

## **Earnings Conference Call Transcript**

**Event: Bharti Airtel Limited Fourth Quarter and Full Year ended March 31, 2008 Earnings Conference Call**

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<b>Transcript for Bharti Airtel Limited Fourth Quarter and Full Year ended March 31, 2008</b>
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**PRESENTATION****Priyanka - Moderator**

Good afternoon ladies and gentlemen, I am Priyanka, the moderator for this conference. Welcome to Bharti Airtel Limited Fourth Quarter and Full Year ended March 31, 2008 Earnings Conference 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 the 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 Fourth Quarter and Full Year ended March 31, 2008. 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 Limited - Mr. Sunil Bharti Mittal, Chairman & Managing Director, Mr. Rajan Bharti Mittal, Director, Mr. Akhil Gupta, Joint Managing Director, Mr. Deven Khanna, Director of Finance, Mr. Manoj Kohli, President & CEO, Mr. Sanjay Kapoor, President for Mobile Services, Mr. David Nishball, President for Enterprise Services and Mr. Sarvjit Dhillon, CFO & Director of Strategy. We propose to commence this call with opening remarks from Mr. Sunil Bharti Mittal and Mr. Akhil Gupta, after which the floor will be opened for Q&A. Before I handover the call to Mr. 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. I now hand over the call to Mr. Mittal. Thank you.

**Sunil Bharti Mittal - Chairman & Managing Director - Bharti Airtel**

Thank you, Sonal. Let me add my own very warm welcome to all the participants who have joined this call today. I always look forward to conversation through this earning call with all our investing community. I have the pleasure of having my entire top management team with me here in this room. Let me straightaway talk about some of the important events that have gone by in this quarter for the telecom industry as a whole. The industry size is now touching 300 million total users, customers. This includes the fixed line as well. In less than 14 years India has now emerged as the second largest telecom player anywhere in the world, after China, and I cannot find any other parallel with this example in India, post independent India, where India has taken the pole position in the world ranking in any sector be it infrastructure, manufacturing or services. The expectation therefore of 500 million phones by 2010 now looks within reach and given that most of the

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countries are moving towards 100% penetration, I think India will become a country sometime in between 2010 and 2020 to be a billion customer country. Therefore, what I suggest is for the investors to look at this market as a fast, ongoing growth market for several, several years to come. Wireless subscriber base is now over 260 million, the wireless segment added over 27 million new subscribers during the quarter. The teledensity for wireless is now at 22% with the overall teledensity including fixed line at over 25%. Despite the massive strides that we have taken in India, the penetration levels as you can imagine still remain fairly low in our country, giving tremendous upside in the coming years. Affordability in India has been a key issue, companies like Bharti Airtel have been at the forefront in cracking this code. We have been able to lower the tariffs and bring in mass amounts of our people into the network, yet maintained our margins and profitability. The regulatory front saw a number of developments during the quarter, I think one of the high points for the quarter was the abolition finally of the ADC regime, which was in a sunset area and has now been completely taken away, excepting a small portion, which has to be finished by October 1, that is on the international piece. We will look forward to that benefit coming in October as well, but we welcome the end of the ADC regime.

Spectrum shortfall seems to be now getting settled. We are very surprised on one hand and delighted on the other that large amounts of spectrum are finally being now taken out of other users and given to a very vital mobile industry. Bharti is receiving, continuously, its share of spectrum, of course based on the new TRAI criteria, which is stronger than the earlier criteria, but we are happy that we continue to receive more spectrum in the circles where we are growing rapidly. We have already got spectrum in five circles earlier and have received 2 MHz now in Tamil Nadu only in the last few days. We have additionally seven files for additional spectrum under active consideration and we hope that the spectrum for those circles will be coming for us soon as well. DoT announced much awaited guidelines for active infrastructure sharing. We believe this is one more step in the direction of lowering costs and more importantly delivering affordable services in the country. We will now be putting together a game plan to see how the industry can benefit out of this active network sharing decision that the DoT has taken. Recently DoT also announced guidelines on intra-service area merger whereby they have introduced a clause prohibiting merger for three years from the date of grant of license. This will ensure that the serious players take position in the market place and that people who are there only to flip their licenses are discouraged.

Few updates from Bharti Airtel, the customer base now of over 65 million customers, during the quarter we added 7 million customers of which 6.8 million were wireless and over 100,000 in the telemedia segment of our businesses. We are continuing to maintain our lead in fact we have been gaining market share as you may have noticed in every quarter, wireless customer market share expanded now to 23.8% at the end of March 31, 2008, up from 23.6% at the end of quarter 2007 and 22.4% at the end of March 2007.

The key highlights of the quarter were revenues of Rs. 78.2 billion, EBIDTA of Rs. 32.5 billion and a net income of Rs. 18.5 billion. All in all it has been a great

quarter and a great year for Bharti Airtel. We are delighted that we have been able to post such robust results. Few other developments, which I would like to highlight are that during this quarter Bharti Airtel finally hived off its assets pertaining to the passive infrastructure into another subsidiary Bharti Infratel. This became effective from January 31, 2008. The company is now fully operational with management team in place. I am sure that the company will enable all the operators to accelerate their rollout. I will request Akhil to speak a little bit more in detail on the same subject. Further our company was able to sign up as consortium partners in two of the upcoming undersea cable systems, the Unity Cable and I-ME-WE. I am sure this will further enable Bharti's capabilities to carry traffic both data and voice across the globe. I must also mention that Bharti has been a recipient of several recognitions for many, many years but we have had a number of such recognitions coming in the last quarter as well. It was my pleasure to announce that Airtel has been honored with Gallup Great Workplace Award. This is important for us, as we want to make Airtel one of the best places to work in. Airtel is one of the only twenty companies worldwide and the only company from India to receive the prestigious award. Airtel was honored with the Best Carrier India Award in the Telecom Asia. I personally had the privilege to receive the top honors at the GSMA in Barcelona. Airtel was also awarded with top honors in GSMA Mobile World Congress Conference for its mCheck Solution in the category of Best Billing Customer Care Solution. I would like to end by thanking each and every member of Airtel for having made this quarter and the year gone by a great success. Akhil will now take you through more details on the financials and other activities. Over to Akhil.

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**Akhil Gupta – Joint Managing Director**

Thank you Sunil. Thanks to all the participants for joining us today. I hope you have had the quarterly report with you for sometime and had a chance to go through that. Let me start with the underscoring point made by Sunil that the past year has been a landmark year not just for Indian telecom but also for Bharti Airtel. The wireless market witnessed tremendous growth from 166 million customers a year ago to end with over 260 million, so almost 100 million customers added in the country. It is very satisfying that out of this Bharti Airtel added 25 million customers and increased the customer base from 37 million to 62 million at the end of this year. The company's performance in the last quarter with nearly 7 million mobile net-adds has been very satisfying. It is heartening to note that the majority of these net-adds are now coming from towns and villages with population of less than 20,000 and to my mind that makes it a very, very sustainable long growth story like Sunil said.

Before I start my brief on the performance of the company, let me first inform you about some disclosure amendments, which we have made in our quarterly report. Firstly, as you are aware, we have been reporting combined results of Telemedia Services, Enterprise Services as non-mobile services. As these are very different and independent businesses, we felt that reporting them together really adds no value. We

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are therefore discontinuing with the combined disclosure of these as non-mobile services. Our both businesses of course will be continued to be reported separately for your perusal. As per the timeline mentioned in my speech last year quarter, the passive infrastructure assets of Bharti Airtel which have now been transferred to our subsidiary Bharti Infratel with effect from January 31, 2008. Key performance indicators and results of Bharti Infratel will be reported as separate segment as I said last time. We are now reporting it as passive infrastructure services and these have been now included in this quarterly report.

I now move onto the results starting with updating highlights. Airtel recorded a very strong performance in the quarter and full year accelerating its leadership position in a highly competitive Indian market. In mobile services, our population coverage increased from 59% to 71% during the year. The company established presence now in over 5000 census towns that is virtually all the census towns in the country. We have also added very significantly more than 1.35 lakh new census towns and villages taking the total tally to over 342,000 such towns and villages at the end of the year and therefore the promise of going deeper into the country, going to more rural areas is being fulfilled. In line with our expanding network reach with approximately 70,000 sites, our mobile distribution network now comprises of an incredible 860,000 outlets. I am also delighted with the development in all other business segments. In Telemedia, we added a little over 4-lakh customers in the past year and significantly increased our DSL and broadband penetration to nearly 35% from just over 31% last year. In Carriers, the minutes increased 81% year-on-year and in this year we added over 33,000 km of optic fibre across the country. Enterprise Services on the corporate side has been doing a very good performance. We added about 50 new key accounts. We also during the year completed the acquisition of i2i; the submarine cable system connecting India to Singapore and we also announced our participation in three new consortia cables, I-ME-WE on the Atlantic side and Unity and AG on Pacific side. These new cable systems will enable us to have an even more robust and redundant network across the world to serve our customers. The total minutes gross of intersegment eliminations, which were carried in our network increased during the quarter by 76% to 105 billion minutes. The total minutes that we carry on our network based on the annualized basis now is over 400 billion minutes. It is heartening to note that the quarter has seen a robust increase in average minutes of use of about 7% and that clearly shows that there is continued elasticity.

Let me now turn to the financial performance highlights of the business. It was an extremely satisfactory quarter and the full year that ended on March 31, 2008. The consolidated revenue for the quarter and the year ended was Rs. 78.2 billion and Rs. 270.3 billion respectively, which represented an increase of 45% and 46% on a year-to-year basis correspondingly. The consolidated EBITDA for the quarter and the year ended were Rs. 32.5 billion & Rs. 113.7 billion respectively. The margin for the quarter ended March 31, 2008 was 41.6% versus 41.5% a year back. The profit before tax for the quarter and the year were Rs. 21.1 billion and Rs. 76.5 billion. These represented

increase of 40% and 57% on a full year basis. The net profit for the quarter and the year was Rs. 18.5 billion while for the full year it crossed Rs. 67 billion. These represent an increase of 37% on a quarterly basis and 57% on a year-to-year annual full year basis. The total Capex as per the guidance given by us earlier was Rs. 138 billion during the year, which is about 3.5 billion, which is very clearly in line with the guidance. With the transfer of passive infrastructure asset to Bharti Infratel, our mobile services have now started paying the passive infrastructure charges to Bharti Infratel, which means that we are now converting a significant part of our Capex into Opex. Accordingly the EBITDA of mobile service for the quarter is not strictly comparable with the previous quarter. To help the investors make a comparison, I would like to mention that EBITDA for mobile services is lower by Rs. 2.04 billion and the EBITDA margin is lower by 3.2% basis points because of this new development. On a consolidated basis however there is no impact of this new structure because the results of Infratel get consolidated back into Airtel. Sunil in his speech mentioned about the hiving off of passive infrastructure to Bharti Infratel, which became effective from January 31, 2008. I would like to mention that Infratel subsequent to that has received \$1.35 billion from private equity investors, 11 top notch investors as equity. These funds will be utilized toward deployment of Capex in Infratel and its subsidiary Indus in the coming year. The company has today over 52,000 towers out of which approximately 30,000 will be transferred to Indus Towers. Just to remind the listeners, Indus Towers is a joint venture between Airtel, Vodafone and Idea in which Bharti Infratel holds 42% equity. These two companies that is Infratel and Indus have been formed to encourage and enhance passive infrastructure sharing amongst the operators and we are confident that in the coming year we should be able to see lot more sharing amongst the operators thereby reducing the cost for the operators.

Moving to the balance sheet, well the company on a consolidated basis after accounting for the equity received in Infratel is now virtually net debt free. During the quarter, the net debt to EBITDA was 0.37 times as compared to 0.57 times a year back, the debt to equity ratio was 0.19 as compared to 0.31 last year and the interest coverage is 38 times approximately versus 28 times a year back. Very clearly quite an under leveraged company at this moment. Based on this quarter's results, the return on equity is close to about 40%, 39.5% to be precise while the return on capital employed was 33%.

To summarize, I think, this has been an extremely satisfying quarter and the full year. We are very excited about this sustained growth momentum in the Indian telecom industry and the fact that we are not only in every way well positioned to capture this growth, but are also in fact leading this growth. Let me hand over the floor back to the moderator for question and answers now. Thank you.

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**Priyanka - Moderator**

Thank you very much sir. I now hand over the proceedings to Aisha at the Airtel International Center to conduct the question and answer session for the

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international participants. After this we will have the question and answer session for the participants in India. Thank you and over to you Aisha.

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**Aisha – Moderator**

Thank you Priyanka. At this time international participants may press "0" "1" if you would like to ask question. On pressing "0" "1" participants will get a chance to present their question on a first-in-line basis. International participants who wish to ask questions may please press "0" "1" now. The first question comes from Mr. Bhuvnesh Singh from Credit Suisse. Over to you, Mr. Bhuvnesh.

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**Bhuvnesh Singh – Credit Suisse**

Hi sir. First of all great deal of congratulations for great results. I just have about four questions; firstly can you give us some granularity on what led to a significant increase in MOUs in this quarter, what contributed more to that, within that can you also give us some idea of what is the ratio of lifetime customer usage compared to average usage and how that has been moving in the recent time. The second question is that what has led to a significant increase in SG&A in the quarter and whether going forward we can recover back some of this increase and finally in your tower business is there some rental coming from the external tenant and if yes then is that rental added to your consolidated topline? Thanks a lot.

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**Akhil Gupta – Joint Managing Director**

Thanks Bhuvnesh. Let me just answer the last one on the Tower business and then hand over to Sanjay Kapoor to take on the other three. Yes on Tower business whatever rent comes from the other sharers other than Airtel are also taken in the total revenue and therefore in the consolidated revenue those are included. Sanjay will you take up the other ones?

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**Sanjay Kapoor - President - Mobile Services**

Hi, Bhuvnesh, this is Sanjay Kapoor. Let me say that sometime in Quarter 2 when probably the minutes were stagnating as for some of the analysts we were asked a question and we said that you will see certain stimulations that we will introduce in the market that are bound to stimulate the minutes and what we have gone and done is essentially:

(a) put a cap to the rates that we charge at Re. 1 and this has also been applied to the postpaid customers as much and therefore a lot of rationalization of tariffs has happened in sectors and segments where we saw there were elasticities of demand possible and I think that has really fructified into the growth of minutes, but what is really pleasing is that it has not happened only for existing customers because the amount of new customers that have come on to our network has been phenomenal in the last 24 months. We have grown from 19 million roughly to 62 million customers and therefore I think both the new customers and the existing customers are consuming lot many more

minutes and all the schemes that have attracted more usage through rationalization of tariffs have paid off for us. Let me come down to the lifetime usage. It is very difficult for me to segregate minutes out of that, but just to give you an idea roughly about 36%-37% of our total base is lifetime and therefore their usages have to be higher for us to consolidate a figure of about 507 minutes, so their usages will not be lower than other usages because there are a substantial part of our total base. Let me come down to the next question on S&G cost. Obviously, when we were going ahead and ensuring that we had more market share in the last two quarters we took a conscious attempt to spend some extra marketing money into the market, which has paid dividends and also some of the S&G cost has gone up because the sheer numbers have been very high, we have added 6.8 million customers during the quarter and they themselves account for some extra spend on S&G, otherwise those numbers would not come in. I hope I answered your question.

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**Bhuvnesh Singh – Credit Suisse**

Thanks a lot. Akhil just a small clarification. Can you give as a broad idea on what is the rental from external customers in terms of what number could it be?

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**Akhil Gupta – Joint Managing Director**

No, I would not want to divulge that, it is a very highly competitive information, but we would be putting up our MSAs for everybody to see on a non-discriminatory basis, but how much comes from this as far as the Infratel is concerned even Airtel is an outsider, so it is hypothetical. For them there are only customers, Airtel has no special status.

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**Bhuvnesh Singh – Credit Suisse**

Thanks a lot.

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**Akhil Gupta – Joint Managing Director**

Thank you.

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**Aisha – Moderator**

Next in line we have Mr. Sean Debow from Ivory Capital. Mr. Debow, over to you now.

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**Sean Debow – Ivory Capital**

Hi. Can you hear me? Gentlemen congratulations on a wonderful quarter. I have two questions. The first one is regarding your tax rate, you have been very successful in keeping your income tax burden at a relatively low rate compared to corporate India. I was wondering if you could give us some insight on how sustainable this is and if there are some special provisions we should be aware of so that we can model for this in the future. My second question is you have

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been extremely successful in the last few months in keeping extremely high new sub each month and if you could give us some guidance on how long you can continue at this rate that would be also very helpful.

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**Sarvjit S. Dhillon - Chief Financial Officer and Director Strategy**

Hi this is Sarvjit. As you know, as you may not know in India the prevailing tax rate is about 33%, but in India we are in a tax holiday situation as far as the sector is concerned. We actually have an effective tax rate at about 11%, which is the maximum that we pay on book profit, so at the moment we have been able to sustain that and as another tax holiday kicks in as and when we need, to sustain going forward.

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**Sanjay Kapoor - President - Mobile Services**

Sean, your next question on the number of customers that we are adding and whether it is sustainable. Well all I can say is that I just mentioned that we have grown from 19 million to 62 million all happening in the last 24 months and by and large the gradient has become steeper, we started with about half a million a month sustained it for three-four months, took it up to a million, then to million and a quarter, million and a half and now two million we are crossing virtually month-on-month. At least the empirical evidence, you know, has a reason to believe that this has got to continue and sustainable. Whether it will grow from two to two-and-a-half million very soon or not is to be seen but it seems as of now that it is sustainable.

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**Sean Debow – Ivory Capital**

Thank you very much gentlemen and again congratulations.

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**Sanjay Kapoor - President - Mobile Services**

Thank you.

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**Aisha – Moderator**

Next in line, we have Mr. Andrew Haskins from Nomura.

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**Andrew Haskins – Nomura – Hong Kong**

Hello can you hear me?

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**Akhil Gupta – Joint Managing Director**

Yes, please go ahead Andrew.

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**Andrew Haskins – Nomura – Hong Kong**

I would like to ask three related quite long-term and strategic questions, you have outlined very eloquently and I think very reasonably the continuing strong growth prospect for Indian mobile over the next ten years or so. What would you regard as the biggest potential threat to that continuing growth scenario looking forward, that is my first question. Secondly, there are seven or eight players in the Indian mobile industry, seven, eight, nine, if you include the people who are trying to get into it. I think most people would agree that, that is too many. At what stage might you expect consolidation to start and leading on from that, which is my third question you obviously have overseas ambitions, you already have very detailed plans for Sri Lanka per the recent press report. We believe you have great ambitions potentially looking at entirely new continents not just Asia, but if you were to try to imagine how the company will look like say five years from now or ten years from now, what proportion of business would you expect to be outside India? Thank you.

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**Sunil Bharti Mittal - Chairman and Group Managing Director - Bharti Airtel**

Let me take the last question first. We have taken as you know now a strong position in India and we are growing at a rapid pace. We also believe that the business model that we have invented at Bharti is now ready to be transported outside India; we would like to now look at applying our model in some other parts of the world. All I can say at this point is we always remain open to opportunities outside India and have been, for I would say over a year. However, until this point in time we have not come to a point where we can report any success. So all I can say is we will remain engaged with the world, bankers and people who will show us opportunities and at appropriate time we would like to report something back but I can say that now the company is in a position where it must and should have international ambitions to grow beyond Indian shores.

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**Akhil Gupta – Joint Managing Director**

To your point about, you know, how the revenues could be, I think it is very hypothetical at this stage, so I do not think we are in any position to answer that part of the question. On the first two questions Manoj if you can talk about the biggest potential threat with the new players.

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**Manoj Kohli – President & CEO – Bharti Airtel**

Hi this is Manoj. You know, we really do not see a big threat at all. I personally believe that the Indian growth story and Bharti growth story go hand in hand. Indian liberalisation and Bharti growth actually go hand in hand. Even if the GDP growth of India come down from 9% to 8%, I believe we still in telecom and especially at Bharti we will continue to grow at a sustainable pace because more and more disposable income is coming to telecom needs, telecom services, so higher the incomes more money comes into telecom, so even that threat, I do not think it is really a threat for us in the long-term. The second issue of consolidation, you know, we have been talking about consolidation for

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many years in this industry, some consolidation has happened in the last few years, but I think the next round of consolidation should happen after these new operators who are expected to come in the next twelve months, they start falling by the wayside and I think that time consolidation will start, maybe 24 months, 36 months, but consolidation finally has to happen because industry cannot sustain this kind of competitive intensity.

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**Andrew Haskins – Nomura – Hong Kong**

That is great. Thank you very much.

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**Aisha – Moderator**

Next in line we have Anand Ramachandran from Citi Group.

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**Anand Ramachandran – Citi Group**

Hi, good afternoon and thank you and congratulations again on a great quarter. Actually I have four questions, couple of them follow ups, which I will start with first. Firstly on the EBITDA margin from mobile I just wanted to confirm...you mentioned the separation of the Tower asset was effective January 31, 2008, so the margin impact you gave us like-to-like is that for two months or for the whole quarter, I just wanted to clarify that. Second follow up on the acquisition strategy. My understanding was, you know, you are kind of very comfortable taking baby steps till you understood what this was all about hence Sri Lanka, Channel Islands. From Mr. Mittal, your statements, can we now conclude that you think you are confident enough; size is no longer a barrier as long as you see something as good and value accretive you will go for it. Those are the first two follow-ups. My two question were on MoUs, a pretty qualitative question you are up to north of 500 minutes of use blended, one of the highest if not the highest in the world. With rising penetration I just wanted some broad colour from you that is available on whether you see this hitting a wall or there really are no limits at point in time and my last question is really on Capex, if you could give us a rough indication on what it would be and separate that out into active and passive that will be very useful? Thank you.

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**Akhil Gupta – Joint Managing Director**

Hi Anand, this is Akhil. Let me take up a few of these and pass on one to Sanjay. EBITDA margin thing on the passive infrastructure, yes it is for two months but if you would note on a consolidated basis of course it makes no difference even to the EBITDA margin and in mobile if you note just the mobile the EBIT margin has actually just marginally fallen from 27.4 to 26.4. So on an overall basis because we are only shifting up and down and finally the Infratel gets consolidated there would be no effect, but to answer your question for this quarter if was for two months. On the acquisition status, I do not know, we never gave an impression that we will only take baby steps and we are interested in 50,000-60,000 population countries, we are doing some

of those separately, but size is obviously something which one has to determine from time to time, but let me say that in terms of any international acquisition the only consideration we would have is that it should be value accretive, it should be good for our company and the shareholders and it should add value. So I would not discuss the sizes but certainly I do not think we are interested in doing any acquisition which is so tiny that it does not even attract our attention. On Capex, I think for Airtel stand alone Capex that is without the passive infrastructure we should be spending about \$2.5 billion. I cannot at this point give you a good idea about how much we might end up spending at the passive infrastructure companies, which is Infratel and Indus because those plans are still underway, but definitely on the Airtel side, it would be about \$2.5 billion. Sanjay will you take up on the MoU?

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**Sanjay Kapoor - President - Mobile Services**

Anand, on the MoUs obviously it will be a challenge for anybody to crystal ball gaze so what I will do is, I will just try to give you some empirical evidence of how things are moving. Very clearly today about one-fourth of our base comes from rural India and going forward the incremental customers about 36%-37% come from rural India and they are on the increase. Now the moment you go down to rural India, the first telephony experience that any customer really experiencing is on a mobile device and this is going to be true for Internet tomorrow as well. This is the only form of communication that is available and therefore we are finding that even with marginal customers that are coming on to the network and in big numbers, this number is going up. So for me there is no reason to believe that there is still not more potential even when we go down; however, at this time it is difficult for us to comment in detail.

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**Anand Ramachandran – Citi Group**

I understand. Sir, one followup and this is totally separate, the depreciation number was again down quarter-on-quarter. I think for the first time it has happened. Is it something happening there, which we should be aware of or notice?

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**Akhil Gupta – Joint Managing Director**

No, nothing which you have to take on a long-term basis. I think last quarter we had some changes in the depreciation, which we have reported, so it is only on that account and therefore the previous quarter figures are not strictly comparable with this quarter, but on ongoing basis I think these are the kind of figures we are looking at.

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**Anand Ramachandran – Citi Group**

Okay. Thank you so much.

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**Aisha – Moderator**

Next in line we have Mr. Suresh Mahadevan from UBS.

**Suresh Mahadevan - UBS**

Good afternoon. Thanks a lot for the call and congrats on an excellent set of numbers. I have one is a followup on the overseas acquisition really quickly is it going to be done at Bharti Airtel level or some other level that is number one. Second question is on the recent Finance Ministry proposal to charge for excess spectrum above 6.2 MHz. Just wanted to hear your views on what do you think about that. Third question is related to spectrum. Can you give us an update of which all circles you have received excess spectrum from the DoT recently, and final question is on 3G strategy, do you really think 3G is going to be a risk in terms of, you know, people overbidding for spectrum in select service areas and also what will be Bharti's strategy for 3G? Thank you.

**Sunil Bharti Mittal - Chairman & Managing Director - Bharti Airtel**

Let me take some of these questions Mahadevan. The overseas acquisition when it happens in the SAARC region, has always happened within Bharti Airtel as you can see Sri Lanka is 100% subsidiary of Bharti Airtel. We have made efforts in the past in areas like Bhutan. I think the company as I said earlier is now ready to go farther ahead and look at some opportunities around the globe as and when they emerge and it is our intention to do all such activity from Bharti Airtel itself. Now Seychelles is historic where we went when the company Bharti Airtel was very, very small and that was done from private enterprises and the same was the case with Jersey and Guernsey, which are very, very tiny and could have been possible distraction for the massive growth that we are seeing at Bharti Airtel here. So my view would be anything that is medium to meaningful would form a part of Bharti Airtel as and when such an opportunity arises.

To your second point on the Finance Ministry's reported news item where they are talking about higher spectrum charges for spectrum beyond 6.2 MHz. Well, we will have to wait for a final position of the government. We have no comment to offer at this stage because this is all up in the air and all being discussed within various government departments, so I think all I would say is we are always willing to engage with the government on the benefits of telephone industry of the nation, affordability has been our plank, we have delighted I would say the policy maker with what we are doing. At the end of the day policies will be made for the whole industry and as an industry we will engage with the government to see what comes out. Our thrust has been lower government levies be that ADC, be that license fee, be that spectrum charges and we will maintain that position. At the end of the day whatever government decides the industry has to follow, so lets wait what happens there.

Lastly on the 3G strategy, I would say again 3G, HSPA is becoming a viable alternative for mobile broadband.

Bharti has done test in the past. We are the only Indian operator which runs three 3G-network Seychelles, Guernsey and Jersey. We are also building at 3G network in Sri Lanka. I would say we are ahead of our competitors in India to launch 3G services. We have tested the same in India in various parts. So we will wait for government to announce their policy. I was told by the minister today that there will be something coming in the next few days, so we are eagerly awaiting for the final position on 3G and yes, Bharti Airtel will wholeheartedly participate in the process of 3G.

**Sanjay Kapoor - President - Mobile Services**

Okay Suresh on 2G spectrum, we were eligible as per the revised criteria in 13 circles, six of which we have been given the spectrum and seven we are awaiting clearance from the government.

**Akhil Gupta – Joint Managing Director**

Suresh we would not be able to give you specifics on which circles and how much because we do not want to divulge that.

**Suresh Mahadevan – UBS**

Okay. Thank you so much for the detailed answers for most of the questions. Thank you.

**Aisha - Moderator**

Next in line we have Mr. Tien Doe from GIC.

**Tien Doe – GIC – Singapore**

Hi. Thank you very much for the call. Just a couple of questions. First question is you seem to have been willing to give up some mobile margins to accelerate your subscriber addition, so should we expect that trend to continue i.e. would you be willing to give up some more margins if that is believed to accelerate your subscriber additions more. Second question is just on your prepaid churn and your postpaid churn. Those two items occurring in opposite direction. For either one are you seeing any signs yet of those churn rates leveling off or will each of those trends still continue for the next few quarters do you think? And one final question your Enterprise Services, corporate margin that has gone up Q-on-Q quite a lot. Was there a lumpy contract in there, which contributed to the EBITDA margin increase? Thank you.

**Sanjay Kapoor - President - Mobile Services**

Let me take the two questions. This is Sanjay Kapoor. On the mobile margins like Akhil said at the beginning that I think it is apple and oranges sort of comparison if you compare the previous EBITDAs with current EBITDAs. If you look at an EBIT level then we are by and large sustaining our margins and it is tactically

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possible that in a quarter or so you give up some element to gain some market share but it is very trivial in nature like what we did last quarter, it was very minimal decline from 27.3% to 26.3%. So those are tactical moves that are possible. We cannot rule them out based on what is the opportunity in the market, but there is no such fundamental plan to shed the market share and increase the number of customers on the network.

The second question around the prepaid and postpaid churn. There was again a move where we cleaned up some of our base on prepaid and this was to do with some lifetime customers because lifetime plans also have a qualifier, which says you have to recharge your account at least once in six months with Rs. 200 and we cleaned up a bit of that during the end of the quarter. Going forward we do feel that we have been doing well on both postpaid and prepaid churns, they are amongst the lowest ever and we do believe with the focus that the organization is providing we will be well below what the market norms are.

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### David Nishball - President - Enterprise Services - Bharti Airtel

This is David Nishball just to answer your question on Enterprise corporate business. Yes you are correct the revenue part of our business does reflect some specific large company government projects, which the revenue accounting may not be consistent in every quarter. We consistently comment that this business should be evaluated not on a quarterly basis, but it is more appropriately to look at the longer-term growth rates. Longer term we have seen growth rates in the range of 40%-45%. I think year-on-year we did 46%. This year fourth quarter versus the same quarter last year is up 50%. So I think those are more representative numbers than looking at just the movement in the fourth quarter. In terms of EBITDA margin, EBITDA margin in this business has been relatively constant in the 40%-50% range. You look at last year's full year results, we did 46%, EBITDA margin this year its also spot on 46%. So we are not seeing a large movement, but there are some changes again quarter-by-quarter perhaps to do with some of the revenue that comes in lump sum since the expenses are spread over a larger period plus some of the collections that we do that have been in fourth quarter were very, very strong and so we wrote back some previous provisions that we booked.

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### Tien Doe – GIC – Singapore

Great. Thanks very much.

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### Aisha - Moderator

Next we have Mr. Henry Cobbe from Thames River Capital. Over to you sir.

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### Henry Cobbe - Thames River Capital – London

Thanks very much for the call. My two questions are just on the Capex. You stated that the mobile Capex is

just 787 million. Is that because all the active spend was done through reversal of the equipment payables? My second question is on just the multiple securities, you seem to have borrowed lot of money and put about 40 billion into multiple securities, so what is the strategy for that amount of cash and when you are going to be using it to deploy?

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### Sarvjit S. Dhillon - Chief Financial Officer and Director Strategy

Hi Henry, this is Sarvjit. Actually if you look at the Capex, Akhil mentioned earlier the fact that we have actually got Infratel segregated now, so actually decapitalization in the mobile segment and capitalization in the Infratel segment. So that has actually has taken place in the fourth quarter. That is why you are seeing those kind of figures, but please look at overall anyway because you see that the Capex overall is about \$700 million in the quarter and about \$3.5 billion for the year.

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### Akhil Gupta – Joint Managing Director

On the second point, well firstly we have not borrowed any money as I mentioned \$1.35 billion have been raised as equity in Infratel. We do have at this point of time a large amount in terms of our investments in mutual funds and debt related instruments and so on and over a period of time the money raised in Infratel will be used for the Tower business in Infratel and as contribution to Indus.

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### Henry Cobbe - Thames River Capital – London

Okay. Thank you and on the tax rate I know it has been answered before but if you just confirm the outlook for the tax rate you have suggested between 15%-16%, which comes in about 10% or 11%?

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### Akhil Gupta – Joint Managing Director

Yes I think on tax rate let us clarify, there is a minimum alternate tax under the income tax act, which is about I think 11.3% of the net profits, but the effective tax rate has been varying between 15%-16% from time to time. It is always a little difficult to estimate the deferred tax exact provision, but we do expect it to be in that kind of region for the full year. But I think as the year goes by and the investment becomes apparent we should be able to give a better guidance of that. But at this point I think 16%-20% overall tax rate looks okay.

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### Henry Cobbe - Thames River Capital – London

Okay very fine and you mentioned that the 36% -37% of new subscribers are from the rural market presumably these are quite low but they will be growing in time. But at the high end, are you still seeing strong MoU growth from the kind of 1000-minute customers?

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**Sanjay Kapoor - President - Mobile Services**

Yes in fact when we cross this 500-hurdle rate it is the high-end customers that have contributed to that as well and there are postpaid customers about that 1000-minute category who are also growing.

**Henry Cobbe - Thames River Capital – London**

Okay and also could you clarify any move to launch TV services over broadband? What is the situation?

**Sunil Bharti Mittal - Chairman & Managing Director - Bharti Airtel**

Okay. I think we have been talking about IPTV. Internally we are ready, the project is ready. We are awaiting the final clearance from Ministry of I&B who has to make some modification in the down-linking policy, which I think should happen in a few months.

**Henry Cobbe - Thames River Capital – London**

Okay. Thanks very much indeed.

**Aisha - Moderator**

At this moment there are no further questions from participants outside India. I would like to hand over the proceedings back to Priyanka. Thank you and over to you Priyanka.

**Priyanka - Moderator**

Thank you very much Aisha. We will now begin the question and answer interactive session for the participants in India who are connected to audio conference service from Airtel. Due to time constraints we would request all the participants to limit the number of questions to maximum of two per person. Participants who wish to ask questions may please press "\*" "1" on their touchtone-enabled telephone keypad. On pressing "\*" "1" participants will get a chance to present their question on a first-in-line basis. To ask a question please press "\*" "1" now. The first question comes from Mr. Santhana Krishnan from Spark Capital. Mr. Krishnan, you may ask your question now.

**Santhanakrishnan - Spark Capital**

Thank you. Hi. I just have a question regarding VAS penetration, like I just want to know whether Bharti Telesoft is a sole provider of VAS products for Airtel and also about the 3G VAS, how many wireless subscribers are using the GPRS facility and how do you expect it to grow in the future? Thank you.

**Sanjay Kapoor - President - Mobile Services**

Krishnan, of course Bharti Telesoft does provide value added services to us, especially on CRBT the caller ring back tones, but it is not that all our VAS comes from them, in fact they are one of the many strategic partners that we have on the VAS side and they also participate along with everybody else in the market place. As far as the GPRS services are concerned, well there are increasing number of customers on Airtel Live. We currently would have about 15% of the total base, which will be using such Live services on a regular basis and they are on the rise. I do believe that once we migrate to wireless broadband the number of customers who will use the wireless internet will multiply many folds.

**Santhanakrishnan - Spark Capital**

What could be the potential ARPU uplift because of these types of services and what could be the range?

**Sanjay Kapoor - President - Mobile Services**

You are asking a question which is probably many, many months ahead of its time. I do not think we have reached that stage, it will all depend on, you know, how does 3G happen and what are the terms around it etc., etc. I do not think we are ready to answer that question at the moment.

**Santhana Krishnan - Spark Capital**

Okay. Thank you.

**Priyanka-Moderator**

Thank you, Mr. Krishnan. Next question comes from Ms. Priya Rohira from Enam Securities, Mumbai. Ms. Rohira, you may ask your question now.

**Priya Rohira - Enam Securities - Mumbai**

Good afternoon to the team and congratulations on good set of numbers. My first question relates to what is the internal thought process on active Infrastructure sharing. Would you separate it out into Bharti Infratel and how do you see this spanning out in terms of implications for the sector per se?

**Akhil Gupta – Joint Managing Director**

Well active infrastructure sharing as and when it happens and whether it will be hived or not hived I think it is too early to comment on that, but we have no plans for Infratel and Indus to get into active infrastructure sharing. I think those are companies, which are going to be specialise in passive infrastructure sharing.

**Priya Rohira - Enam Securities - Mumbai**

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Sure. Second question is more on the data side, some of your circles would come out to be moratorium for your license fees, which were there for four years, with effect from April 1, 2008. Could you just give us a colour on that?

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**Sanjay Kapoor - President - Mobile Services**

Yes, you are right that some of the circles have come out of that moratorium and therefore that is adequately reflecting in our results.

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**Priya Rohira - Enam Securities - Mumbai**

But that will be effective from April 1, 2008 right?

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**Akhil Gupta – Joint Managing Director**

There will be some effect going forward, but I think on an overall basis it should not be too significant.

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**Priya Rohira - Enam Securities - Mumbai**

Sure, and is it possible to have what composition of your ARPUs would be coming from monthly rentals to processing?

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**Akhil Gupta – Joint Managing Director**

Sorry, we do not give that much of information on the composition of ARPUs.

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**Priya Rohira - Enam Securities - Mumbai**

Okay sure. Thanks very much and wish you all the best.

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**Akhil Gupta – Joint Managing Director**

Thank you.

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**Priyanka - Moderator**

Thank you, Ms. Rohira. Next question comes from Mr. Shubham Majumder from Macquarie Capital. Mr. Majumder, you may ask your question now.

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**Shubham Majumder - Macquarie Capital**

Hello, congratulations on a sterling set of numbers. I have a question on your international expansion strategy. There is a lot of media reports over the last couple of days as also in South Africa as much as in India with regard to the MTN acquisition potential and some bankers and different tie-ups have been talked about. If you can just tell us the rationale because MTN is a huge company with the \$33 billion market cap and

has operations in many countries in sub southern Africa and outside of that area as well. If you can just tell us the broad strategic rationale and how this is going to be actually implemented and whether that is too ambitious at this point for Bharti or not?

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**Sunil Bharti Mittal - Chairman & Managing Director - Bharti Airtel**

Well, I think there has only been one media report which has been brought to my attention, which has been on FT of this morning and it directs the news to suggest that we were having a board meeting yesterday to discuss an acquisition of MTN. Yesterday's board meeting was purely and simply for our quarterly and annual results, a meeting, which was fixed a year back and besides our results, we have of course discussed review of our various operations, audit and HR matters. Now with regard to our international strategy as I have said before we remain open to any suggestions. At this point in time there is nothing that we can report back to you and as a company, which believes in great corporate governance we can assure you if there would be some developments that need the attention of our investing community it will be done appropriately and you know, these are also the issues where you do not want to discuss things before the events are crystallized, many discussions happen over a period of months and years, and as you know that we have not been able to bring anything to the table until now, so I would say we should not base our position or any speculative news flow that comes around, we will be prompt in responding to our investors as soon as something is more concrete than media speculation.

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**Shubham Majumder - Macquarie Capital**

Thanks for that. Just a follow-on question. With regard to fiscal 2009 what sort of numbers of towers are we looking to add in Infratel and if possible if you could just guide us on Indus as well and the number of BTS rollouts and what sort of population coverage would we be looking at in fiscal 2009 given that, I think, we have ended a little bit short in terms of population coverage from what we were guided for at the beginning of the year?

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**Akhil Gupta – Joint Managing Director**

Let me take up about Infratel and Indus. I think, I cannot give you any definitive figure because their AOPs and the deliberations are still going on, but I would expect that between the two my rough estimate say it could be something around between 30,000 to 35,000 towers, but hopefully by next quarter I should be able to give you a fairly good idea of how many towers they intend to add. As far as the population coverage, I think we are pretty much on track. We had estimated around 70% to 72%, by the end of this year, we are very much on track on that and hopefully by the end of March 2009, we hope to go above 80% to 85% somewhere in between that, very difficult to predict as to what exact percentage we may cover, but I think it

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could be a good aim to be anywhere between 80% to 85%.

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**Shubham Majumder - Macquarie Capital**

Very quickly anything on WiMax we should be looking at from Bharti in the near term given that quite a few large players in India have announced some of the biggest deployments of WiMax anywhere in the world?

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**Manoj Kohli - President & CEO - Bharti Airtel**

You know Bharti has a policy of going for technologies, which are well tested, which are open standards. Today we are utilizing WiMax only for our Enterprise customers, but not for any mass usage. We will wait for the international experience and then appropriately take a decision. Today we believe HSPA is really picking up very well across the world and has a great success story, so that obviously is our preference as we go into 3G, but WiMax we are still watching.

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**Shubham Majumder - Macquarie Capital**

Thank you all very much.

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**Priyanka - Moderator**

Thank you, Mr. Majumder. Next question comes from Mr. Sanjay Chawla from JP Morgan, Mumbai. Mr. Chawla, you may ask your question now.

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**Sanjay Chawla - JP Morgan - Mumbai**

Hi, everybody. I have a couple of questions. Coming back to the mobile EBITDA margins as per the number provided by Akhil if Infratel had not been a separate segment the mobile EBITDA margins would have been down by about 115 basis points, which there would have been about 39%. Now my question is do you see mobile margins further coming off especially now that you are adding 2-3 million net-adds? Second question is your total Capex; the overall Capex especially mobile Capex seems to be below the recent trend, what we witnessed in the first three quarters, if you can throw some thoughts on that. What could be the reason behind that? Last question is on the Enterprise margins as David said, there were 46% for the full year. Now should we take 45% to 46% margin as a sustainable mobilized level of margin in the longer term?

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**Akhil Gupta – Joint Managing Director**

Well on the Enterprise margin as David said, yes, I think anywhere around 45% to 46% does look like a sustainable one, but certainly 56% is a bit of an aberration, which we have seen in the quarter. On mobile ones, well the actual EBITDA margin has come down on a quarter-to-quarter basis from 40.8 to 35.5.

Firstly, I think, on any margin calculation, it will be wrong to strictly look at quarter-to-quarter because that would prevent companies from taking any long-term measures and just stick to short-term measures, so it is fundamentally wrong to merely look at margins on a quarter-to-quarter basis. By having said that, out of this what I had mentioned in my address was that on account of the passive infrastructure, the margin is lower by about 3.2% and the balance was on account of as mentioned earlier from rate cuts which had taken place, which Sanjay talked about for which there is a lag effect, some of the recoveries may come later on and the second by design preventing for some accelerated sales and marketing expenses during this quarter. Was there any other question, Sanjay?

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**Sanjay Chawla – JP Morgan - Mumbai**

Akhil just one question on the Capex, your fourth quarter Capex especially the mobile Capex seems to be very far below the trend that we have seen in the last three quarters?

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**Sarvjit S. Dhillon - Chief Financial Officer and Director Strategy**

Hi Sanjay, this is Sarvjit. There has been in the quarter the creation of Infratel and in that creation from inception to date Capex has been decapitalized for passive infrastructure for mobile services and re capitalized in Infratel. So, please look at the picture on an overall basis.

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**Sanjay Chawla – JP Morgan - Mumbai**

Sure. Okay. Thank you very much.

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**Sarvjit S. Dhillon - Chief Financial Officer and Director Strategy**

As before in the quarter.

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**Priyanka - Moderator**

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

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**Reena Verma - DSP Merrill Lynch**

Good afternoon everyone and thank you for the call. I have just three small questions. Firstly, just wanted to know with regard to you being imminently free cash positive, is there a certain target cash chest that you would like to keep at all times or, you know, should we expect that you will review your free cash usage policy on annual basis and my second question is with regard to your Tower business, can you please help us kind of take some view on how you expect the sharing factor to progress over the medium term and just finally I wanted

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to ask Mr. Mittal about his engagements with the government whether he can share with us on what exactly are all the regulatory risks that are being discussed other than the spectrum fee, which we already know about and 3G options. Is there something else as well like a potential cut and termination charges etc. I know it is a hard question to kind of really give a firm answer to but we will be very glad if you can give some insights on the nature of discussions with the government? Thank you.

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**Akhil Gupta - Joint Managing Director**

Sunil, why don't you take up the most difficult one first, I can tackle the easier ones later.

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**Sunil Bharti Mittal - Chairman & Managing Director - Bharti Airtel**

You know everything that happens in the telecom space is in the public domain, our very active telecom analysts completely get to know what is going on. I think spectrum was a big issue, the good news here is spectrum, a lot of it has suddenly been released from various government and defence users, which is now being made available to both existing operators, albeit of course as per the TRAI norms and also being granted by state by state to the new players as well, Tamil Nadu and Orissa have already been done. I believe Karnataka is imminent. The good news is when we are doing this we are getting our due spectrum as well. We have got Karnataka only a few days back. We are hopeful of seven more coming in the coming weeks.

In the area of spectrum charges being discussed, proposed in the media for each of who are raising spectrum charges and stuff like that, we all will have to wait. I mean all we can say is our appeal to the government has been and is make it less onerous in terms of taxing or levy, so that we can take more affordable services to the masses. We are delighted that ADC has gone, it will be completely gone the last will be going on the October 1. Today, the minister actually made an announcement this morning at the broadband seminar that the license fee in the form of AGR and the USO on fixed line telephony will be taken away in the coming weeks, so that is a delightful development and to give better strength to the fixed line telephony the government is considering taking off all the burden of license fee and as you know other than BSNL and MTNL, Bharti is the only private serious player in fixed line business. Other than that, there is really nothing, the M&A norms have been announced, the active network sharing has been announced and as we speak to you, we see some flashes on the screens of television that TRAI will be making the 3G recommendations today. So all in all, all news flow is on the table, there is nothing more that I have to add on this.

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**Reena Verma - DSP Merrill Lynch**

Sir, on termination charges is it still something being talked about?

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**Sunil Bharti Mittal - Chairman & Managing Director - Bharti Airtel**

I have not heard anything on termination charges. If you are suggesting there is a proposal for it to be taken up, I have not heard of it because at 30 paise it is already below cost of most of the network operators and to my mind the only way operation charges can be handled is for it to go up.

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**Reena Verma - DSP Merrill Lynch**

Sure. Thank you.

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**Akhil Gupta – Joint Managing Director**

Reena, on the free cash positive stuff I think our fundamental policy remains the same, firstly we have till date not experienced a free cash flow even after 14 years of existence or it is possible that we could have a free cash flow this year. Our policy would be that till such time that we can utilize the cash generated invested internally into productive purposes, which can give a higher yield to the investors than what he can have in his own hands, continue to do so. The day we feel that we have excess cash, which we cannot deploy we would like to return it to the shareholders in whatever is an appropriate manner. I think that fundamental policy remains, but we will see as the year goes by whether we have any good productive use for the money which we generate extra. On Tower business we are currently at a pretty low sharing ratio as we enter these businesses at roughly about 1.25 or so, near about that. As you are aware, Indus there are three operators who have come together, so obviously you can expect at least I expect a quick uptake of the sharing there. Infratel again is open to business to all the operators, but unfortunately I cannot guide you at this stage at all about what these sharing ratios could be and I wonder whether we will at any point of time want to give you a guidance, but we will report on a quarterly basis something on these lines.

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**Reena Verma - DSP Merrill Lynch**

Sir, thank you for that, my question was on how would you define excess cash because you know it could be that we keep waiting for another five years for you to do an acquisition and you do not find anything?

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**Akhil Gupta – Joint Managing Director**

That is a good question. To define the excess cash well, I think an excess cash can only be defined at any particular point of time and if in the foreseeable future you do not have any plans then surely I think nobody would want to wait for five years because from a company point of view carrying excess cash is a huge burden because that kills your return on equity, that kills your return on the capital employed, and that's nobody's joy in carrying excess cash. So there are very

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few companies, which have done so, IT has been a classic example for that, but I think all other companies would not find it financially very savvy. So what I can tell you is that we are not going to sit over cash and get some kind of a great satisfaction, we would rather return it to the shareholders if in the foreseeable future we do not find any use.

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**Reena Verma - DSP Merrill Lynch**

Sure. Thank you very much.

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**Priyanka - Moderator**

Thank you Ms. Verma. Next question comes from Mr. Vinay Jaising from Morgan Stanley, Mumbai. Mr. Jaising, you can ask your question now.

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**Vinay Jaising - Morgan Stanley - Mumbai**

Thank you Madam. Sir congratulations for the great set of results. Two questions from my side, one on Telemedia and second on the wireless business again. Sir, on the Telemedia front, the margins have been fabulous at 43.8% even better than last quarter. My question here is why we are not adding more circles because if we see the sequential growth in absolute EBITDA it is just 5% so much lower than what the entire company has grown by. So what are your thoughts out there, what are your future plans? The second question, I guess you have addressed to a lot of my colleagues, but I am just trying to ask it again. The average revenue per minute in our numbers seems to have gone down by about 5% for this quarter sequentially at about 70 to 71 paise. This dip seems to be the highest in the last year. Now, if I see the wireless EBITDA margin and add the 2 billion, which Akhil had suggested on account of the Tower co-sharing I still get a 39% EBITDA margin that is about 200 basis points lower than the last sequential quarter. I know it is a repeat question, but are we trying to buy growth at the cost of EBITDA margins or do we think it is just a one-off because of the cost even because of the things, which you said, which happened this quarter? Thank you.

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**Akhil Gupta – Joint Managing Director**

Manoj, why do not take the Telemedia, let me answer the other one on the margins and mobiles.

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**Manoj Kohli - President & CEO - Bharti Airtel**

Okay on Telemedia I believe that margins have really done very well from later 20s, I think, we have picked up to about 43% to 44% of margin. I believe in long-term the margins of 40% should be sustainable in this business. Now, I think our growth has been quite stable in the last year or two and we will see a faster growth, but one thing you should remember that our strategy is a cherry picking strategy, it is not a mass strategy, we are focused on 94 cities and within those

94 cities we are focused on the cherries of the market whether they are commercial complexes, shopping complexes, and of course high-end residential complexes. So we really do not want to go for a mass business, we do not want to build it for a low ARPU etc, etc. ARPU sustainability is an important goal for us here. So I think we have been able to sustain it in the last year.

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**Vinay Jaising - Morgan Stanley - Mumbai**

Would it be fair in saying that you are not looking at more than 94 cities because it is about seven quarters wherein you have been in 94 cities?

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**Manoj Kohli - President & CEO - Bharti Airtel**

We have no intention to go beyond 94 maybe one odd here and there where we feel potential is fantastic we will go, but we have no such intention. We have intention to organically grow within 94 cities where we see business prospects picking up, new revenue streams coming up and I think that is where the future of this is and we will be.

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**Akhil Gupta – Joint Managing Director**

Vinay on the realized rate per minute, well I think, one way of looking at the realized rate, you know, constantly it has been coming down, we do not actually just watch it quarter-to-quarter we know it would come down, but what we look at is you looked at the percentage being the highest, you looked at the revenue increase being the highest in this quarter. On the margins, if you see the overall EBITDA margin has only marginally come down from 42.6 to 41.6 in this quarter. On the mobile front, the EBIT margin has come down by about only 1%, so the EBITDA margin has come out higher. I did explain that there were three reasons, which contributed to that. First was the rate cut, which we made on the outgoing calls bringing the maximum to Re. 1. The second of course was the Tower side, and the third one was an increased expenditure on marketing and sales, which was very clearly to accelerate our revenue market share. So to some extent, but at a very small extent, this quarter the increased market share could have contributed to slightly low margins, but I would say that an overall margin north of 40% is very satisfactory for us and we are not expecting or aiming that our margins on the EBITDA basis must grow very, very high.

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**Vinay Jaising - Morgan Stanley - Mumbai**

Sir just a followup question, north of 40% on net revenues for wireless business or for everything put together?

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**Akhil Gupta – Joint Managing Director**

First revenue, we report the EBITDA margins on gross revenue. On the wireless business, I think, after

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conversion of this significant Capex into Opex 40% is not something, which looks sustainable, it will have to be lower than that, but on an overall business I think, just north of 40% is pretty good.

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**Vinay Jaising - Morgan Stanley - Mumbai**

Thank you Sir.

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**Priyanka - Moderator**

Thank you, Mr. Jaising. Next question comes from Mr. Rahul Singh from Citi Group, Mumbai. Mr. Singh, you may ask your question now.

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**Rahul Singh - Citi Group - Mumbai**

Hi. I have two questions, firstly on your cell sites, you have now 69,000 cell sites and 53,000 own towers, so would it be correct to assume that the remaining 16,000 cell sites are either on third party or on barter basis and whether you have also started paying for the towers, which were earlier on barter basis, because I recall you said that you have started receiving revenues from external tenants, which I am sure portion of those external tenants would have been on this barter arrangement that is number one; number two, I just wanted a confirmation maybe it is there somewhere in the release itself, but in the stock exchange release I saw the total assets, which have been transferred from Airtel to Infratel is 8200 crores. The reason why I am asking for a confirmation for this number is that if I annualize the EBITDA of passive infrastructure services, which is there for two months and you know use 1.22 tenant fee, then the capital recovery per tenant on a percentage basis comes out to an extremely high number of 14% to 15%, which is on a per tenant basis, so I just needed to get some sense on the numbers there?

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**Akhil Gupta – Joint Managing Director**

Okay on that 53,000, 69,000 you are right, the 16,000 towers where we have our base station represent towers owned by somebody else. Practically most of them are now owned by Indus because most of them belong to either Vodafone or Idea, there could be some others where Airtel may have arrangements with the other operators, but that is miniscule. To your second question on the cell site, it is correct. That on all those towers also Airtel is now paying full rentals and that is already taken into account while taking of the mobile results. In terms of the transfer of assets well 8200 crores was the fair market value of the assets transferred where I think the book value was about 5400 crores. So I think your question is a bit technical perhaps we will have to take it separately to understand it fully what you are trying to ask, but on this account there is no net effect of any sort on the consolidated P&L.

**Rahul Singh - Citi Group - Mumbai**

Okay just quick followup on the first question actually, you said that the remainder 16,000 would be with Indus, but I thought Indus is only getting the towers, which are in circles common to Vodafone and Bharti that is number one. Number two if you have started paying for towers, which were earlier on barter basis, is it a new development, has it happened post January once the demerger has become effective or is there no impact of this change in the barter mechanism on a Q-o-Q basis?

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**Akhil Gupta – Joint Managing Director**

Even on a barter basis that is not entirely free there were still charges, but yes, it has happened from February 1, and you will consistently see it being reported on this basis.

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**Rahul Singh - Citi Group - Mumbai**

So what is the additional impact in this quarter because that is also an important factor to find out like-to-like?

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**Akhil Gupta – Joint Managing Director**

As we mentioned it is about 3.2%, which has been effected in this quarter for two months of this paying to the Tower companies.

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**Rahul Singh - Citi Group - Mumbai**

Okay so that includes this. Okay. Thanks a lot sir.

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**Priyanka - Moderator**

Thank you, Mr. Singh. Ladies and gentlemen, due to constraints of time we are unable to entertain any further questions. This brings us to the end of the question and answer session. I would now hand over the call proceedings back to Mr. Sunil Bharti Mittal for the final remarks.

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**Akhil Gupta – Joint Managing Director**

Well I am sorry, Sunil had to just leave for some other engagement as the time spilled over, but thank you very much each one of you for joining on this call. Once again a fabulous quarter and a very, very satisfying full year. We are absolutely certain that the growth, which we have seen will continue, it is a sustained growth phase, which we are seeing and 2008-2009 we enter with a lot of excitement, lot of hope and we are certain that we would continue to proceed as the leaders and consolidate our leadership position. Thank you very much for joining us today.

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**Priyanka - Moderator**

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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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