

## Earnings Conference Call Transcript

Event: Bharti Airtel Limited Full Year Ended Earnings Call Dated May 5, 2011

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**PRESENTATION**

**Pooja - Moderator**

Good afternoon ladies and gentlemen, I am Pooja, the moderator for this conference. Welcome to the Bharti Airtel Ltd., fourth quarter and full year ended March 31, 2011 earnings call. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for all the participants on this call. Present with us on the call today is the senior leadership team of Bharti Airtel Ltd. 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 risk that we face. I now hand over the call to our first speaker of the day Mr. Akhil Gupta. Thank you and over you Mr. Gupta.

**Akhil Gupta - Deputy Group CEO & Managing Director - Bharti Enterprises Limited**

Good afternoon and welcome to all the participants' on this earning call for the fourth quarter and full year ended March 31, 2011. It is indeed my privilege to have you on this call because the year gone by has been perhaps the most important year in the history of Airtel. You would have heard us say that many times before but I think they were the most important then but what has happened in this year is truly stupendous. As you are all aware, we acquired the running operations in 16 countries in Africa and that was a huge transformational move for our company. This was in addition to of course taking charge of operations in Bangladesh, an operation that we had acquired at the fag end of the previous year but virtually started in this very year. This acquisition in Africa truly makes Bharti Airtel a global company, not just in terms of our expansion but the very fact that this makes us the only Indian brand in the consumer section which has spread across 19 countries, three in the Indian subcontinent, 16 in Africa. We have also of course with this acquisition become the frontrunners among the leaders globally in the telecom sector. We are now fifth largest in the world in terms of the total customer count. Our overall scale has become comparable to any global telco. this will give you an idea we have continued for the full year and in the full year ended of course Africa is only somewhat 9.5 months because we acquired from June 6. We had revenues about 60,000 Crores and EBITDA of about 20,000 Crores but the last quarter of course if you analyze that it will be much higher as we had revenue of 16,200 odd Crores and EBITDA of nearly 5500 Crores. I think the journey in the last 15 years starting from a small operation in Delhi has been truly exhilarating for all of us and many of you who have been with us right since beginning, a big thank you.

The story on the Indian front was clearly dominated by the regulatory changes, some of them very unfortunate as you are all aware some cloud which is there over this industry, an industry, which every Indian should be proud of is indeed very regrettable for all of us who are associated with this industry and unfortunately because of this cloud, we have kind of overlooked some of the real positive transformational things which have happened in the Indian telecom industry last year namely the foray of India into the broadband segment. As you are aware in June last year, we had the auctions for 3G and for broadband wireless access. 3G as you would have noted that the operators who had taken the licenses including us have already launched in many parts of the country and it is just a matter of time perhaps in a couple of quarters that you would find 3G as you travel all across this country. On the new telecom policy, the honorable minister has been trying to give some contours on that. Without going in to any specifics we are pretty certain and very confident that the new telecom policy, which is long overdue now will be a document, which will take care of equity, which will be fair to all and which will provide a level-playing field, keeping in mind the future of this industry in India with greater emphasis on data services and broadband services.

Coming to the India operations, which Sanjay will talk more in detail I think very clearly this was a year which in the latter part of the year this industry in India has stabilized. We see while the competition is intense, I see a more rational behavior. It is a steady industry, which was in big trouble in terms of its financials in the earlier part of the year; so that has been great news. The fourth quarter has seen some very solid growth in usage as well as in revenue. Sri Lanka and Bangladesh have started kicking in; I think we are pretty happy with their performance. 3G we have launched in 9 circles out of 13, the others are on the cards, we remain very bullish and this would go a long way not only for us but also for this country. It was our belief that with all the troubles and uncertainties, the strong players would emerge stronger and I am very pleased to say that Airtel, which was a very strong player, has actually emerged even stronger in this industry.

Africa is something we are very pleased, very proud to have acquired that. As all of you know, it was a big, a bold move on our part but I can say that we all feel it was a beautiful move because this is something, which is extremely strategic to us. The start has been very promising. We are now there for about nine months but in these nine months what has been achieved is tremendous. We have a seamless integration with the teams on the ground there. Manoj and his team have been working relentlessly on this and have turned out a sterling performance in this regard. The teams are very much in place. The revenue growth from the time that we took over has been pretty satisfactory for us. It has been quite impressive and really sets the direction. More important, Africa is a very high cost continent for telecom industry and that reflects in the tariffs and everything and we felt as we went in that there was certain structural changes which we needed to bring, more to ensure that our business delivery system that we have adopted in India we are able to extend it there with a view that the business model that we believe in which is low cost leading to affordable services kicks in and I am very pleased that all those building blocks for this business delivery models whether it is the CapEx contracts on lines of India, the IT outsourcing, call center outsourcing, the brand being now very visible and vibrant in all 16 countries. The latest move which we had shared earlier also we are now well on the way to separating the passive infrastructure in to separate company, I think these are very good indicators of things to come. I have no doubt that in the coming years, we should see the benefits of all this.

Passive infrastructure companies in India have been doing well. I think the benefits to the operators in terms of lower cost and in enabling them to maintain their margins and profitability has been visible. It is a good model, which has developed, which the world now wants to follow and we ourselves feel that in Africa we should be able to bring that in as well.

I think in summary, I have no hesitation in saying that for me and all my colleagues this was a very satisfying year, very satisfying because it was transformational, very satisfying because it was very challenging both in terms of the environment in India and the challenges that we faced in Africa. We are very confident of the future because we are at a stage in our life where we have an optimum mix from my point of view of a very robust and a very solid cash flow and the growth on the other side. I think this is a very fine combination for any company and I am sure we would be able to take advantage of these three spots. The teams are in place in both India and South Asia and now also in Africa. In Manoj and Sanjay we have two great leaders who have really energized their teams, who are very passionate about what they do and pass on that passion, so Africa, South Asia are in great hands with great teams. We believe India is on the threshold of another revolution, which is the broadband wireless revolution mainly to be led by 3G and I am sure that as this ecosystem develops it may take a little time but from a long term perspective this should be very good for the country and for companies like us who will be at the forefront. Africa is on a good trajectory. I am sure in the coming quarters we would start seeing the trickling effect of whatever we have been doing, so with that, I must conclude that this is a year we are all

looking forward to. We are confident but not complacent. We know there is work to be done in every part of our business which we will keep trying. I would now pass on to Manik.

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**Manik Jhangiani – Group Chief Financial Officer - Bharti Enterprises Limited**

Good afternoon to all of you. I think I would just like to give you the overall highlights of our financial performance before I hand over to Sanjay and Manoj who will talk about some of the operational metrics and performances in their respective geographies. So, as Akhil mentioned, we had a great quarter and equally solid full year performance and the financials well reflect all these better. At a global consolidated level, revenue grew by 3.2% quarter-on-quarter to Rs.16,265 Crores or \$3.6 billion, keep in mind we had two less days in the quarter, so obviously growth on an EDP basis is higher which both Sanjay and Manoj will highlight. EBITDA grew by approximately 9.5% on a quarter-on-quarter basis to Rs.5,450 Crores or \$1.2 billion and our profit after tax grew by 7.6% quarter-on-quarter to Rs.1400 Crores or \$314 million. Keep in mind that with the rollout of 3G we have started amortizing the license fee and capitalized interest costs which has an impact of approximately 90 Crores rupees at the PAT level for the quarter. EBITDA margin for the quarter stood at 33.5% with 31.6% last quarter, an expansion of 1.9% quarter-on-quarter and a growth of 6%. From a year-on-year growth perspective, revenue grew by 42.1% obviously reflecting the addition of the Africa business, which we acquired in June of 2010 and the EBITDA grew by 19.1%. Profit after tax fell by 32.6% which was obviously on account of the Africa acquisition; the interest outgo on the debt taken for the Africa acquisition as well as 3G BWA spectrum, forex re-statement, one-time charges such as the rebranding cost incurred last quarter. Overall, a solid year and huge congratulations to both our operating teams in India South Asia as well as Africa on the fantastic job done.

So from a company with essentially an Indian subcontinent presence, we have now moved to a global presence and our revenues have moved from \$9.3 billion in revenues to \$13.3 billion for the full year. On the basis of last quarter annualized basis, revenues of \$14.6 billion and from a company with \$3.7 billion of EBITDA last year we now have just under \$4.5 billion of EBITDA with last quarter annualized EBITDA of about \$4.9 billion. Our global consolidated net debt is at \$13.4 billion and leverage ratio stands at 2.83 in terms of net debt to EBITDA as of March 31, 2011 and our focus on deleveraging continues strongly.

Lastly and most importantly, the operating free cash flow for the full year is approximately \$1.3 billion despite the Africa acquisition, 3G BWA spectrum acquisition as well as the continued competitive intensity in our home market all reflected on the core strength of the Airtel business model and our ongoing superior cash generation capabilities. With that I will hand over to Sanjay who will give you some highlights on the India performance.

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**Sanjay Kapoor – Chief Executive Officer - Bharti Airtel Limited - India & South Asia**

Thank you Manik and a very good afternoon and a very warm welcome to all of you. Quite clearly, the year that has gone by has been the most eventful year for the Indian telecom industry for many reasons. Notably amongst those are the launch of the 3G services, mobile number portability, which is now eternal reality, the competitive intensity has started getting rationalized in the last few months with the decelerated drop in tariffs. The quarter gone by witnessed a strong offtake of minutes usage resulting into a healthy growth in revenues. Before I share the performance of India and South Asia in detail, let us have a quick recap of the Indian telecom market. At the end of the last quarter, telecom base stood at 846 million customers implying a tele density of 71% for the country and 33.8% for rural India, still offering a huge potential for growth. Broadband base has reached 11.9 million as at end of March 2011 corresponding to the broadband penetration of just under 1%. The impending rollout of the wireless broadband using LTE technology coupled with mobile platform leverage in 3G is likely to provide an instant impetus to the broadband penetration. As per the visitor location register data reported by TRAI, the country has 574 million active customers as of March 2011 corresponding to 71% of the total wireless customer base. This clearly indicates the fading significance of customer market share in lieu of prevailing multi-SIM environment. Mobile number portability was launched pan India on January 20, 2011. While we truly believe it is a big win for all the mobile customers as it allows them to choose an operator of their choice, offering better products and services, it has not made any significant impact to the industry so far. A total of 9 million customers have made request up till the end of April for porting their numbers representing 1.1% of the total wireless customer base. Early analysis indicate that among the MNP port -ins, we are getting a disproportionate share of high value customers from operators and are amongst the leader in terms of net customer port-in gains with recent figures being in excess of 0.525 million. The government has announced formation of a new telecom policy by the end of 2011 that would include de-linking of spectrum from licenses to revised M&A policy, excess spectrum charges and shifting to uniform license regime. We are hopeful that the new policy will be fair and will provide the level playing field for all. The new telecom policy will catalyze the impending industry consolidation and will support the firming up of the prices in the near future.

Moving to the highlights of the quarter, India and South Asia operations, where, by the end of the quarter Airtel has a total customer base including DTH of 177 million. We launched our 3G services starting with Bengaluru in Karnataka. We are now present in 43 cities across 9 circles as Akhil informed you. The balance 4 circles out of the 13 that we won are just pending some clearances. We are completely ready for the launches and as soon as we get those clearances, we should be out in the market with those services. Our 3G services can be enjoyed seamlessly in the territories that we are in and we have made special provisions to actually mitigate the risks on big shocks to our customers. We have benefited from the price elasticity that came through with a 1.1 paisa drop in this quarter and we have now carried 211.8 billion minutes on our network during the quarter with 12.7 billion incremental minutes over the previous quarter despite two days less in Q4. This enabled us to sustain our minutes of use per customer per month at 449. The consolidated revenues of Rs 121.2 billion for the quarter ended March 31 represent a growth of 12.7% year-on-year thereby reinforcing our revenue leadership in the market. The consolidated EBITDA for the quarter was Rs. 44.3 billion implying an EBITDA margin of 36.6%. The net income for South Asia for the quarter was Rs 18.2 billion implying a profit margin of 15%. The consolidated Capex for the quarter was 30.7 billion including that of Infratel. The standalone Capex of the company was Rs.25

billion. Non-voice revenues as a percentage of mobile revenues in India have witnessed an increase from 13.8% in Q3 to 15% in Q4. We continue to expand the bouquet of products and services available to the customers, that include the launch of various products and services which have been location based, based on cricket and some other platforms which are connected to internet. In the m-commerce space, we launched Airtel money in Gurgaon and are expanding the service in Delhi and Chennai. This service is India's first mobile wallet service by a telecom operator, enabling our customers to use the power of ubiquitous mobile platform to make payment anytime sitting anywhere.

Moving to the other geographies, South Asia, Sri Lanka and Bangladesh operations continue to move along the growth trajectory. In Sri Lanka, we have over 1.8 million customers with presence in all the 25 districts of the country and a nationwide distribution network comprising over 26,000 retailers. I am happy to state that in Sri Lanka our revenues more than doubled during the previous year. In Bangladesh, we have 3.7 million customers with presence across 64 districts across Bangladesh and a strong distribution network over 64,000 retailers. Telemedia business did well with a concerted focus on the non-voice revenues, which contribute over half of the total revenues of this quarter, which tells you this is the first business that is tipped to become a data centric business. We launched broadband TV this quarter, which will enable our customers to watch live TV across PC and laptops. On the Enterprise Services side, we launched the Europe India gateway, cable systems in collaboration with global telcos, that will enhance diversity and capacity between Europe and India which offers enhanced redundancy and network resilience to our customers in India, Middle East, Asia-Pacific region. Airtel Digital TV Services crossed 5-million customer mark this quarter reaching this milestone in just 21 months of the national operations, which is fastest by any operator. We serve a customer base of 5.66 million at the end of March representing 17% of the total industry customer base. Despite stiff competition and aggressive pricing, we continue to add every fourth customer on our network. During the quarter gone by, we also were conferred several awards and recognitions. To mention a few, we won the 5 awards of the 14 categories of the Telecom Operators Award 2011. We were recognized as the most admired telecom operator, best national mobile operator, best VAS provider, etc., etc. We have also been ranked amongst the top five firms in corporate reputation in India in a survey conducted by Nielsen. We have also been rated as one of the top five best employers in the AO & Hewitt Best Employer Survey. To summarize, I would say it has been a healthy quarter and a great year. We are very excited about the new data opportunities that have unleashed with the launch of 3G services. We are very well poised to capitalize on the growth especially with BWA going forward both in terms of voice and data. With this I hand over to Manoj for taking us through discussions on Africa. Thank you.

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

Thank you Sanjay. Africa is as exciting as India is and let me first welcome all the participants from India and from other countries to this call. Before I get into specifics of performance of Africa let me start with overall Africa journey and key milestones achieved by Bharti Airtel. In the last nine months, the market has done well. We have played strongly in the market. We have initiated innovative tariff. We have tested elasticity in many markets and had good results. We have gained revenue market share in all the markets; of course in some markets more and in some markets less. The KYC way in Africa has definitely slowed the market a bit because KYC is far more stringent than what we see in India and therefore all the operators are struggling to really get on top of this regulatory expectation. The network capacities and coverage are still a challenge because our network partners are going through certain supply constraints, which I am sure they will overcome very soon. The great news about Africa is that the brand Airtel is very well accepted and since we launched in late November we are gaining ground every month and one example I would like to share with you is about Kenya which is one of our small markets - 95% of the customers have chosen to change their operator in the MNP process are preferring to come to Airtel which itself proves that Airtel brand within a matter of few months has won the hearts of customers and I am sure that this wave and this positive revolution will be seen in many, many years to come. The distribution FMCG model, easy recharge what all we did in last decade in India have all been initiated, has positive steps in market growth and all of them are being systematically tracked, systematically lead in each market, of course in some market we are distribution leader already but I think our depth of our distribution should be better, should be superior to all other companies not only telecom companies but also FMCG companies. The competition is showing signs of concern and they feel that Airtel strength of the brand, of the network, will definitely impact them and I am sure Airtel will take strides in the market in the quarters to come. Specifically let me mention markets like Nigeria, DRC, Zambia, Gabon, Tanzania, in every market, we are taking strides and gaining market share every month. The other issue, which Akhil raised, was about high cost structure of Africa. Every operator is suffering from that. We are very clear we have implanted our unique business model in Africa with some customization for Africa. All long-term contracts of network, IT, BPO, shared services, value added services all have been completed and signed. 800 employees have already transited to our strategic partners in this quarter and many more will transit in the next couple of quarters. Network partners are settling down with new managed capacity and managed services contracts. IBM is really picking up very well with transformation - replicating the transformation it did in the last seven, eight years in India. Our BPO partners are gaining efficiency every month within a short period of last three months with a same number of staff, they have gained on efficiency in the call centers. The great news is that the per minute cost has started to decline and I think that is a very, very important start of a trend and as it continues over four to six quarters, I am sure Africa will see more affordability following this per minute cost reduction. Bharti Airtel organization in Africa is also settling well. All organization changes have been completed and more than 90% of staffing in key functions, key countries have also been completed. Overall, we are very, very happy with the positive trend of integration in Africa.

Now, let me move to performance of the company during this quarter. The company had an active customer base of 44 million at the end of March quarter. We reported revenues of \$924 million, EBITDA of \$243 million resulting in a margin of 26.4% and EBIT of \$55 million. The ARPU has been stable at \$7.2, MOU actually has come down by 5 minutes due to a regulatory intervention in DRC where the regulator had increased the tariff to 13 cents and that lead to reduction in the MOUs of the customers, fortunately for us revenues were stable, ARPU was stable and therefore the overall minutes dropped but if you look at the MOU situation without the DRC we have seen a growth of 3.5% in MOU this quarter. The current churn levels have grown a bit because of KYC registration which are being imposed in many countries, but let me assure you in a matter of couple of quarters, we should see normal churn, this churn coming down to normal levels. The non-voice revenues are very low, figure of 7.8% and this where our focus on

opportunity of 3G based data applications, m-commerce and many, many other value added services, music, etc., have been initiated already.

The company has close to 12,000 sites on the ground. With additional investments in the form of CapEx and OpEx, we expect enhanced coverage in the coming quarters as well as improved quality, the good news being that the support we are getting from strategic partners is enhancing the confidence of the company on implementation of our network, and that is where our guidance for CapEx is 1 to 1.2 billion in the coming year and we feel confident that as the market grows up, we could invest more because it is very important that we be on the front foot in growing coverage in Africa. In order to achieve greater success in 2012, our focus will be on superior and relentless execution. This will happen through business model restructuring which we have initiated in the last six months and continued focus on revenue market share gain and based on that, our 2011-12 AOP has been approved. In terms of new businesses, 3G will be in 10 countries in Africa, 7 out of 10 we are enhancing our network because the past 3G network was suboptimal and we are making it seamless in the key cities, key highways and key CBT areas. Three new countries, Kenya, Sierra Leone and Congo B, Congo B being the first francophone country to have 3G, these will be launched within the next two to three months. M-commerce is an independent business which we have launched in Africa and as you know Kenya is the leader across the world in m-commerce functionalities and success and we believe in the next 12 months, 8 countries launch will be taken up by us and balance 8 countries we will take up in phase two. Central bank's approvals have already been taken up in these 8 countries and I am sure you will hear more about our success in the coming quarters. Our tower company formation has been completed in 16 countries and as Akhil said, we will have a holding company which will be an Africa tower company and will definitely welcome partnerships as we have seen in India. The political and regulatory relationships in Africa which we started very well in June 2010 have been extremely positive and actually been growing better month after month because we continue to garner a shared agenda of driving deep telecom services across each geography. The CSR initiatives of sponsoring schools for underprivileged children in Africa has also gained lot of support from government authorities, whichever country I visit, I see governments being extremely positive towards Bharti Airtel because of this CSR initiative. Overall, our business model strategy has been executed well and we are headed towards the right direction. All this has started to reflect in our results. The revenue is picking up and EBITDA margins are showing steady signs of improvement. The higher scale benefits, manpower productivity benefits should also start manifesting every quarter over the next four to six quarters. In all, we believe that the year 2011 should be a year of market share gain and a very major gain in efficiencies and productivity as well as transformations across this large continent of Africa. With this I would like to thank all of you for support so far and hand over the call to the moderator. Thank you.

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**Pooja – Moderator**

Thank you very much Sir. We will now begin the question and answer interactive session for all the participants who are connected to 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 press "\*" and "1" on their touchtone enabled telephone keypad. On pressing "\*" and "1" participants will get a chance to present their questions on first-in-line basis. To ask a question participants may please press "\*" and "1" now. First question comes from Mr. Sachin Salgaonkar from Goldman Sachs, Mumbai. You may ask your question Mr. Sachin.

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**Sachin Salgaonkar – Goldman Sachs India**

Hi, thank you for the call, I have two questions, my first question is for Manoj. Manoj after the tariff readjustment it appears that the revenue per minute in Africa has inched up slightly and as you mentioned adjusted for DRC, the MOU per subscriber has also increased, so you are seeing a slight increase in revenue per minute as well as increase in MOU per subs, so can you throw some light on what actually is leading to this and any revision on the CapEx outlook. My second question is I wanted to have some colour on EBITDA margin in India Enterprise Business and India cellular business, what lead to quarter-on-quarter margin improvement in enterprise business this quarter and on the cellular side your EBITDA margin in last five quarters have inched down on a consistent and steady basis; what is leading to this trend? Thank you.

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

Okay, first let me start on your Africa question. Let me clarify to all friends on the call that our tariff correction process has been completed. If you recall Zain had unsustainable premiums of 20 to 40% in many markets, which we have corrected. It took us about six months because we did not want to correct it immediately in one go, so all that has been corrected and our revenues and tariffs are stable. The revenue per minute may have gone up this quarter because of DRC intervention as I stated, however minutes are growing. Even in DRC, the minutes fell in one go and then they started growing again. We are very clear that affordability is a commitment of Bharti but it is not a commitment to be done in one quarter or two quarters. It is a long-term commitment. We will continue the affordability ethos as we did in India, but only after the cost per minute fall or declines and we pass on the benefits to the customer. As I said that process has been started, the business model changes have taken place, restructuring is continuing and over the next four to six quarters as we see cost per minute going down, we will definitely keep on reviewing the tariff structure. You have seen the minutes going up and that is what I was saying, is the first test of elasticity in Africa that despite small drops we have done in the last few months we have seen positive impact from the customers in many markets and you will see we will definitely utilize the pricing power of Africa because we believe that in the long run, pricing power is important for our success. As Akhil said cost structure in Africa has been higher than what many companies expected, so therefore keeping an eye on pricing power is critical for our long-term success, so it has to be a very, very well tuned strategy over the next four to six quarters where we keep track of our lower cost per minute and accordingly modify tariff in a very systematic basis. On the CapEx outlook as I said, we are more confident of the execution capabilities of our strategic partners and because of that confidence, because of the roll out

initiative already taken, we feel 1 to 1.2 billion worth of CapEx can be invested. This includes all the passive infrastructure including towers in the coming year. As the year passes, if we feel that the traffic is growing faster, we are getting more success in the markets we may spend more today. This is the estimate which we are comfortable with at this point.

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**Sanjay Kapoor - Chief Executive Officer - Bharti Airtel Limited - India & South Asia**

Hi Sachin, this is Sanjay Kapoor. On the mobile EBITDA margins if you look at a Q4 last year comparison versus Q4 this year comparison, we have declined EBITDA by about 3.1% and when you really compare the scenario, there are three or four unusual things that happened, one is spectrum charges got levied which were higher, then there was the Bangladesh impact which was not there the previous year and obviously the pricing impact due to hyper competition which has been there, which has now begun to slow down and the drainage on price has been relatively much lesser over the last two quarters, so I think once you normalize for these activities, by and large, we are in the ballparks of where we were destined to be, so I would say that as the market consolidates, I think the pricing powers much return back and some of these drainages will begin to stop. So that is where I see, I would not be overtly concerned as long as you take this in to cognizance.

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**Sachin Salgaonkar – Goldman Sachs India**

Thanks Sanjay a followup question out here, would it be fair to assume that there could be some pressure left on the margin because of the initial 3G related OpEx as in you launched in nine circles and you intend to launch in 13 circles in coming quarter, so could there be some extra 3G related OpEx pressure?

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**Sanjay Kapoor - Chief Executive Officer - Bharti Airtel Limited - India & South Asia**

You know first and foremost I would strongly urge that you stop making a distinction between a 3G and a 4G and a 2G because we look at it as one network and there are different layers of the network that get utilized for different applications and purposes and most of the costs that are attributed to 3G are very incremental in nature. It occupies the same passive infrastructure, same set of people, same set of distributors, so it is very incremental, I would not worry, because today 3G for example is carrying the same voice that was on 2G a quarter back, so there is a bit of displacement that happens as well, so I would say look at it in totality. I think going forward the expenses on 3G will be incremental in nature and will not be of the sort where we are going and putting up new towers and new infrastructure to make it happen.

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**B Srikanth –Chief Financial Officer – Bharti Airtel Limited**

The second part of the question pertained to Bharti Enterprise Solutions. I would just like to take you back in to Q1 of this year when we discussed that the business was clocking 24.5% and in Q2 it clocked 24.7%. Q3 saw a dip at 21.5% due to seasonal reasons on the mix of the product and certain issues on collections etc., but in Q4 we are back to the same level, we are at 25.7% and as we discussed sometime back, this is a business which is running with an EBITDA margin of about 24 to 25 % with an operating margin that is the EBIT margin of about 14% and I think the trend is pretty consistent if you look at it that way.

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**Pooja – Moderator**

Thank you very much Mr. Salgaonkar. Next question comes from Mr. Tien Doe from GIC Singapore. You may ask your question Mr. Doe.

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**Tien Doe – GIC Singapore**

Thank you very much for the opportunity to ask some questions. The first question is just on your assets and EBITDA, there is a \$15 million growth rate Q on Q if you exclude the effects of the rebranding exercise last quarter, I am just wondering whether that is the sort of run rate plus \$15 million or so we should expect going forward in subsequent quarters. The second question is you have a profited minority figure, again I am just wondering which countries are contributing to the losses there and what is the timeframe to close those losses in those countries, thank you.

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

The EBITDA growth has started to happen and I am sure it is sustainable because all the business model changes as I described to you; this is the first time Bharti is doing about five to seven big concurrent restructuring together. In India we have done these changes over a period of six to seven years whereas in Africa we are trying to do all the changes within 12 to 18 months, so these changes will have an impact on cost structure and as the scale goes up, the cost structure will decline and economies of scale will be picked up by the business, so we believe that positive margin trajectory should continue. I cannot give you a guidance on how much, but definitely we are confident of this. On the minority interest, I will just request Manik to please share his thoughts.

**Manik Jhangiani – Group Chief Financial Officer - Bharti Enterprises Limited**

Just on that, we have probably about six countries that are in loss-making position at this point, obviously we are not disclosing details country by country. If we look at the next 12 month outlook, next four quarters essentially most of these are turning in to net income positive territory, so that is pretty much what I could say at this point in time.

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**Pooja – Moderator**

Thank you very much. Next question comes from Ms. Malvika Gupta from JP Morgan, Mumbai. Ms. Gupta you may ask your question now?

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**Malvika Gupta – JP Morgan – Mumbai**

Hi there, thanks for taking my questions. I was just thinking about the elasticity in Africa and just working through quick numbers, it does seem to me that elasticity has dipped from about 1 to maybe 0.7 and I just wanted to check if that was right and why that was. My second question was if you could provide us a little bit of guidance on CapEx for the non-Africa business for FY 2012 that would be very helpful, thank you very much.

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

I do not think perfect economics exist in Africa or any other market in the world and by the way, we are in 16 different markets, every market behaves differently, consumer behavior is varying, it depends on part of the year, part of the situation, political situation, social, economic and so many factors, so we cannot look at elasticity in a very scientific way. I can just say that elasticity trials have been done in few countries and we have seen positive results. However we are not ready to go for affordability, major affordability drive across Africa till our cost per minute falls and declines in a sustainable fashion. As I said over the next four to six quarters, we will see the cost structures declining steadily including my margins and then we will definitely come to a systematic affordability induction in to African markets. At the same time, let me clarify that we are not looking for affordability like Indian markets because the pricing power is important for any market and we would like to retain the pricing power in Africa, and finally we have not really initiated a major decline in tariffs, therefore elasticity is limited to that extent wherever we have done trials, wherever we have tested the waters, so wherever we have tested those markets we have seen one or more than one positive impact on the MOU and that definitely encourages us to do these experiments with more confidence in future.

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**Sanjay Kapoor - Chief Executive Officer - Bharti Airtel Limited - India & South Asia**

Malvika, on your question on the CapEx for non-Africa, we think that over the course of the year we should be in the vicinity of about \$1.5 billion worth of CapEx without towers in India and South Asia. Towers would be another \$400 million, so I think collectively about in the vicinity of \$1.9 to 2 billion.

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**Manik Jhangiani – Group Chief Financial Officer - Bharti Enterprises Limited**

Just to be clear on the towers that is Infratel as well as the proportionate share for Indus.

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**Pooja – Moderator**

Thank you Ms. Gupta. Next question comes from Mr. Rahul Singh from Standard Chartered Securities, Mumbai. You may ask your question Mr. Singh.

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**Rahul Singh – Standard Chartered Securities – Mumbai**

Hi, I had two questions. Network OpEx in India why did it go up so sharply on a sequential quarter-on-quarter basis in India especially if you see three quarters before that it was virtually flat and the cell site addition run rate is not any different from what we have seen in the previous two or three quarters. Number two in terms of the tariff interventions in Africa is it only a function of OpEx or is it a function of capacity, I ask this because there was a significant increase in CapEx in Africa during this quarter and is that \$1 to 1.2 billion CapEx in FY 2012 is it going to be lumpy, is it going to be front-ended or is it going to be evenly spread out over FY 2012, thanks.

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**B Srikanth –Chief Financial Officer – Bharti Airtel Limited**

If you look at network cost in India and South Asia you will also remember that the business is also undergoing some change in colors and its contours. Network is just not entirely about mobile in India. It is also about a growing DTH business in India. It is also about expanding network in Bangladesh and certainly a network which is likely coming up in Sri Lanka. Also if you look at it in terms of the 3G network, Sanjay did explain that the costs are coming on an incremental basis and that is the way we would certainly like it to be, but if you look at the number of sites which are reported for the mobile network sites in India, essentially they are let us say at this point of time just a 2G site because all the 3G sites that are coming up are getting co-located with the 2G site, so you cannot entirely correlate the cost which get reported with the number of sites because while the number of sites reflect the 2G site, the 3G sites which are sitting within the 2G site do incur some amount of incremental OpEx as well. And the last point I wanted to make Rahul is you are aware that in the first quarter of this year there was a crunched up situation because of the security clearances that were coming up from the DOT, so from Q2 onwards these equipment started flowing in and in a phased manner the networks were getting established, if you see the Q3 cost, it went up, hardly the 1% compared to Q2 despite the fact that the sites reported in Q3 were good number of sites. It is because some of the timing issue on sites got rolled out, in Q3 not everything got rolled out in the early part of Q3, some would have got rolled out in the later part of Q3 and the full impact of the cost flow into Q4, so all these are the factors which are really contributing to the network that we have reported in Q4.

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

Coming to the second issue Rahul, on tariff, the OpEx issue is a long-term matter, because you would like the OpEx per unit to come down steadily and then pass on the benefit to customers. The capacity issue is a short-term phenomenon as I said some of the strategic partners are facing supply constraint and that supply constraint is not only impacting Bharti Airtel, it must be impacting many other operators in the world. That is a short-term phenomenon and may be over in the next couple of months. Coming to your question on CapEx, last year our CapEx was 791 million, let me clarify that this CapEx is on box basis, not on DPE basis, now we are doing reconciliation and I think by June we should complete the reconciliation and we will report the CapEx finally on DPE basis, so there could be some adjustment in this 791, I do not know how much, but there will be some adjustment. The next year CapEx of 1 to 1.2 billion, we are confident it will be evenly spread because we generally try to contain it but we cannot do it because the supply situation is still not normal, therefore I believe it will be evenly spread till fourth quarter.

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**Pooja – Moderator**

Thank you Mr. Singh. Next question comes from Mr. Rajiv Sharma from HSBC, Mumbai. You may ask your question Mr. Sharma.

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**Rajiv Sharma – HSBC – Mumbai**

Thanks for the opportunity, just couple of questions. First question is for Sanjay. The voice RPM and if you just exclude the VAS there, the voice RPM has come down by 2 paisa this quarter and this has been the worse performance if you see the last three, four quarters. Is it retention related MNP impact which we are seeing here in the wireless business and second question on the depreciation side, quarter-on-quarter this time, the depreciation numbers have increased sharply and it is not the amortization number but the depreciation which is increasing, so is it related to 3G equipment or is there some one time number which is coming in and increasing the depreciation. Some color would be helpful. Thanks.

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**Atul Bindal - President – Mobile Services – India & South Asia**

Let me take your first question. If you were to compute the ARPM versus MOU at an overall level ARPM has actually dropped only by 1 paisa and in fact the most gratifying part of the last quarter for us has been that we have actually kept the MOU per sub flat. As a matter of fact if you were to actually equate it for the two days less that we had this quarter, the MOU per sub have gone up by as much as 10 minutes per customer and therefore the revenue flow through has actually come out very nicely because it has been possible for us to realize elasticity in certain segments of the market as well as in certain legs of consumption. If you were to aggregate this weight between let us say voice and non voice, the voice part would have fallen probably by about 1.36 paisa as against the overall 1 paisa and even at 1.36 paisa, the ARPU have actually been contained to only Rs. 4 drop which is one of our actually best performance. We are very proud and delighted with the fact that we have been able to once again realize the elasticity in the market place and do it in a manner which is not really going after customers in a very indiscriminatory kind of fashion, so our SOGA has held the same that we had our gross add, but we have taken up our share of net ad (SONA) by as much as 2% points, so it is really a combination of both those things which is actually coming together in the form of voice revenue flow through.

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**Rajiv Sharma – HSBC – Mumbai**

Thanks for the clarification there, but just to understand that this quarter, we had the MNP impact for just two months but the April to June quarter will be entire full quarter MNP impact, so is there something more left which we are yet to see in terms of post paid MNP impact because in prepaid, we are not seeing much of tariff discounting or any significant tariff disruption.

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**Atul Bindal - President – Mobile Services – India & South Asia**

Rajiv we need to appreciate the fact that MNP is currently impacting as Sanjay shared earlier a miniscule proportion of entire base for the industry number one, number two is that it is mostly happening at the lower end, number three that is also one reason why we are not once again participating in an across the board manner in the MNP and saying that you know this is no matter what it needs to happen, that is the reason why if you want to look at our share of port-ins we have as much as 28% share of the port-in and share of port out is actually much lesser and in fact we are at very close number two, so MNP is not having a material impact nor has there been any flagship downward revision, all you are seeing is basically the investments that we had made in customer life cycle management and usage and retention where we are focusing on specific legs of consumption or specially such segments of the market and realizing elasticity there.

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**B Srikanth –Chief Financial Officer – Bharti Airtel Limited**

On the question of depreciation, if you look at the CapEx in India and South Asia you will see the number of roughly 3000 Crores clocking every quarter, but the CapEx that we are talking off is gross CapEx and not all of that gets capitalized in the same quarter, if the capitalization happens when all elements of the capitalization need to come together and then when units gets formed and then that is when it is really put to commercial use and that is when it is capitalized, as you are aware Q3 has been a kind of good season for the digital TV business, so that is number one and number two as I said in the previous question there has been a lot of bunching up of capitalization which has happened in the fag end of Q3 and therefore you are seeing the full impact of the operating cost as well as depreciation flowing in to Q4, so it is quite consistent with the assets that gets commissioned and put to use and may not exactly correlate with the total spend which includes items that line capital work-in-progress represents.

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**Pooja – Moderator**

Thank you very much Mr. Sharma. Next question comes from Mr. Sachin Gupta from Nomura, Singapore. Mr. Gupta you may ask your question now.

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**Sachin Gupta – Nomura – Singapore**

Yes, thanks very much, just couple of things, just on the Africa business Manoj you talked about cost reductions etc. This interests the labor cost, you have reduced the labour cost by I think of 700 or 800 people but this labor cost has actually gone up, I am not sure what is driving that and also in Africa in terms of margin recovery given that you talked about that most of the tariff adjustments have been made, so where do you see the recovery from, is it more from revenue line or more from the cost cuts going forward that is one thing and secondly for Manik just a couple of clarifications on the balance sheet, there is a pretty chunky trade payables, an amount of 240 billion, just wondering what does that relate to, also your gross asset value for the African business looks to be 13 billion, wondering why so high given you pay 10.7 billion for the assets and the CapEx is only 800?

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

So let me start from the first question on labour cost, we have started the process of outsourcing and as you said 800 employees have left us. In the next two quarters, we expect many more employees to leave us and join our strategic partners, well to clarify, these employees are middle to junior employees, they are not senior employees, senior employees stay in the company because they do the supervisory and planning duties. We also have taken all the actual provisions in this quarter of all the actual payments we may have to make in the long term, so all that has added to the costs because we are not up to date on all actuarial provisions, which maybe in the past quarters under Zain we were not. Now after taking it we are up to date and I think we are well covered for future, but as we go in to next few quarters you will see much more employee efficiency coming up, employee productivity growing, the cost per employee may actually go up because if you reduce people on the bottom and the middle, then the cost per employee actually goes up and that we are not worried about it because the number of employees will come down dramatically and I think who stay will be senior level of employees who have to supervise not only the company's operations but also the strategic partner's operations.

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**Nilanjan Roy – Chief Financial Officer – Bharti Airtel Limited – India & South Asia**

As regards the trade payable, which is coming down by I think 345 Crores which is at an consolidated level big reason is in India we had a reclass of one of our provisions which we netted off against our assets that was an impact of about 400 odd Crores and 500 Crores was the impact of routine creditors as we paid them off.

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**Sachin Gupta – Nomura – Singapore**

The last question was on the gross asset values for the African business? I think it is on page 13, the investment in projects at Africa at 12.9 or 13 billion, I was wondering why 13 billion because I thought you paid 10.7 for the business and CapEx will be 800, I am asking if I am missing something here?

**Manik Jhangiani – Group Chief Financial Officer - Bharti Enterprises Limited**

We will get back to you on that. I think we just need to come back with some calculations on that.

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**Pooja – Moderator**

Thank you Mr. Gupta. Ladies and gentlemen, we are in the last five minutes of the conference call. Next question comes from Mr. Rama Maruvata from Daiwa Securities, Singapore. You may ask your question please.

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**Rama Maruvata – Daiwa Securities – Singapore**

Hi, good afternoon, just one question from me please. On the African business if you could explain the quarter-on-quarter movement on access and interconnection charges, why such a significant increase and specifically which markets are driving this?

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

Okay, let me clarify this. I do not know if you have details of all the interconnect charges but as a strategy let me clarify to you that traditionally Zain and other African companies have driven on-net business, on-net traffic and have discouraged off-net traffic which is very alien to Bharti Airtel and that is why we are encouraging both on-net and off-net traffic, now the implication of that is that when you drive off-net also, your net revenue from off-net actually comes down, but in the long run it is good because the natural behavior of the customer actually is to call anyone he or she wants to call, whether he or she is on Airtel network or any other network, so we are seeing interconnect costs going up to some extent, but it would not bother us because we are giving a natural experience to the customer and I am sure in the next one or two quarters, it will stabilize at a level where customer wants it to stabilize.

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**Rama Maruvata – Daiwa Securities – Singapore**

If I can just followup on that your quarter-on-quarter, your incremental revenue is about US \$13 million but your access charges have gone up by 20 million, just wondering then at what point do you expect any reflection in terms of the on-net and off net traffic dynamics stay at?

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**Manoj Kohli - CEO (International) and Joint Managing Director - Bharti Airtel Limited**

There is nothing to worry here. We are seeing a customer behavior, which is very natural; we believe it will take us maybe couple of quarters to reach to a stable long-term sustainable situation where access charges will kind of be stabilized like in India. The changes we have observed in India in the last decade in 0.1% or 0.2% here and there and we will reach to that stage in Africa in couple of quarters.

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**Pooja – Moderator**

Thank you Mr. Maruvata. The last question comes from Mr. Vikas Mantri from ICICI Securities, Mumbai. You may ask your question Mr. Mantri.

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**Vikas Mantri – ICICI Securities – Mumbai**

In terms of the 3G rollout how many of your sites have been loaded or co-located with 3G and what is the target plan of how many sites would we ideally like to go in the next 12 to 18 months?

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**Sanjay Kapoor - Chief Executive Officer - Bharti Airtel Limited - India & South Asia**

Well as far as the strategy on the sites is concerned very categorically we have enough physical infrastructure available to accommodate 3G sites on existing infrastructure and not build any fresh infrastructure for 3G at all, however how many sites we will build going forward is a very sensitive information and I do not think we will be able to share that at this stage.

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**Vikas Mantri – ICICI Securities – Mumbai**

Broadly the percentage of the network that we would like to be 3G enabled, that would help.

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**Sanjay Kapoor - Chief Executive Officer - Bharti Airtel Limited - India & South Asia**

You know it is the same thing, it is very easy to calculate, so we will avoid that, whatever it takes to build a 3G network, which is comprehensive.

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**Vikas Mantri – ICICI Securities – Mumbai**

Any development on the roaming agreements on 3G?

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**Sanjay Kapoor - Chief Chief Executive Officer - Bharti Airtel Limited - India & South Asia**

Yes like we said we are in talks with the leading operators and I think very soon something should frutify in to roaming sort of tie up with some of the operators, so we will come back to you, but I think very soon we should be in a state to go ahead on those arrangements.

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**Pooja – Moderator**

Thank you Mr. Mantri. Ladies and gentlemen, due to constraints of time we are not able to entertain any further questions. This brings us to the end of question and answer session. I would now hand over the call proceedings to Mr. Manik Jhangiani for the final remarks. Over to you Sir.

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**Manik Jhangiani – Group Chief Financial Officer - Bharti Enterprises Limited**

Thank you all very much for joining us for fourth quarter and full year results announcement. As I think we indicated we have seen the year close up very well and we are very excited about the opportunities and prospects, both on the India, South Asia side particularly with the data opportunity as well as the continued ability to drive deeper penetration, continue to test the elasticity, continue to drive our business model and be able to see strong results emanating out of Africa as well. We look forward talking to you again. Thanks a lot. bye.

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**Pooja – Moderator**

Ladies and gentlemen, this concludes the earnings call. You may now disconnect your lines. Thank you for connecting to audio conference service from Airtel and have a very pleasant evening. Thank you.