairman and Managing Director – Bharti Airtel

Yes. I think on that our view is that the CDMA operators whoever want to come into GSM and have to come through a proper process of law. I think we are all awaiting for that process to be established and I think we will have to await that. Suffice to say that we compete with six other competitors and whoever wants to come into the technology space that we operate in is welcome so long as due process of law is followed. We believe we will be able to hold our ground against the existing six operators and we see no difference in a CDMA operator moving into GSM can cause to our strategy.

Henry Cobbe - Nevsky Capital - London

Thank you very much indeed.

Zaini – International Moderator

Next question is from Mr. Andrew Haskins from Nomura, Hong Kong.

Andrew Haskins – Nomura - Hong Kong

Hello, good afternoon. Could you comment, please on your international expansion plans. What is going on with regard to Sri Lanka? Are you considering any other market?

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Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Andrew this is Sanjay Kapoor again. We, as you are aware, have got the license and the spectrum for Sri Lanka. As I speak with you the appointment of the senior management has already been announced including the Chairman for the country and the CEO. The management teams are in place. We have already appointed our strategic partner to rollout the network with us, which is Huawei and permissions are being sought at the moment to rollout the network. We are very hopeful of the current rate somewhere in the early Q1 of next fiscal year we should be able to rollout and launch our services in Sri Lanka. As far as any other acquisitions are concerned we have always made a statement that we are open to acquisitions as and when they make sense, so we are always on the lookout, as and when there are countries that are identified we will communicate to you.

Andrew Haskins – Nomura - Hong Kong

That is very clear. Thank you very much.

Zaini – International Moderator

Next question comes from Mr. Shubham Majumder, Macquarie India

Shubham Majumder – Macquire - India

Hello. I have three questions for the management. First is for Mr. Sanjay Kapoor on the MoU front. I appreciate that you have phased out a lot of low or no revenue bearing minute schemes from the network, so minutes could have dipped in this quarter along with the seasonality thing that you talked about. Why have ARPUs been under pressure to that extent if at all that is a result of MoU decline in this quarter? Secondly I believe you are looking at rationalization of a lot of the tariff schemes which is already ongoing and you are probably going to do some more going forward, can you just give us some sense of how many tariff plans you have on the market and we are going to see a decline in the number of tariff plans as a direct bearing of the rationalization of the tariff plans?

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Shubham to take forward my answer on MoUs one of the things that depresses the ARPUs is also the fact that this was the first full quarter when you saw the full impact of 495 Lifetime that we moved from 999 to 495 so the full impact of that was visible and that depresses the ARPUs to some extent. Other than that you have seen that because of those rationalizations that we spoke about the margins have gone up. Obviously I said that tariff erosion has been minimal. Going forward obviously the endeavor is to do away with

absolutely low priced tariffs and I cannot give you the exact number of tariff plans that are there, but all I can say is that there are many tariff plans in which very few customers were sitting and we are trying to rationalize those by the day. Also to give an example, there were certain places in the country where we were rolling out post-paid plans where very few customers were sitting and obviously our effort to service a post-paid customer is lot more expensive than servicing a pre-paid customer because of billing, collections and many other costs associated, so we have rationalized those towns and those tariffs alongside. I cannot give you specific numbers of tariff plans, but I can tell you that by every passing day we are rationalizing some of those to make sure that we are more profitable.

Shubham Majumder – Macquire - India

Sanjay Good color. With regard to how we are placed structurally on the MoU front, does it worry you that we are probably coming somewhere close to a cap in terms of minutes of use given that we are the second highest minutes of use in India after USA and agreeing that we do not have a fixed line base for that kind of mix-up for some of that, but we still on an average talk like 16 minutes every single day, how much more do you think logistically and logically may MoUs could be going up from here structurally, this is little more of a medium to long-term question?

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Well Shubham you are absolutely right, India is probably the second most talkative country in the world after the United States of America and to sustain these minutes over a very long period of time will always be a challenge. We do believe that as we move towards the hinterlands the minutes will begin to taper off. We do not see any dramatic declines in the immediate future, neither do we anticipate any dramatic gains, so I believe the whole effort is to sustain the sort of minute levels that we have generated and keep it under control. We do believe there is an opportunity and you will see some of the actions that we will come out with within the next weeks, which will stimulate usage amongst low users, so we do see an opportunity, but I do not see a very big upside or either increasing the minutes or a dramatic downfall on minutes.

Shubham Majumder – Macquire - India

With regard to the i2i cable system, what is the kind of..... given that I would assume December will be the first quarter from which we will probably consolidate the numbers for i2i, what is the sort of uplift in revenues and possibly EBITDA that we are going to see and what is the volume of business that is going to get added to Bharti for modeling purposes going forward?

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

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Hi, this is Sarvjit. We have only just completed the transaction. As you know, we should see some uplift as far as the next quarter is concerned, so it is only just getting into play now. My guess is that we will start looking at some kind of efficiency coming through next quarter. We are also looking at kind of longer-term deals we can put into the framework. So let us see what happens in the next couple of quarters as far as the benefits are going to come through.

Shubham Majumder – Macquire - India

So you are not giving us any number with regard to how big that component is?

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

We have only just completed the transaction so we will see how we get on in the next couple of quarters.

Shubham Majumder – Macquire - India

Ok Sure Finally, on Internet access charge especially laid by on-net calling plans I presume you are seeing a significant uplift on-net calling at the percentage of your total minutes of use in the wireless business, where are the share of online calls now and how much more do you think that could potentially grow structurally?

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

As far as tariff plans are concerned obviously we have plenty of tariff plans, to go into individual ones is probably unreasonable. I think we should start looking at the trend as far as that is concerned. We do not want to give specific data on each individual tariff plan; they change all the time, as you know. So I think we will leave it at that.

Shubham Majumder – Macquire - India

I probably did not make myself too clear. Of the total minutes that you carried on your wireless networks in this quarter, broadly what percentage are on-net calling minutes?

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

It will be very difficult for us to give that data Shubham, we do not give such data.

Shubham Majumder – Macquire - India

Okay sure. Thanks.

Zaini – International Moderator

Next question is from Mr. Anil Gupta of Garner India. Mr. Anil Gupta you are there sir?

The next question comes from Mr. Tukker Grinnan from HSBC Hong Kong.

Tukker Grinnan - HSBC - Hong Kong

Hi. I have two questions. The first was we were just discussing the interconnection expenses, you have seen an expansion in operating margins and you have talked about how cost reduction is an important part of the model going forward, could you give us some idea in terms of where changes are happening on cost structure and where you might see potential cost savings going forward?

The second is to come back to the issue of spectrum constraints or potential spectrum constraints and I understand your comments that it is an ongoing process, but clearly you guys do not have a lot of spectrum, you have got a lot of subscribers and a lot of usage and Sunil mentioned the 500 million number looks reasonable. Going back to the MoU and ARPU discussion, how important a role is data going to play in growing ARPU going forward and do you think you will be able to grow ARPU as quickly if continue to be in a spectrum constraint environment going forward?

Manoj Kohli - Chief Executive Officer – Bharti Airtel

Hi this is Manoj. I believe the economies of scale are already kicking in and the increase in margin this quarter is a manifestation of that. We continue to focus on each cost, I cannot give you details of specific cost items or cost heads where we are seeing benefit, but overall we see lot of benefit coming in as a positive pressure on us whereas negative pressure of tariff will continue because of market competitive intensity. So I believe that cost will further move down and I think we really do not have a choice because the tariffs are doing down anyway. On the spectrum, I just want to say that today except for the CBD areas where we are facing bit of a situation of network strain, otherwise I think our network is in good shape. In these CBD areas we will have to maybe put in some extra sites, some extra capacity so as to overcome the problem of paucity of spectrum.

The data revenues very frankly will grow. The only thing is that incremental customers do not use data as much, they are primarily are voice customers and will remain voice customers for sometime before they start using SMS and other data products.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

I think just building on what Manoj said if you really look at it Tukker in any country on 2G services even in countries where you have 15% or 16% of revenues coming from data you will find that 80%-85% of the revenue comes from SMS and the only difference between those countries and us is that the charges for SMS are much higher. In India there are two services

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on the data side or the non-voice side, which is music and SMS, which contribute heavily towards our kitty. We do not believe that on 2G spectrum there is overly much possible. We are on a ballpark of about 10% of revenues that comes from non-voice services and we do not believe that with the sort of tariff that prevail in this country it will go to 15% or 16% in a hurry.

Tukker Grinnan - HSBC - Hong Kong

Just a follow-up, I mean, you raised a very good point on SMS, clearly SMS is low in Indian part because voice prices are so low. In other words in many markets like the Philippines for example customers opt for SMS because it is an alternative to voice. With voice pricing as low as it is, is data services going to play a smaller role in India because, SMS tends to be one of the primary applications the customer use?

Sanjay Kapoor - President - Mobile Services - Bharti Airtel

That is not right. Actually, I do appreciate that in Philippines probably the arbitrage is 1:8, but in India also, the arbitrage is about 1:4, I mean at an average when you see the number of SMS packages, I am not going in for the rat rates, but when you really look at the SMS packages going all over the larger customers, you will find that the arbitrage at an average comes to about 1:4, when it comes to voice. So the usage of SMS is very popular and we do believe that with more and more vernacular phones and vernacular SMS's, the penetration in the country will go up. Right now it is by and large limited to two languages English and Hindi, but with more and more vernacular setting in and voice SMS coming in, we do still see an upside even when we go to rural India.

Tukker Grinnan - HSBC - Hong Kong

Great. Thank you.

Zaini - International Moderator

The next question is from Mr. Bihani from Lehman Brothers, Hong Kong.

Sundeep Bihani - Lehman Brothers - Hong Kong

Hi this is Sundeep Bihani from Lehman Brothers, with three questions and thank you for the call.

Can you explain the sharp ramp up in this quarter and how sustainable is that can we start to model in margins around 40% instead of 30%?

The second is on enterprise revenues, which jumps 25% this quarter, is that a one off or should be we expecting growth to have actually accelerated in India and the third question is on the mobile side, to do with the new potential competition from the likes of Aircel or Vodafone or even Idea in Mumbai, do you expect your

retention cost on subscribers as well as your acquisition cost to go up as you build your defenses ahead of their launches? Also any color on the last few quarters how the retention cost or the acquisition costs have trended, I know there are no handset subsidies. Thank you.

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

Can you just repeat your first question Sundeep?

Sundeep Bihani - Lehman Brothers - Hong Kong

My first question is on fixed line EBITDA margins, which have almost been about 39.7% in the quarter compared to 32% and below in earlier quarters, what is driving the increase and should we start to see these margins as sustainable going forward?

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

I think firstly a year ago we started a program of ensuring that we go deeper and higher in existing territories. As you know, we ramped up from 52 towns to 94 towns. We are stable at 94 towns and cities across India and now have been for about 18 months. We are now focusing very aggressively on this with ARPU strategy and this is why you are seeing ARPU sustaining and actually going up a little bit in the last few quarters on this business with fixed plans for both broadband and for telephony. For that you can expect to carry on and as far as rationalization in concerned, we have efficiencies and economies are coming through. To answer your question should we sustain at 40%, we think we will. The strategy is definitely working for us and you can continue to expect to see that going forward. On the enterprise revenues, we have also seen a sharp increase. Enterprise is a bit different, it is a B2B business. You will see some lumpy revenue streams from quarter to quarter, having said that usually on the longer term, where you are seeing sustained margins in carrier group of about 35% and the corporate group of about 40%. I would not expect that to change much either going forward.

Sanjay Kapoor - President - Mobile Services - Bharti Airtel

Your third question Sundeep was on the potential competition from newer operators, who are entering into some of the circles in the country. You know obviously the scenario and customer expectations have changed over the last few years. When we entered, as fourth operator the country was not 65% or 70% covered. Now when you enter any circle the customer expects a complete seamless coverage both outdoor, indoor and also lot more territory to be covered even if a customer is not a roamer. For any new operator to come and provide a network that is ready to compete with an existing network from day one is not possible. So obviously one of the weapons that they have is to use pricing and discounting prices, that is faced by us every now and then in every circle. We do believe it

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impacts probably or creates some arbitrage for some low-end customers, but it does not impact the high-end customer, who is expecting a good quality service. He has also got used to value added services, roaming etc. So, we do not see an impact there. But yes, it does in the short-term impact maybe some of the low-end customers, but the market is growing so fast and if you look at our track record we have been growing faster than the market. In fact, we have added 2% points to our customer market share in the last 12 months, which is probably one of the highest that we have added in many months. In fact, if you look at our gap versus all other operators in the market, the nearest competitor from us is about 13 million customers away and considering all this yes there are these tactics that many of these new operators use, but I think we have kept ourselves afloat all this while and we hope to do that in the future as well.

Sundeep Bihani – Lehman Brothers - Hong Kong

Sanjay just a follow up here. I was interested to know about how the retention costs as well as acquisition costs have trended in the past couple of quarters especially with Vodafone being more aggressive and I have just another follow-up question for Sarvjit. Sarvjit at 40% EBIDTA margin for fixed line do you think it would be reasonable to think that you are going in favor of margin expansion rather than try to work at 30% margins, but go into more towns may be from 94 to 150 towns, so are you adopting a margin approach rather than revenue growth approach here? Thank you.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Let Sarvjit answer the question first, I will come back to your S&D cost.

Sarvjit Dhillon - Chief Financial Officer

If you look at the results, you will see both revenue and margin expansion. It is not a case of one over the other. We have a focused strategy in the 94 cities led by broadband and telephony. Eventually, we will bring in IPTV and DTH as well. So, we are trying to make sure that the telecom wallet is addressed. I think it is both aspects.

Sundeep Bihani – Lehman Brothers - Hong Kong

Thank you.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Sundeep your question on the customer retention cost and S&D cost. Well our S&D costs are in line. If you look at our retention our churn is at a lowest ever sort of a figure and that obviously contributes back to the bottom line and therefore you see our overall margin getting healthier. So, I think you should not get down to

a micro level to say how the S&D or a particular line item behaving. I think overall the costs are behaving well and the margins are growing and our churn is probably at the lowest ever figure.

Sundeep Bihani – Lehman Brothers - Hong Kong

Thank you gentlemen.

Zaini – International Moderator

Next question comes from Mr. Suresh of DBS, Hong Kong.

Suresh – DBS – Hong Kong

Good afternoon. Congrats on yet another set of excellent results. I have two questions. One is a follow-up on the three-line graph. Obviously the three-line graph you have showed on page 31 of your quarterly release does show a declining trend in the last two quarters. I understand there is a little bit of seasonality with respect to revenues as well as huge ramp up in Capex. I just wanted to check at what point will you get worried on this because from the graph it seems like it has fallen almost like 5.7%-5.8%. So I just wanted to hear your thoughts on that. At what point should we start getting worried on the three-line graph?

The second question relates to your Tower Company. I understand Sarvjit mentioning that the high court approval is expected. I just wanted to see what are the other milestones beyond that that we are looking at? I think specific color on MoU with Vodafone where that is and you know how you plan to take it forward will be helpful and any other milestones you can think of for the Tower company, which is Bharti Infratel would be helpful. Thanks a lot.

Manoj Kohli – Chief Executive Officer – Bharti Airtel

Let me take up the Tower company question first. We are very clear that this is a continuation of our outsourcing strategy. As Sarvjit told you that the high court de-merger decision should be in within this quarter and beyond that we really cannot share any specific data point with you today. Our discussions with financial partners or operator partners are continuing. As soon as any decision is taken, we will share that with you.

On the three-line graph issue, I will request Sarvjit to come in but I just want to share with you that the Capex productivity is reasonably good today. As Sanjay said there is a bit of a fall because of seasonality, we are really not too worried on that. As you see the village coverage today is about 2.9 lakhs out of 600,000 villages. We have a certain way to go to cover this country more. We are also sensitive on our network utilization not only on big towns, but also smaller towns and villages, so we keep an eye on that. The Opex curve is under control. It is about 32 point some percentage.

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So, by and large I think the three-line graph is in a healthy state and I will request Sarvjit to add whatever he wants to add, Sarvjit.

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

Great, I think actually Manoj has covered it for you, but just to point out it is 71%, similar to the same quarter last quarter and we have had tremendous investments in the quarter as you know at in a billion dollar, so I do not think there is anything to worry there and having said that the real test is also about the fact that we have expanded our margins in the quarter.

Suresh – DBS – Hong Kong

Okay, thanks a lot gentleman, great.

Zaini – International Moderator

Thank you. Due to time constraint, we will not be able to take any more questions. I would now hand over the proceedings back to Priyanka.

Priyanka - Moderator

Thank you, very much Zaini. We will now begin the question and answer interactive session for the participants in India who are connected to Audio Conference Service from Airtel. Participants who wish to ask questions may please press “*1” on their touchstone enabled telephone keypad. On pressing “*1” participants will get a chance to present their questions on a first-in-line basis. To ask a question please press “*1” now. The first question comes from Mr. Sanjay Chawla from JP Morgan, Mumbai. Mr. Chawla, you may ask your question now.

Sanjay Chawla – JP Morgan – Mumbai

Hi, good afternoon, thanks for the call. I have three questions. First, this bundle handset strategy seems to be becoming a mainstay among GSM operators especially to target and acquire new customers. If you could provide some color on that in terms of what proportion of your debtors are coming on these bundle handset offers and what are the early signs of ARPU generated by these customers in the first one or three months.

Second question is given that you spent almost \$2 billion in the first half of the fiscal year, are we realistically looking at total Capex of between \$3.5 and \$4 billion for the full year based on this trend and third is if you could give us some color on what is your outlook on the implementation of mobile number portability in India now that we are reaching close to 20% wireless penetration and probably 25% within the next 12 months. How do you see this issue of MNP implementation signing out? Thank you.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Sanjay, this is Sanjay Kapoor, your first question on bundled handsets, today to give you a very rough idea between 20 and 25% of our acquisitions come through bundled offers but I wish to, at the cost of repeating myself, put it on record once again that we do not subsidize any handsets as a policy, however we do feel that to give you ARPU figures in isolation for this is not something that we would like to do, however all I can tell you is that we have observed that customers who use these bundled offers through handsets do have stickiness with the service provider and often the churn rates found amongst these customers are lower than some other ordinary customers, therefore it is working towards the benefit of the company and today a very large number of our handsets come through Nokia or in partnership with Nokia which is a leading operator in the market place and together both the brands do create some sort of a magic and give us that advantage.

Sanjay Chawla – JP Morgan – Mumbai

Sanjay, just an follow-up question on this particularly it is related to the ARPU number but more in terms of what is the tendency, I want a qualitative color on the usage habits of these customers because specifically these customers have some free minutes, (indiscernible) other networks, what kind of usage behavior pattern you are seeing from these customers?

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Well Sanjay, when I said that we have rationalized free minutes and lower price tariff, one of the things that we also rationalized over the past few quarters is the free minutes even on net that we were giving along with handset bundles and earlier a customer could come and use these free minutes at any point in time, suppose it carried a validity of one year or two years, now we have restricted it to a per month consumption and obviously if the customer does not consume those many free minutes within that month, then those get forfeited, so obviously the consumption has gone down quite a bit because of that and also the number of free minutes have grossly declined over the last quarter or so, so we are very cautious in giving any free minutes, but we do believe that anybody who comes in with a handset with a brand name like Nokia or Sony Ericsson is generally not a customer who is a low ARPU customer. He is a customer who sticks with us longer and a customer who uses probably more than an average incremental customer.

Priyanka - Moderator

Thank you, Mr. Chawla.

Sanjay Chawla – JP Morgan – Mumbai

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Sorry, I have two more questions.

Manoj Kohli - Chief Executive Officer – Bharti Airtel

Okay, I think you had two more questions. This is Manoj, Sanjay. One was on mobile number portability, we are not sure when Government of India is going to formalize this view on which TRAI has already given a recommendation, but we are confident of one thing that whenever it happens, we will be gainers because our brand strength is not only in metros but also in non-metros, smaller towns; our brand strength is so strong that we will be able to attract many more customers from other operators into our brand, but in terms of timeframe, we really cannot share with you what will be exactly the timeframe. On Capex, I will request Sarvjit to share his thoughts with you.

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

Sanjay, we have spent, as you know about \$1.9 billion year to date. Clearly, we are looking at the moment somewhere between \$3.3 and \$3.5 billion, but really capital investment is not a restricting factor for us at all. We think that is only the case so far. We clearly have a strategy of expansive coverage on the wireless side, back whole coverage as far as carrier business is concerned, a very focused coverage on BNT. So Capex would not be a restricting factor, I think you should just monitor how we are doing as far as our capital productivity is concerned, but the moment it looks as though we are going to stick to the \$3.3 to \$3.5 billion investment for this year.

Sanjay Chawla – JP Morgan – Mumbai

Thank you very much.

Priyanka – Moderator

Thank you, Mr. Chawla. The next question comes from Ms. Reena Verma from DSP Merrill Lynch, Mumbai. Ms. Verma, you may ask your question now.

Reena Verma – DSP Merrill Lynch – Mumbai

Hi. Thank you very much for the call. I have a few questions. First is on the policy environment, I just wanted to understand if Bharti as a company feels that it is less heard in the policy corridors than earlier. You know, over the course of various investor meetings over the last two or three months, we have consistently heard from you that the Spectrum criteria recommended by the TRAI are not an area of concern, but the decision taken by the DOT has gone otherwise. We are now hearing about MNP introduction. I am just keen to understand whether Bharti is proactively helping the government to shape policy, how do you kind of deal with this element? On MNP, my question is, will there be any additional Capex cost in terms of switching upgradation and what could be the possible

Opex implications if you have to do onward routing of the calls? The next question I had was on MoUs, Sanjay mentioned today and he has mentioned in the past as well that sustaining minutes would be a good kind of deliverable. I just wanted to understand what is your experience of penetration versus MoU for most other countries you must be looking around. It seems to us as if you know most other countries have seen MoU growth at much later stages in their penetration curve as well, so why do you think that minutes are more or less going to remain around current levels and lastly if you permit me on bundling, just wanted to understand that at 20 to 25% of your net ads, do you think you more or less realize the potential of bundling in terms of what you think is an ideal contribution or could it be higher and would it be right to say that you are less equipped than some of your competitors that have direct franchisee outlet to kind of implement handset bundling in a big way? Thank you very much.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Okay Reena, let me start in the reverse order then. To answer your question on bundling, first of all the sort of reach that we have on distribution of bundling is better than probably any other competitor in the market place. We have more than 850 outlets of our own and the number of handset distributing outlets out of our retail relationship is far in excess of probably a 100,000 in number. That is a very large number to distribute this at time we even exceeded the reach of some of the handset manufacturers and distributors, so I think we have got a very good reach to reach out handset bundles. The sort of countries that you have spoken about where probably handset bundles have really done well, obviously one of the elements that has done well for them is the subsidy on the handsets and because that subsidy does not exist in this country, I do not believe that 50% or 100% of acquisitions will happen through handsets in India. Yes 20% and 25% has the potential to go northwards, but I do not see it becoming 50% in a very short span in time. We do believe the entire potential on handset bundles is not realized, but our whole endeavor to organize ourselves to distribute handsets in an organized fashion is not more than three or four quarters old, so I think we have just gone into it in the last three or four quarters and I do believe that we will realize a higher potential as we move forward.

On the MoUs, yes we do believe that where we are if we can sustain then we have done a good job and you are talking about the examples of countries where the MoUs started increasing after the penetration rates climbed up, well I think it is a factor of price as well, fortunately or unfortunately the prices in India came down to these levels much ahead of their time and we do believe that one-a-half cent per minute or a little below two cents a minute is unprecedented at 17 or 18 or 20% penetration, so obviously you saw the minute uptake happen much quicker in India at lower penetration compared to those countries. Some of the other countries where penetration began to go at 30%, 40% and then the rate started tapering down and that is where the usage picked up, so I think those are not comparable positions. Because we came down so

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excessively on our tariffs and affordability I think the customer took very heavily on to talking on the mobile phones and second is obviously the gap between the fixed line penetration and mobile penetration. In many other countries, fixed line is an alternate way of communicating that is available. In India, the penetration of fixed line was very dismal and therefore there was a pent up demand to pick up on the mobile side and therefore we gained very early in our life cycle. Based on the patterns that we have seen in the recent past, we do believe that as we go to rural India, it will take a bit of time before they start playing on a larger ecosystem where a lot of calls can be generated and received. I do not think that they have an ecosystem, which spreads so widely that they will be able to come up to 500 and 600 minutes overnight. So, I think it is an effort we believe that if we can sustain these minutes it is a good job at least in the short run.

Reena Verma – DSP Merrill Lynch – Mumbai

Sanjay, thank you very much for that reply, before we move on with my other questions, just one thing, does this mean then that whatever is the hit to tariff to the revenue per minute in coming quarters, all of it will be a straight hit to revenue because you will be more or less sustaining MoUs.

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

No, when we give you MoUs these are average MoUs and like I said there are certain rationalizations that we are doing on tariffs as well, we do see an opportunity with low end users to lift their usage up, also penetration of certain value added services both SMS and music, music is definitely a service which does not have or is barred by any languages in the country. We have regional content, local content, folk content available and we do believe that as we even roll out to rural India, there will be subscription to such like services alongside and these are all revenue generating services for us. I do believe that our revenues and our margins that we have spoken about, we said are sustainable. So, we do believe, we will balance out the equation.

Sunil Bharti Mittal - Chairman and Managing Director – Bharti Airtel

Reena, on to your point of MNP, Bharti's position has been very clear that we are neutral to positive MNP, so whenever the government wants to come into MNP, we will be ready and fine with it. In as far as about cost it will entail, that particular issue will be dealt when the time comes. We have not done some costing because it will depend on what is the regime of MNP, who are supposed to pay for additional equipment and Capex that needs to be put into place, so all that will need to be seen, but in sum and substance, MNP is something which is good for stronger operators, we believe we will attract more customers than we will lose, so very clearly, our policy has not changed, our position has not changed from neutral to positive on that.

Now, to your final point on influence and policy that is one crown that we have never sought and have never claimed and that we have ever been in line to win that crown. I think there are other people who can do it better. This company has grown despite a lot of policy hits that we have received in the last several years and in as far as your position that we have been saying that we will not be impacted by TRAI's recommendation is incorrect. TRAI's recommendations have only come in now and this quarter we have not spoken about it earlier. We have gone on record immediately after the announcement of TRAI that the calculation is erroneous, they are wrong. They do not take into account the central business district and they have also taken loading of the network, which are completely unrealistic. That position remains. We are aware that the government is keenly looking at the submissions that we have made and you are also aware that we have gone to TDSAT on many matters, amongst them also the TRAI recommendation in this regard, so I think it will be best to say that we await the outcome of this whole process, but we have not and will not be in the corridors of power to influence policy.

Reena Verma – DSP Merrill Lynch – Mumbai

Sir, thank you very much.

Priyanka – Moderator

Thank you, Ms. Verma. Ladies and Gentlemen due to time constraint, we request the participants to limit the number of questions to two per person. Next question comes from Mr. Rahul Singh from Citigroup, Mumbai. Mr. Singh, you may ask your question now.

Rahul Singh – Citigroup – Mumbai

Thank you and good afternoon everyone. I have two quick questions. One on the lifetime schemes, just wanted to get your sense on what was the experience last time around with the 999 rental schemes, did the guys who come in under those schemes actually improve their usage over a period of time, so can we expect the same in the new scheme of 495 and secondly on the new Spectrum policy let us assume that the new subscriber norms would be settled somewhere in between where TRAI has recommended and where they are currently, but let us assume that it goes up, would that increase the pace of roll out at your end, what is the internal thinking there? Would there be rush to cover the country more than what you are actually doing, if it is physically possible?

Sanjay Kapoor - President - Mobile Services – Bharti Airtel

Rahul, again starting in the reverse order, first of all your question on Spectrum, even if you were to stick by the assumption that you just made, I do not think Spectrum has a constraint in the hinterlands or the remote part of the country, you know over there I do not think any grind or halt will happen on our rollout strategy. I think Spectrum has a constraint in the larger

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cities and in CBDs of larger cities. It is not in the remote and rural part of the country, so I do not think that will hamper our rollout strategy in any fashion. On the LTV schemes, yes the customers who came on 999 obviously increased their minutes of usage over time and the quality of customer of 999 versus 495, obviously 999 took up to more minutes faster than a 495 customer, but we clearly see there is an opportunity of stimulating usage over there, the tariffs for a lifetime customer, outgoing tariffs are still Rs. 2/- a minute and we see clearly an opportunity over there and you will see some schemes being rolled out by us in the very near future.

Rahul Singh – Citigroup – Mumbai

Okay, thanks.

Priyanka - Moderator

Thank You Mr. Singh. The next question comes from Mr. Vinay Jaising from Morgan Stanley, Mumbai. Mr. Singh, you may ask your question now.

Vinay Jaising - Morgan Stanley - Mumbai

Thank you, two questions from my side as well. You know, firstly on your costs, your interconnect costs seem to have gone down primarily I guess as a percentage of sales because of higher on-net calls. If you can tell us the direction of that, if you believe that has now reached a steady state or will we see further reductions in costs in that front and my second question is on EBITDA losses coming up in your Carrier division as you call it as others, there are some 897 losses, it is becoming reasonably substantial and if it keeps on maintaining for a year as a whole it comes to about 3-3.5 billion rupees of losses, if you can throw some light on where that comes from and the direction forward. Thank you.

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

Vinay, hi, this is Sarvjit, good afternoon. As far as the other segment is concerned (indiscernible) overall, you can see how that is moving. Actually others include embryonic projects, Sri Lanka has been there and also a little bit of DTH, eventually as and when they roll out we will create separate segments for them although it is already included. On the interconnect we have a strategy, clearly we will make sure we can rollout our backbone on POI etc so this is kind of an element that is feeding though into the system and we have seen those kinds of benefits coming through.

Vinay Jaising – Morgan Stanley – Mumbai

So, do you expect that to sustain going ahead or increase going ahead in the interconnect cost reduction.

Sarvjit Singh Dhillon - CFO and Director of Strategy - Bharti Airtel

They are sustained anyway.

Priyanka – Moderator

Thank you, Mr. Singh. Ladies and Gentlemen, due to time constraint, we are not able to entertain any further questions. This brings us to the end of question and answer session. I would now hand over the call proceedings back to Mr. Sunil Bharti Mittal for the final remarks.

Sunil Bharti Mittal - Chairman and Managing Director - Bharti Airtel

Well, thank you, I think that was a very good participation on the call. I want to thank all the participants who have taken the time out and hopefully my colleagues were all in a position to answer all your queries in a very articulate manner and more information of course can all be sought from the IR and I know that the inputs that we put out on our site on the quarterly are now considered to be best in class. I am sure if anything that is required to be seen must be available on those sheets. I thank you very much for your time.

Priyanka – Moderator

Ladies and gentlemen, this concludes the earnings call. You may now disconnect your lines. Thank you for connecting to Audio Conference Service from Airtel and have a pleasant evening.

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