

Earnings Conference Call Transcript

Event: Bharti Airtel Limited First Quarter ended June 30, 2010
Earnings Conference Call

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PRESENTATION

Hina - Moderator

Good afternoon, ladies and gentlemen, I am Hina the moderator for this conference. Welcome to the Bharti Airtel Limited first quarter ended June 30, 2010 earnings call. For the duration of the presentation, all participant lines will be in the

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listen-only mode. After the presentation, the question and answer session will be conducted for all the participants on this call. Present with us on the call today is the senior leadership team of Bharti Airtel Limited. We have with us Mr. Manoj Kohli, Mr. Sanjay Kapoor, Mr. Manik Jhangiani, and Mr. Harjeet Kohli. Before I hand over the call, 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 our first speaker of the day, Mr. Harjeet Kohli. Thank you and over to you Mr. Kohli.

Harjeet Kohli - Group Treasurer - Bharti Enterprises

A very warm welcome to all of you. Just before I request Manik to open up the call with his remarks I just wanted to highlight a couple of hygiene aspects, as you would have noticed Airtel has adopted IFRS standards for financial reporting with effect from April 1, 2010 and amongst other changes, key is that a proportionate line-by-line consolidation is done for JV i.e., Indus. Secondly, this quarter has only 23 days of flow numbers for our Africa operations, while all these top numbers of the Africa business are as of June 30, 2010. And lastly, the geographic cut has been made at three level, India and South Asia, Africa, and Africa others. Africa others houses our borrowing cum acquisition vehicle in Singapore and Netherlands, which were used for Zain acquisition transaction. With that I would now hand over to Manik for his opening remarks.

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

Thanks Harjeet. Good afternoon and a very warm welcome to all of you for joining us on the call today. Last quarter was really an eventful one with completion of the acquisition of Zain as well as the completion of the 3G and BWA auctions in India and I will touch on these in a moment. First a quick snapshot on our consolidated results as reported on the IFRS effective April 1, 2010. Quarterly revenues of Rs. 122.3 Billion, up 14% on a sequential quarter-on-quarter basis and up 18% on a year-on-year basis. This includes 23 days of the Africa business performance. EBITDA of Rs. 45.1 Billion before acquisition related cost, up 8% on a sequential quarter-on-quarter basis leading to a consolidated EBITDA margin just shy of 37%, net income of Rs. 16.8 Billion down 18% on a sequential quarter-on-quarter basis primarily as a result of a swing of Rs. 3.75 Billion on account of it's derivative and foreign exchange fluctuations. Importantly, our franchise base stands at a 184 million customers around 19 countries with the addition of Telecom Seychelles into the Africa group producing a run rate of about 825 billion minutes per annum and a massive multi-country architecture over a 150,000 towers with population coverage of over 1.8 billion people across the globe.

A quick look at the domestic business, over the last quarter, the market place has also seen rather the same stimuli as ourselves, the good news here is the market has been a tad saner in that there has not been any large scale competitive price actions, so encouraging signs of stability and price here. Sanjay will walk through the details with you, but clearly the recoup of minutes by the established players plus some bit of elasticity benefits for players like Airtel with a strong rural/ semi-urban base has helped us retain our strong leadership position in the market place, then winning valuable 3G spectrum in 13 circles and BWA in 4 is an important milestone specifically as Indian market evolves and opens up to a colossal data opportunity. Obviously for India and unlike any other 3G market in the world, 3G shall help ease and provide relief to the established voice base and also form a strong platform for wireless internet, which is the only way internet can get massified in India. Last quarter also saw the successful close of the Zain Africa acquisition transaction. On 8th June, Bharti Airtel International Netherlands acquired 100% of the shares of Zain Africa BV, which holds controlling stakes in all of the 15 African operations. The acquisition has been funded by a way of debt, which we believe has been contracted at a very competitive rate at all in cost of LIBOR plus 195 BPS with a door-to-door tenure of six years as earlier shared with you. At today's rate, that works out to just about 2.4% annually and hence an overall interest servicing cost of approximately \$200 Million a year excluding any hedge impacts. Subsequent to that, as is our DNA, we have moved quickly on and established an Africa Group Office in Nairobi led by Manoj who will be joined by about 20 other senior members from India and about 40 people from Zain Bahrain. Manoj will provide you with more details here but we started with very successful leadership conclave in Kampala and as we speak, each country team is working closely with Manoj to formulate business plans and institute the right strategies for each individual market. All in all, an eventful quarter as I said, but while all this was happening, it is important to note and applaud the operating leadership team who delivered a great start to the year with a tremendous come back on revenues and EBITDA and a first set of quarter of over 200 billion minutes. On an overall basis, I believe that Bharti Airtel is firing on all pistons with a very strong combination of businesses that is rapidly reinforcing and strengthening its leadership position in India and South Asia as you can see from the resurgence of growth in minutes and revenues, the growing customer base, and the data opportunity, a flourishing and large residual opportunity driven platform in Africa with excellent demographics in terms of use in middle class, very low penetration levels, and strong economic development, and a very strong wide and deep passive infrastructure business with increasing tenancies, margins, and cash flows. All well poised to continue with our next phase of growth in telecom emerging markets. With that I hand over to Sanjay for more details on the performance of the India and South Asia Business.

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Thank you Manik. Good afternoon and a very warm welcome to all who joined on the call from India and overseas. All of us are very gratified with the performance in the last quarter. Before sharing company's performance and numbers, let

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me take a few minutes to highlight a few things in particular. The last quarter has been quite an eventful one. At the end of the last quarter, telecom base reached 672 million with a tele density of 57%; wireless continues to drive the telecom sector with 636 million mobile customers adding more than 51 million customers in the quarter. The government closed 3G and BWA auctions in the last quarter with Airtel winning 13 3G circles and 4 BWA circles. The diversity of the regions we have got would prepare Airtel for an all India footprint as we work on a consolidated data opportunity cut by use and needs and preferences rather than technology. During the quarter, TRAI also gave its recommendations on spectrum management and licensing framework. DOT has formed an internal committee to review these recommendations. A consolidated report of this committee would be submitted to the Empowered Group of Ministers. We would like to reiterate that at this stage, these are recommendations that too under review. We firmly believe what will come out shall be an industry enabler especially at the cusp of which industry is right now. In February 10, DOT has announced the revised 2G spectrum charges for both CDMA and GSM operators. The industry has approached TDSAT against the announcement and the final judgment is pending. The company however provided for increased spectrum charges in its books, the impact of which is 0.9% on EBITDA margin. Lastly, as part of an ongoing transformation program, the company has re-aligned the network function along the lines of businesses to make it more market facing and responsive to the customer needs. Accordingly, the national transmission system which was earlier part of the enterprise segments have now been aligned to mobile segment while the last mile access network and the international submarine cable network are already aligned to the Telemedia and Enterprise segments respectively.

Moving to the highlights of the quarter, the company added close to 10 million customers including DTH on its network with mobile adding 9.3 million customers alone. This is the highest net adds in a single quarter. The total customer base on mobile, fixed line and DTH in India alone stands at 147 million. What is most striking on operational side is the consistent growth in usage for the past two quarters despite the number of players in the market. The company carries a total of 203 billion minutes in a quarter on its India and South Asia network, a growth of 21 billion minutes carried in the previous quarter. With this record, the company carries a total of 2.2 billion minutes a day. The consolidated revenues of Rs. 112.7 Billion for the quarter ended 30th June represent a growth of 8.2% year-on-year. The consolidated EBITDA for the quarter was 42.4 Billion and the resultant EBITDA margin was 37.6%; However, one must adjust for increased provision of spectrum fee and one-time acquisition related cost for comparison purposes. We are pleased that despite the competitive pressures, the company has been able to not just grow the revenues but also maintain healthy margins as well on a normalized basis. True reflection of scale, leverage, and business model specific gains serving as our comparative advantage. The cash profit of the company for the quarter before exchange related fluctuations was 41.7 Billion, a growth of 0.4% year-on-year. The profit before tax for the quarter was Rs 23 Billion while the net income was Rs 19 Billion. The profit margin for the quarter was 16.9 Billion. The consolidated CapEx for the quarter was 17 Billion including that of Infratel. The standalone CapEx of the company was Rs 12 Billion. The company generated positive cash flows of more than 3600 Crores in this quarter before taking the impact of Africa, 3G, and BWA funding, a strong reflection of organic accruals that can help the company de-leverage quickly. Our company continues to lead the market on revenue market share; the customer market share at the end of the quarter was 21.5% while the revenue market share was well about 30%.

Moving to some key business highlights, as always last quarter saw an expansion in bouquet of product and services. On value-added services we launched call manager, voice blog, Airtel world Sim, Krishi cards, and many others. The Airtel Application Central launched in the last quarter now has more than 71,000 applications. It has clocked 13 million downloads in four months and is doing well. Geographically, we also expanded our footprint into Sri Lanka with the launch of mobile services in the eastern part of the country where we were not present earlier. In Bangladesh, it has been the first full quarter of operations where we are working towards replicating our minute model in Bangladesh focusing on enhancing customer experience. On the Telemedia side, there is a continued focus on data part resulting in nearly 80% of all B to C telemedia customers using data services. On an overall basis, 42.6% of Telemedia customers subscribe to DSL services. This figure is even bigger when we see the share amongst the new customers adding in the B to C segment. On Enterprise side, we have partnered with Cisco and Servion to foray into India for hosted contact center service market, which offer all enterprises - big or small, freedom from technology obsolescence, capital investments, and continuity challenges. Last but not the least, Airtel digital TV has been doing very well with 3.2 million customers as of 30th June. We have maintained our share of gross additions adding every fourth customer on our network. We launched Airtel Digital High-Density television with ESPN and Star Sports.

Friends in our journey, we have crossed many milestones, yet many more needs to be achieved. We are well poised in this journey, given our even expanding customer base, extensive and reliable network, and superior customer experience as we embark on another exciting journey of 3G and BWA technologies, I am confident that our drive towards operational excellence will enable us to further strengthen our leadership position and emerge stronger than ever before. I will now hand over to Manoj for the Africa piece. Thank you so much.

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

Thank you Sanjay. Good afternoon and welcome to all participants on the call. Before I share a quick overview of newly acquired operations in Africa, I would like to share some data points, which we discussed during last investor call especially for those investors who missed that call on the Africa context. A quick recap, on population, Africa has a billion people today and expected to grow to 2 billion in the next 30 years whereas India and China will be far less than Africa's population. The combined consumer spending in Africa shall go to 1.4 trillion by 2020 putting a lot of disposable income in the pockets of African customers. Middle class is a very important parameter of success for telecom is also big from 400

million and is projected to go upto 500 million middle class people in the continent. The median age of Africa today is between 17 to 18 years, which means that the youth population will be huge, 25% of global youth in Africa and hungry for more and more telecom services. At the same time the working class is large and actually it is bigger than the China's working class. Overall, there are 30 economies, big economies of Africa, out of which 27 economies are doing well growing at 5 percentage points or more GDP per capita. In the last five years, the democratic transformation is also taking place rapidly and many African countries have become more open democracies, social transformation is also happening on education, literacy, etc., and I think Africa is going through an unprecedented decay than ever before. All these prove that we have a huge market opportunity for ourselves in Africa. From Zain, we acquired 15 countries and with today's announcement of Seychelles, we have added one more country to our footprint. Seychelles has one of the highest GDP in Africa with USD 19,500 GDP per capita with large international roaming revenues. We also have 2G and 3G network in Seychelles. With 57% market share and ARPU of \$24, EBITDA margin is very healthy at 40% in Seychelles. As Manik said, we embarked on the journey of building Airtel from 8th June onwards and we have created a strong vision for Airtel Africa as by 2015, Airtel will be the most loved brand in the daily lives of African people. This decision was taken along with 130 leaders from Africa in Kampala. I also want to share with you the good news that the Zain transition is over within six weeks and now the integration process with Airtel is at the peak and I am sure by end of this calendar year, we should be able to complete this integration. During the first two months when I visited all the countries and met the respective presidents, prime ministers, banks, regulators, telecom ministers, minority partners and of course our own employees in each country. This interaction with various stakeholders on the ground has given us a clear insight that each country is unique, each market is unique, customer behavior, customer expectations are unique, and hence we need to customize our strategy, customize our solution for each country. At the same time the good news is that governments are fully aligned with Bharti's agenda, Bharti's plan and all governments have given us a very positive welcome and encouragement to deploy our brand all over Africa.

We also succeeded in India by providing affordable services to millions of customers here and that is why we have decided to replicate our business model in Africa with some customization to suit some local or cultural requirement so that we can make millions of African customers talk much more. As you know today, MOUs are small we would like to grow the MOUs as fast as possible. We will definitely implant our minute's factory in Africa and by next month, our contracts with our network partner, IT partner, BPO, shared services, and tower company, lot of other decisions would have been taken. Our country teams are also gearing up for the brand launch, which is expected to be in October, and we have appointed WBP as our marketing partner to support us in this brand launch. I am sure with our leadership team in place in Nairobi, and also very motivated 6500 employees, we will soon strengthen our leadership status of RMS in many, many markets. We have also further enhanced our leadership talent by growing our existing talent in various countries as well as inducting new talents from India as well as from outside India. The recent example being Andre Beyers who has joined as CMO from Vodacom, South Africa. It is clear that these leaders will be able to really help us achieve the vision we have adopted recently.

Now, let me share a bit about our disclosures for reporting purposes, which all of you have been keenly awaiting. For the quarter, the results are only for a period of 23 days from June 8 to June 30. The results are as per IFRS. Our disclosures are bifurcated in two levels, Africa operations with 15 countries and Africa others comprising of holding company of our operating entities. At this juncture, we would like to keep the disclosure at this level only. Moving on to the performance of the company during the quarter, the company has total of over 36 million active customers and as good governance, we report customers who are active during the month and thus customers who have not made any call during the month are not counted as customers.

Moving to our financial performance, the 23-day performance shows revenue at Rs. 9.6 Billion, EBITDA of 2.6 Billion, and EBITDA margin of 27.5%. The EBIT for 23 days is Rs. 653 Million. These 23 days can be best an indication but no chance they represent an example of operating results for Africa and I would urge you to look into Africa numbers even it as a base for full quarter of July to September. In the operating GPS the ARPU is \$8 and MOUs are 103 minutes, which is clearly low. We truly believe that there is a huge elasticity in each of the markets and in some pilots, which we have done in last few weeks, we have already seen early signs of elasticity in Africa. The market faces a huge challenge with multi-SIM environment and hence the churn levels are high. Also due to recent KYC registration imposed in many countries, we experienced high churn as other operators did, but I am sure that this churn will come down in a matter of next three to six months. But one thing is proven by the multi-SIM situation that the real customer penetration in Africa is around 20% rather than 30% as reported by many other journals. The non-voice revenue is 7.9% of the total revenues and I believe there is a huge opportunity ahead of us with 3G based applications and m-commerce and many others value-added services it should add to this percentage in the months to come. Out of the 15 countries, we already have 3G licenses in five and many more countries will join us with the 3G licenses soon. The company has over 10,000 sites on ground and with USD 800 Million as planned Capex, we expect to enhance our coverage as well as improve our quality of network. The good news being that we are getting huge support from our partners of network and we have initiated infrastructure sharing with all the regulators, sharing of sites, sharing of optic fiber as well as submarine cable.

Overall, I would like to reiterate that the timing of our moving into Africa is a great decision and I am sure it will benefit the company in the long term. We remain extremely committed to investing in the future growth of this continent. We also believe that the new businesses like 3G, TowerCo and m-commerce, and many others can potentially become much larger businesses in the African countries. Thank you and over to the moderator.

Hina – Moderator

Thank you very much sir. We will now begin the question and answer interactive session for all the participants who are connected to the audio conference service from Airtel. Due to time constraints we would request if you could limit the number of questions to two to enable more participation hence management will take only two questions to ensure maximum participation. Participants who wish to ask questions may please press "*" and "1" on their touchtone enabled telephone keypad. On pressing "*" and "1" participants will get a chance to present their questions on a first-in-line basis. To ask a question participants may please press "*" and "1" now. The first question comes from Mr. Sachin Gupta from Nomura, Singapore. Mr. Gupta, you may ask your question now.

Sachin Gupta – Nomura Securities– Singapore

Thank you very much. Just a few questions. Firstly, Sanjay just for the domestic wireless segment, I was just wondering was there any contribution from the Sri Lanka and Bangladesh business in the last three months. Just trying to assess with this restatement, how much is because of NLD and how much is the rest? That is my first question. My second question is on the balance sheet, there is a quite a large increase in PPA and the intangibles and even if I strip out the 3G payments you have made, I am still getting about a \$12 Billion increase. Just wondering given Zain was about \$10-odd Billion, what will explain the difference in the intangible in the balance sheet and I guess the related question is for the Zain transaction, how much was actually the property plan and equipment component and what is the rest of the intangible please?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

On the India and South Asia piece, of course the full quarter performance for Sri Lanka and Bangladesh is included as well. But obviously we do not report them separately, it is all bundled into the same, and you are aware that in Sri Lanka, we have just added the eastern part of the country and we were covering only 60% of population similarly in Bangladesh we just cover about 30% of the population and we do not cover everywhere so you will see the rollouts happening very soon and therefore you will see a more elaborate picture in the coming quarters.

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

On the question relating to the intangibles two pieces over there. You have got one element related to 3G and BWA licenses and that is about a \$156 billion and the remaining part is really the goodwill and other intangibles related to the Zain acquisition. We are in the midst of doing a purchase price allocation and fair valuation of all the assets at this stage, so we have preliminary numbers that we put in since IFRS allows us to use 12 months from the date of acquisition to finalize these numbers. So those will continue to be fine tuned. Very preliminary numbers that are there in right now on goodwill and other intangibles such as dealers, customer network, licenses, etc.

Sachin Gupta – Nomura Securities, Singapore

Okay thanks. Sanjay, this Sri Lanka business is that close to EBITDA positive yet?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

No, not as yet.

Sachin Gupta – Nomura Securities, Singapore

Thank you.

Hina – Moderator

Thank you Mr. Gupta. The next question comes from Mr. Sachin Salgaonkar from Goldman Sachs, Mumbai. Mr. Salgaonkar you may ask your question now.

Sachin Salgaonkar – Goldman Sachs – Mumbai

My two questions are - first, can you talk a little bit about your intended 3G and BWA services launch as in the timeline for that? I remember during the Zain call, Akhil briefly touched on the fact that Bharti would be having a pan India 3G service

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mainly through roaming agreements in the circles where you do not have 3G license, so can we get a little bit more clarity on that? Secondly the related question to this is any guidance on CapEx this year for Indian operations and do you think any delay in equipment procurement might impact this number? Thanks.

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Let me try and answer these questions for you. On the 3G services side, we believe that if spectrum is allocated to us in the first week of September, then before the calendar year end, you should see the services live in some parts of the country and that should happen. As far as the delay on equipment is concerned, well if there are any security issues that become a little more elaborate then it is out of control and obviously it will delay the rollout. Secondly, as far as our sharing of the bandwidths is concerned with other operators as I speak with you, we are obviously in dialogue with others in the market who can compliment the networks with us. The intention is very clear that we want to give a pan-India experience to our customers and therefore there will be a give and take. What form of commercials it will assume is difficult to share with anybody because this is competitive in nature but the whole endeavor is to make sure that our customers actually have a pan India experience going forward.

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

On the CapEx guidance on the India and South Asia piece, you are probably looking at under \$2 Billion may be \$1.7 to \$2 billion in terms of India-South Asia including 3G and then you have got on the passive piece, which is Infratel about \$300-\$350 Million and as Manoj indicated about 800 Million for Africa.

Sachin Salgaonkar – Goldman Sachs – Mumbai

Just a followup question, I guess you guys have already got the BWA spectrum, so you know any timelines for that and your intended technology out there, is it WiMax where over a period of time you guys might move to LT or you may be exploring other technologies out that?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Obviously that is the dilemma unlike 3G that BWA has. I think on 3G, we are crystal clear that HSPA are out forward and therefore there is no dilemma, but on BWA, at least two competing technologies are available - WiMax and LTE/TDD and we want to be sure that we make the right choice because sustenance of whatever technology from two perspectives, A) from commercial perspective and b) from customer experience perspective are very vital, so I suggest we will need a little more time. We are mulling over the subject, doing our homework properly, and we will be out with the decision sooner than later.

Sachin Salgaonkar – Goldman Sachs – Mumbai

Okay so the launch of BWA might also be after the launch of 3G services?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Yes, I think so.

Sachin Salgaonkar – Goldman Sachs – Mumbai

Okay great. Thank you.

Hina – Moderator

Thank you Mr. Salgaonkar. The next question comes from Mr. Rajeev Sharma from HSBC, Hong Kong. Mr. Sharma you may ask your question now.

Rajeev Sharma – HSBC – Hong Kong

Thank you for the opportunity. I have a couple of questions, as you rightly pointed out about your active subscribers in Africa if you could also share about the active subscribers in India - that will be very helpful. Second question, congrats on good set of numbers from Telemedia but just wanted to have your outlook given that there will be a lot of 3G products after four quarters like Dongles, which could yield to the products and offerings by Telemedia, so what is the kind of future plans because you have not been expanding and you have been just thinking a deep dive into the markets where you already in, and thirdly you know what are your tower plans for the African operations?

Atul Bindal – President - Mobile Services, Bharti Airtel Limited

Rajeev this is Atul Bindal, let me just take the question on the active subscribers as you might be aware, as far as the India part is concerned, we have always reported what we call as revenue earning customers, currently we have 136.6 million, the last quarter was particularly gratifying one. We added 9 million customers, in fact these 9 million customers were added in an environment where the otherwise net adds market actually de-grew so that was really a satisfying bit but all these 136.6 million customers are revenue-earning customers.

K. Srinivas - President - Telemedia Services - Bharti Airtel Limited

Hi this is Srinivas here from Telemedia. Essentially Telemedia has two parts, I mean, on one side there is broadband and retail homes and on the other side - SMB sector both data and voice, so I presume your question relates more to the first part, which is really the broadband and retail homes. Now when you look at world over, you know both 3G and the wire lines, wire lines penetration is almost close to 100% in most of the western world and there is relevance for high speed broadband at homes through the wire lines. What we have done over the last couple of quarters is actually to up the speed of all the customers right from 256 that is what it used to be almost over 90% of our customers use 256 kbps. We virtually killed that and taken the speed up and we believe that some of the newer applications which people use whether it is Youtube, Google, etc., having these kinds of things do require high speed and that is where wire lines clearly has a role to play. And this is something, as process will continue I think, with the newer content coming in, the relevance of wire lines will only increase.

Rajeev Sharma – HSBC – Hong Kong

And my last question on the tower company plans in Africa?

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

As I said earlier, we have plans for Tower Company. We are still in the process of finalizing the plan. As soon as the different plan is finalized, we will share it with you.

Rajeev Sharma – HSBC – Hong Kong

But there is nothing in mind as to you know how you want to go about it?

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

We still have to finalize the details of it.

Rajeev Sharma – HSBC – Hong Kong

Thank you, very much. All the very best for the coming quarters.

Hina - Moderator

Thank you, Mr. Sharma. The next question comes from Mr. Suresh Mahadevan from UBS, Mumbai. Mr. Mahadevan you may ask your question now.

Suresh Mahadevan - UBS - Mumbai

Thanks a lot for the opportunity and congrats on a good set of numbers. I wanted to check with you on the outlook for minutes growth and revenue per minute realization because you know minutes growth across the sector seems to have surprised what I think the analysts and investors have been seeing. Could you probably elaborate a little bit into what you are seeing on the ground that is leading to a higher minutes growth and second question is related to this TRAI recommendation on mandatory digitization. Against this backdrop, can you provide an update on your DTH business and I understand you do not disclose a lot of information there, but you know still some color would really help? Thank you.

Atul Bindal – President - Mobile Services, Bharti Airtel Limited

Suresh this is Atul here. Outlook, obviously, we would not be able to provide, but let me just share with you a few insights in terms of what we have been seeing and also sharing with all of you earlier, quite frankly this quarter was yet another link in the continuation of the game returning to the incumbents based on the inherent strength and the distributions service and network, so we have seen strong consumption rebounding back into the marketplace and discerning customers literally come back to the fold. This has also come on the back of good customer growth in terms of real numbers and price stability as what Manik shared earlier where you know not just from established players, but even from the rest of the markets, we really did not see any irrational and predatory kind of price moves and on the other hand, there is a bit of elasticity which has continued to flow through especially in the lower segments and the bottom end of the marketplace which is all still a result of the pricing decisions and positioning which we have undertaken in the last couple of quarters - Q3 and Q4 of last year, and this was definitely also supported and void by certain extent of roaming advantage in the month of April, May, June normally see and that definitely also helped not just us but the industry as a whole. Going forward it is our hope and belief that sanity would continue to prevail because what I think the entire industry has seen is that customers do like to deal shop from time to time but at the end of those promos lapsing or the expiration of minutes, they do tend to return back to the fold and go with their favorite providers in terms of both network coverage as well as service quality etc., so that is really our outlook as far as consumption is concerned. On the other piece, which has been salient for us this quarter is that, we have been able to contain the price erosion or price drop and that is really what has also helped us kind of maintain your margins and buy those positions there and again going forward hopefully the market would continue to get more disciplined, also supported by the recent 3G results which have tended to really more sharply focus on market and especially in that part of the market which would go at a very fast rate, the competitive intensity would be somewhat lesser and hopefully it could be non-price competition which would drive the market rather than price competition.

Suresh Mahadevan - UBS - Mumbai

Atul, quick followup I think you know the revenue per minute still continues to decline, I am assuming at some stage most people would have converted to per second and it should probably stop declining, right I do not know whether you are seeing any signs on that.

Atul Bindal – President - Mobile Services, Bharti Airtel Limited

Well Suresh, if you were to study the trends over the last three or four quarters ever since the per second and even the per minute price plans came to a new level, you would see that it is really the adoption rate in different parts of our base as well as industry base as a whole as well as the migration which has actually determined what the price erosion or the ARPM fall would be and that is one reason why for example if you were to compare the January, February, March figures with April, May, June, the figure would look quite differently. I think what you also have to keep in mind there is that there is a bit of elasticity, which we continue to see flowing through. It is not really as high or as large or steep as what we saw in the first few months of this year, but that is continuing to flow through, so as long as there is positive revenue elasticity on the whole for certain segments, it is all right, but certainly there is greater price discipline in the market place.

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Suresh, hi, this is Sanjay Kapoor and I will answer your question on TRAI recommendations on DTH. What was happening was that all the non-CAS cable service providers are getting a huge benefit out of the content that was given to them because the minimum wholesale tariffs prescribed from the content providers and broadcasters are really underreported or underpaid by them because they underreport their base and therefore it makes a non level-playing field environment for us and this was the debate that was on with the regulator and the regulator finally ended up increasing the 50% price to a 35% price which means that deeper discount to DTH operators and CAS operators and therefore although I cannot disclose the numbers but it will add to our viability going forward and if you want to read a little more about this you can look at this morning's Economic Times and our CEO has written a column on this particular issue.

Suresh Mahadevan - UBS – Mumbai

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Thanks a lot Sanjay and Atul.

Hina – Moderator

Thank you Mr. Mahadevan, the next question comes from Mr. Sameer Naringrekar from BNP Paribas, Mumbai. Mr. Naringrekar, you may ask your question now.

Sameer Naringrekar – BNP Paribas – Mumbai

Just one question on 3G deployment. We have been hearing about some element of spectrum crunch as far as the backhaul is concerned. Just wanted to check with you how serious an issue is this and if the backhaul deployment is really going to be a hurdle in terms of rolling out 3G network.

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Okay, when you roll out a 3G network and given our preparedness for 3G rollouts, there are three things that need to be strengthened. One is the radio network which requires new capabilities for 3G, the second being strengthening of the passive infrastructure and the third is the backhaul, so undoubtedly any company that is serious about rolling out 3G networks would start working on these three almost simultaneously and you know even before we ended up fixing up a date for when do we launch, I think these backhaul capabilities have to be up in the organization and are being done as I speak with you.

Sameer Naringrekar – BNP Paribas – Mumbai

But do you agree that there is no element of spectrum crunch as far as the microwave backhaul links are concerned or are you really looking at upgrading the 3G sites to a fiber capability?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

I do not think spectrum is a constraint, very many times the capacity on the equipment and these days the microwave equipment allows you to upgrade the capacities manifold compared to earlier days and probably we are forgetting that Bharti Airtel has a very rich base of fiber network and the fiber will be used very extensively for back hauling 3G traffic.

Sameer Naringrekar – BNP Paribas – Mumbai

All right, thank you so much.

Hina – Moderator

Thank you Mr. Naringrekar. The next question comes from Mr. Ashish Shivam from Alchemist Ark Pune. Mr. Shivam you may ask your question now.

Ashish Shivam – Alchemist Ark – Pune

Congrats for the good number posting. My question is what is the average cost per minute for India as well as Africa operations?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Ashish, unfortunately you will have to derive this number; we will not be able to give it to you.

Ashish Shivam – Alchemist Ark – Pune

Congrats for the good number posting. My question is what is the average cost per minute for India as well as Africa operations?

Sanjay Kapoor - Chief Executive Officer - Bharti Airtel Limited

Ashish, unfortunately you will have to derive this number; we will not be able to give it to you.

Ashish Shivam – Alchemist Ark – Pune

As a followup question till last quarter, we have had the information that Bharti Zain would have a user base of 42 million customers, as you said currently Bharti Zain has 36 million customers, so should we take this 6 million as loss due to change in ownership?

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

That is a good assumption but very frankly we are taking a prudent assumption of active customers, as I said Zain had a different definition, we had a different definition and we follow Bharti definition as consistency with India and that brings us to 36.3 million customers.

Hina – Moderator

Thank you Mr. Shivam. The next question comes from Mr. Vikas Mantri from ICICI Securities Mumbai. Mr. Mantri, you may ask your question now.

Vikas Mantri – ICICI Securities – Mumbai

Good afternoon and congratulations for good numbers, just wanted filler on the price war now. This quarter at least you have seen data revenue is not growing so strongly, just a 3% growth compared to a 10% sequential growth in the last two quarters, so has the price war shifted to more of data services per se.

Atul Bindal – President - Mobile Services, Bharti Airtel Limited

Let me just answer this in two parts, first of all as far as data and non voice is concerned, that continues to be a strong focus area for us and it continues to grow, you know maybe the right comparison there is not just to see on a quarter-on-quarter basis because last quarter also had specific days such as Valentine's Day, Holi, and New Year and they kind of all help in shoring up the value added services and the data revenue part, but if you were to compare it with the same time last year, it is really growing in a healthy kick up from that perspective. Quite frankly, at this point in time, I would argue that the price war is no different as far as that particular part is concerned, however going forward, it is also our hope because 3G would limit the competitive intensity to the more serious minded players and who hopefully would like to put their investment, resources and efforts behind building their networks, building service capabilities and differentiating along products and content that they need to deliver to the customer, so hopefully it would be more led by non-price features in terms of competing in the market place rather than price and also avoidance of certain value depleting offers such as for example; unlimited bandwidth and unlimited data options to the market, so that is really on the data side. As far as the voice side is concerned, as we have shared earlier, certainly last couple of quarters have seen little bit more discipline and sanity come in the market place, it is not as if there have not been price incursions. There have been a couple of price incursions but I think all of those has also resulted in much less real purchase of customer franchise and eventually value returning back to where it belongs, so it would be our hope that in the coming two or three quarters, we would see prices stabilize much further and investment and attention return to the right drivers of the business.

Vikas Mantri – ICICI Securities – Mumbai

Another question is on the revenue share per operator on our two businesses, Indus and Infratel, now there is a steep difference of close to 20%, do you expect that to narrow down going forward?

Manik Jhangiani – Group Chief Financial Officer – Bharti Enterprises

Did you say on the sharing revenue of the two?

Vikas Mantri – ICICI Securities – Mumbai

Sharing revenue for our Infratel is 36,000 per operator per month and on Indus it is 30,000 only.

Manik Jhangiani – Group Chief Financial Officer – Bharti Enterprises

Yes, I think it is a combination of the fact that you have got a different set of towers within the two businesses where you have a different mix of ground based and roof based towers and the loading factors etc., are very different on those, so ideally we would like to see the Indus one continue to grow but cannot necessarily indicate that it is going to converge, so I think the most important point is really the fact that the tenancies on both these continue to grow, on Infratel you have seen that move up to 1.65, on Indus you have seen that move up to 1.75 and that is really the important piece for us to continue tracking in market.

Vikas Mantri – ICICI Securities – Mumbai

Okay, thank you.

Hina – Moderator

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

Reena Verma – Merrill Lynch - Mumbai

Hi, thank you for the call. I have a few housekeeping questions and then couple of big-picture questions. Just on the housekeeping questions with your permission if I may go one by one. Adjusting for the kind of captive NLD EBITDA that you have reported for last year Q1, it looks like your wireless margins have slipped quarter-on-quarter for this quarter. Can you please confirm that?

Srikanth Balachander – Chief Financial Officer – Bharti Airtel Limited

On a sequential basis if that is the question Reena, you can ascribe the entire variance in margin on a quarter-to-quarter basis to the provisions that we have made for the spectrum cost hike that we have taken on a conservative basis even though it has been stayed by the appellate authority - the TDSAT. We have taken a conservative position so that really explains the entire sequential movement and in fact if you account for that it is actually an improvement in the margin which we normalize for the entire 100 Crores provision that we have taken.

Reena Verma – Merrill Lynch – Mumbai

Adjusting for spectrum charges, if you are saying that your margins improved, that would mean that you had some strong savings and captive NLD margins because otherwise I am getting a margin fall, can you please clarify what led to the margin improvement this quarter, if you are saying your numbers show an improvement?

Srikanth Balachander – Chief Financial Officer – Bharti Airtel Limited

I am sure you will notice from the revenue number that there has been a strong uplift in the mobile revenues in India and with that kind of uplift; you would expect some scale savings as well.

Reena Verma – Merrill Lynch – Mumbai

Okay, the second question is on your enterprise margins post this reclassification. If we go back to fourth quarter fiscal 2009 when you used to report enterprise services corporates separately, you used to have margins of the order of 49-50% for that segment which was almost 40% of what has currently been reported as Enterprise services, what explains such a sharp collapse in margins for enterprise?

Srikanth Balachander – Chief Financial Officer – Bharti Airtel Limited

As far as the enterprise segment is concerned, Sanjay prefaced it in his speech by saying that we have done the reclassification of the captive national long distance network from the enterprise, earlier in the enterprise segment to the customer-facing segment, which is mobile, and therefore really what is the enterprise business now is the corporate data business & the international long distance business and the national long distance business to the extent that we are providing connectivity to some of the other operators if any now, so really the nature of this business, from the very nature of this business you can imagine the competitive intensity and so you can say that at a 25% margin we have been quite steady in terms of its profitability, for example if you compare Q1 of last year to Q1 of this year, we are at the same margin of 25% on EBITDA. Did you see that number?

Reena Verma – Merrill Lynch – Mumbai

Thank you very much for that, so basically what you are telling me is that ILD and NLD non-captive is a single digit margin business?

Srikanth Balachander – Chief Financial Officer – Bharti Airtel Limited

Well, I do not think we can come to sweeping assumptions like that as far as the NLD and the ILD margins are concerned.

Reena Verma – Merrill Lynch – Mumbai

I need your help here, I am making a judgment, but 49% was your Q4 2009 corporate data margin, unless that has collapsed for you to report a 25% margin post reclassification, you should have a 6% margin on the rest of the piece.

Srikanth Balachander – Chief Financial Officer – Bharti Airtel Limited

Let me respond to that question by just describing the character of the two halves of the business that we had earlier. The long distance and the international long distance and the national long distance segments by nature are capital intensive and therefore you would expect a higher EBITDA margin to support and return to provide a decent ROI on that kind of a capital pace that you would have. Whereas the enterprise - the customer facing enterprise business is a pure service business with of course a good amount of value added thrown into it, but it is not that kind of a capital-intensive business as the long distance businesses are. Therefore to that extent, you would have a differentiated margin. For example if you see in page #13 of this quarterly report where we have given the capital expenditure segment wise for this quarter, Reena you will see that the enterprise services in total has had spent just 69 crores of capital expenditure in this quarter. So I hope that really describes the nature and the character of this business at this point in time, which is purely customer-facing business.

Reena Verma - Merrill Lynch - Mumbai

Sir the customer facing business would have higher margins is what you are confirming, so that it is basically you are confirming my answer, my view though not exactly giving out numbers, is that right?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

You will have to do a bit of deriving work, Reena.

Reena Verma - Merrill Lynch - Mumbai

Sure and last housekeeping question from me is on the Zain Africa revenues. You said you have a different definition for subscribers, but your revenues as reported in Zain's March quarter results and also for this current quarter based on a pro-rata are down for two consecutive quarters. Can you please help us understand you know what is happening pending the brand launch?

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

Reena this is Manoj. I think we have already told you about our customer definition. Revenues comparative you can do from next quarter. This is just a 23 days description of our revenues, as we will give you a full quarter picture in July-August-September quarter; I think you will have to wait for the full quarter report.

Reena Verma - Merrill Lynch - Mumbai

Mr. Kohli I am sorry to persist, but you know, revenues are probably not subject to that much accounting change, so we are just trying to understand whether this slippage is just because you know integration or is there something happening in terms of your losing market share or losing customers?

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

Normal trends of business are continuing. Integration actually will boost the business further in the months and quarters to come, so I do not think there is a slippage there because acquisition has happened. Normal trends have been continuing in the last few quarters and I think this quarter too but our acquisition as we know happened for three weeks only this quarter. Three weeks really does not lead to any trending conclusions. So that is why I am advising you to wait till next quarter, you will get a better trend in conclusion and we will share that with you anyway.

Reena Verma - Merrill Lynch - Mumbai

Thank you, very much for dealing with my housekeeping questions. I have two big picture questions; one is on the Capex clearance issue. Please can we have inputs from Sanjay on if the Capex security clearance bottleneck persists for another let us say six months, what are the kinds of solutions that Bharti can work with in order to accommodate the robust traffic trends that is my first question and my second question is more on the Zain cost structure. Now that you know we can see some of the cost elements based on your disclosures, please can you help us understand why the network cost seem pretty much comparable with those of Bharti pre-tower split. So you know is it the network cost operation really does not have too much more room for cutting? Thank you.

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Reena on your question, I think, it is more of a misconception than a real issue. As I speak with you, the equipment is getting cleared, so government had specified a norm and based on self-declaration, the equipment is allowed to be brought into the country and therefore after about four months of virtual lull, we had a step up during last month and hopefully that should continue till the new norms are finalized by the government. So I am hopeful that will not get delayed and that government will have this via media carry on till such time that they come with an alternate fixation or the alternate mechanism.

Reena Verma - Merrill Lynch - Mumbai

Sanjay do you see self-declaration and automatic clearance only for the European vendors?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

I do not want to get into that, but we are using European vendors by and large and therefore we have not had an issue for the last say about a month-and-a-half.

Reena Verma - Merrill Lynch - Mumbai

Okay thank you that was helpful.

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

Reena this is Manoj again. I like to advice once more that do not go by the cost trends given. I think the entire cost structure of Zain Africa is going through a huge transformation, as you know we are integrating the business model of Africa into India's. Every line item, whether it is network, IT, service, administration, every line item goes through a major change. So to conclude anything from the 23 days result is not right and again I would like you to wait for another quarter and then we will share with you what transformations, what cost innovations we have initiated and hence what impact it will have on the cost structure.

Reena Verma - Merrill Lynch - Mumbai

Thank you very much for being so patient with me. Thank you.

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Hina - Moderator

Thank you, Ms. Verma. The next question comes from Mr. Srinivas Rao from Deutsche Bank, Mumbai. Mr. Rao you may ask your question now.

Srinivas Rao - Deutsche Bank - Mumbai

Thank you, so much. I have two questions. One is on the minutes sites seemed to be carried more by Zain versus Bharti; it seems that Bharti obviously is carrying almost 50% more. I was saying that the comparison between throughput for the first time basis between Zain and Bharti indicates that Bharti is doing a lot better at almost 50% to 60% higher traffic. Given that as we understand and if you confirm that Zain is largely a 900 Mega Hertz, would we see a jump in traffic without any significant increase in CapEx and is that one the reasons for the CapEx guidance at about 800 million, which was a bit of a surprise?

Manoj Kohli - Chief Executive Officer (International) & Joint Managing Director - Bharti Airtel Limited

Once again, Srinivas this is Manoj. The Zain network is not as well utilized as India network and hence we will drive utilization, we will drive more intensity, but luckily our spectrum is much higher than India, may be more than double of India therefore our EPS, which is a erlang per site is much, much higher in Africa in times to come and with the fewer site we will be able to reap out much more traffic.

Srinivas Rao - Deutsche Bank - Mumbai

Thank you, sir this was helpful. Second question is to Sanjay, I mean, Reena has persisted but if you could directionally indicate that your India margins were at a flat quarter-to-quarter on a comparable basis excluding the provisions and Sri Lanka and Bangladesh impact?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

You know if you compare the margins from last quarter to this quarter sequentially, then obviously 36.4% versus 31.9% on a like-to-like basis and this is after taking the provisions for spectrum charges. I mean if these were not there, then probably we would have been a trifle more than what it is. And if you see it on a year-to-year basis of course there is a fall from 40.5% to 35.9%, but if you adjust for this and the full Bangladesh impact and also that pricing has taken a big downturn, I think it is fairly well maintained.

Srinivas Rao - Deutsche Bank - Mumbai

Fair enough sir and just one question on your intention to actually transfer the captive numbers to mobile. The licenses are different, so what was the logic for that doing it now?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Well I think logic was explained pretty clearly that what we are trying to do is we are trying to align customer facing businesses with those components of network that they directly contribute to and you know while this part of the business was lying with enterprise services, mobile was accounting for the complete utilization, so it made no sense for it to lie there. So it truly belongs now to the place where it should belong and similarly the access network lies within the telemedia business and the international network lies within the enterprise services, so all the three customer facing units now take charge of the back-end that they are responsible for.

Srinivas Rao - Deutsche Bank - Mumbai

So just clarifying, the depreciation also will be partitioned in some format; a part of the depreciation for the network will also fall now on the mobile business because obviously a larger part of the network capacity is being used by the captive network?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

Yes networks are also aligned to the customer-facing units.

Srinivas Rao - Deutsche Bank - Mumbai

Fair enough. So the depreciation charges will also be appropriately partitioned?

Sanjay Kapoor - CEO - India & South Asia- Bharti Airtel Limited

It was, even earlier.

Srinivas Rao - Deutsche Bank - Mumbai

Fair enough. Thank you.

Hina - Moderator

Thank you, Mr. Rao. Ladies and gentlemen we are in the last five minutes of the conference call. Due to constraints of time, management will have to speed up the pace of the questions. The next question comes from Mr. Vinay Jaisingh from Morgan Stanley, Mumbai. Mr. Jaisingh, you may ask your question now.

Vinay Jaisingh - Morgan Stanley - Mumbai

Sir very quickly, I think you have addressed most of the questions, but if you can just make it a little simpler, it is based on my other two colleagues asking the same question, even if you give the India and South Asia's last quarter which is January to April quarter absolute EBITDA, which was 31.7 billion this quarter. What was that number? So we can try to figure out, we understand you do not want to give the breakup of India and South Asia, which is fine, we just want to know what has happened to the EBITDA if you were to in the last quarter itself take captive long distance network into your business of mobility, what would happen because you know that would make us feel the results are even better. So that is question one. Question two, in your passive infrastructure, if I take you back a couple of quarters before Indus was formed, your margins were similar to now, which is 33, so it kind of tells us that Bharti Infratel's direct ownership margins are better than Indus' margins or probably there is some accounting issues for prior periods which have come up in this quarter. So just want to understand a little bit on that aspect? That is it from my side sir.

Srikanth Balachander - Chief Financial Officer - Bharti Airtel Limited

Vinay this is Srikanth here. I will take the first question as far as the EBITDA margins are concerned and I would seek your attention to page #31 of this quarter's report where we have given the split of the key financial parameters of India and South Asia separately from Africa. So you would notice that we have certainly given the absolute EBITDA amount there for this quarter as you can see this 4,242 Crores after absorbing the 100 Crores of the spectrum so normalized for the spectrum it would have been 4,342 Crores compared to 4,134 Crores in the previous quarter. So you can clearly see that there has been quite uplift of the absolute EBITDA amount and as far as EBITDA margin if you see the ratio you know if you adjust for the spectrum cost.

Vinay Jaisingh - Morgan Stanley – Mumbai

It is not a guess, but not possible to get the wireless business EBITDA just for India and South Asia?

Srikanth Balachander - Chief Financial Officer - Bharti Airtel Limited

So the wireless business EBITDA on a restated basis for this quarter is 35.9% and the restated number for the previous quarter is 36.4% and if you adjust the spectrum cost increase roughly a percent this time it is 36.9% on an adjusted basis this time versus 36.4% and before it is 0.5% increase compared to previous quarter like-to-like.

Vinay Jaisingh - Morgan Stanley – Mumbai

Sir it is perfect one on the wireless front then, just on the passive part if you could give us some insights?

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

Passive side the main difference is really related to the IRU expense that is, it has been previously accounted for in depreciation because it was below the EBITDA line and now it has gone into network OpEx, so actually that reduces the margins on the basis of how that is accounted for. That is the requirement under IFRS.

Vinay Jaisingh - Morgan Stanley – Mumbai

So is it fair to assume in the future quarters this quarter is a good benchmark incrementally again depending on whether you can do business better, improve margins that is a different story, but this quarter has no aberrations on account of prior periods for passive network?

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

No, you can use this as a good benchmark going forward.

Vinay Jaisingh - Morgan Stanley – Mumbai

Thank you so much.

Hina - Moderator

Thank you, Mr. Jaisingh. The next question comes from Mr. GV Giri from IIFL, Mumbai and that is the last question for the day. Over to you, Mr. Giri.

GV Giri - IIFL - Mumbai

Good afternoon. Firstly your access charges and employee costs have gone up quarter-on-quarter quite sharply. Can you explain that please? Secondly, on your P&L there is a 418 crores translation loss which seems to be related more to forex, but I thought the way the rates moved, it should have been a gain rather than a loss, so trying to understand and the third thing is that within the Africa financials the percentage interest cost and the percentage forex fluctuations are quite large compared to the size of the net debt within that balance sheet so can you explain why there is so please?

Srikanth Balachander - Chief Financial Officer - Bharti Airtel Limited

I will take the question on the access charges and the employee cost, access charges as you know within the country are regulated by the regulator and they are payable at flat rates per minute, Mr. Giri, as you are aware and with the kind of minutes growth that we have had this quarter which is 18 billion minutes on a basis of 172 billion minutes in India as you can see on the India operating parameters given that sort of increase in the minutes, you can well imagine that the access charges payout off-net operators to the other operators off-net would have increased and that has what has reflected in the P&L this quarter. As far as the employee costs are concerned, obviously we are looking at the numbers, which include 23 days of Africa as well as well as three months of Bangladesh versus one month of Bangladesh so obviously they are not strictly like-to-like comparison in this quarter and next quarter onwards again would be a norm because of the full quarter impact of Africa as well and besides that we also have a salary cycle operating from June 1, is when the annual pay revisions are given out of the company, so to that extent, there is a month impact of the annual salary revisions which are there on the employee cost. So I am assuming that answers your question. As far as the ESOPs are concerned, they are part and parcel of the employee line across all the quarters, but it is ease of amortization taken across the quarters into the employee cost. Also, can you repeat the question on foreign exchange translation?

GV Giri - IIFL - Mumbai

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I am talking about the Rs. 4.18 billion below the PAT line, this is translation loss so I thought that will be the predominantly the FX movement rather than the Africa P&L and therefore I thought the way the exchange rates moved US dollar versus rupee that should have been a gain as whereas I am surprised it is a loss?

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

The movement is actually in the reverse. I am not quite sure why you are saying that the currency is actually devalued from 46.40 at the end of this quarter it was 45.14 at the end of last quarter.

GV Giri - IIFL - Mumbai

I thought it was basically between June 8 and the quarter end?

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

Looking at the June 8 on the date that we took on the loan either from that way the currency has actually depreciated.

GV Giri - IIFL - Mumbai

Right. I will check that. Sorry about that. What about the third one, within the Africa P&L that has fairly large FX fluctuations and interest costs as a percentage of the net debt contained therein it is quite big?

Srikanth Balachander - Chief Financial Officer - Bharti Airtel Limited

As far as the Africa derivative and foreign exchange fluctuations are concerned, obviously it is an impact of so many currencies, which are involved there and there when you have and remember that we have also taken on an existing debt in Africa as well, so when you convert the dollar loans into those respective currencies whether it is a Tanzanian or the Kenyan or the Zambian and so on and so forth based on the movement we feel the two dates the opening date of the acquisition and the closing date of the quarter we have had the negative impact there as well.

GV Giri - IIFL - Mumbai

Do you see that coming under control in the coming quarters?

Srikanth Balachander - Chief Financial Officer - Bharti Airtel Limited

If I could say that I would not be sitting here, I would probably be playing the market so it is very much a product of the foreign exchange markets, Mr. Giri.

GV Giri - IIFL - Mumbai

Sure. I get the picture. Thanks a lot.

Hina - Moderator

Thank you, Mr. Giri. Ladies and gentlemen due to constraints of time we are not able 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 to Mr. Manik Jhangiani for the final remarks.

Manik Jhangiani - Group Chief Financial Officer - Bharti Enterprises

Thank you, all very much for joining us. I would just like to close with a reiteration of the point that I think we had a great start to the year and we are confident that we would be able to further strengthen our leadership position in India and South Asia. As Manoj also indicated the decision to move into Africa has been a great one and we are committed to investing in the future growth on that continent and we look forward to sharing more with you the next time we speak again in November. Thank you.

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Bharti Airtel Limited first quarter ended June 30, 2010 Earnings Conference Call

Hina - 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. You all have a very pleasant evening ahead.