

## Earnings Conference Call Transcript

Event: Bharti Airtel Limited Fourth Quarter and Full Year Ended March 31, 2012 Earnings Call

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**Bharti Airtel Limited Fourth Quarter and Full Year ended March 31, 2012****CORPORATE PARTICIPANTS****Akhil Gupta**

Deputy Group CEO & Managing Director - Bharti Enterprises Limited

**Sarvjit Dhillon**

Group Chief Financial Officer- Bharti Enterprises Limited

**Sanjay Kapoor**

Chief Executive Officer - Bharti Airtel Limited - India & South Asia

**Manoj Kohli**

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

**K. Srinivas**

President – Consumer Business – Bharti Airtel Limited

**Drew Kelton**

President – Airtel Business – Bharti Airtel Limited

**Srikanth Balachander**

Chief Financial Officer – Bharti Airtel Limited

**Harjeet Kohli**

Group Treasurer - Bharti Enterprises Limited

**CONFERENCE CALL PARTICIPANTS****Sachin Salgaonkar**

Goldman Sachs - London

**Suresh Mahadevan**

UBS - Mumbai

**Vinay Jai Singh**

Morgan Stanley - Mumbai

**Sachin Gupta**

Nomura - Singapore

**Rajeev Sharma**

HSBC Securities – Mumbai

**Shobhit Khare**

Motilal Oswal Securities - Mumbai

**Rahul Singh**

Standard Chartered - Mumbai

**Reena Varma**

Merrill Lynch - Mumbai

**G. V. Giri**

IIFL –Mumbai

**Sanjay Chawla**

JM Financial –Singapore

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**PRESENTATION****Sanya - Moderator**

Good afternoon ladies and gentlemen, I am Sanya, the moderator for this conference. Welcome to the Bharti Airtel Limited fourth quarter and full year ended March 31, 2012 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 Limited. Before I hand over the call I must remind you

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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 the speaker of the day Mr. Akhil Gupta. Thank you and over you Mr. Gupta.

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

Thank you. A very warm welcome to all our investors on this earning call for the last quarter and the full year results of financial year 2011-12. I believe the quarterly report is with you and you would have gone through that so what I would like to do is take full advantage of the opportunity of being with you, give a very brief view on what happened during the year and the quarter and thereafter leave ample time for all your questions.

As far as the quarter was concerned I think we had a very satisfying quarter, you are aware that in India in the previous quarter we had suffered a loss of growth in Traffic, part of that was because we were trying to get some correction done to the tariffs. In the process perhaps we overshot in some of the places, got a little uncompetitive. Sanjay and his team did a marvelous job in getting all those corrections done and the results were instantaneous from roughly about 1.2 or 1.3 billion minutes in the previous quarter, in the last quarter the minutes grew by 11.2 billion minutes in one quarter and I think that clearly indicates that we are now competitive, it clearly indicates that the growth is back and that is something which was very heartening as far as India was concerned.

Africa continues to be on a steady nice growth trajectory both in terms of revenues and EBITDAs and we are gaining market share there, we have had increase in revenues despite the fact that in this quarter there were some disturbances in some parts of Nigeria but I would say on an overall basis a pretty good quarter for Africa as well.

Let me take a few minutes to talk about the full year results because sometime quarter-to-quarter can be a little muddled but I think if you look at the full year results we had consolidated revenues of about Rs 71,450 Crores which is a 20% growth over last year and the total revenue for the year is now close to about \$15 billion. The EBITDA is at about less under 24,000 Crores which means just below \$5 billion mark showed also an 18% year-to-year growth. We incurred CapEx of about \$2.8 billion which does show that we are continuing to invest in our networks and we would have liked to do a little more but I think 2.8 was a good achievement for the year. The total investment for the whole company stands at about 178,000 Crores of which roughly 110,000 Crores is in India and the balance in Africa. We clocked about 3 billion minutes per day across our networks. We have a customer base on March 31 of 251 million and that as you aware makes us the fifth largest telecom across the globe in terms of number of customers. You know, we had taken some leverage when we acquired Africa in June 2010. I am really pleased to report the leverage as we have promised we have been bringing down very steadily at a good pace. We were at 2.95 times the net debt to EBITDA at the beginning of the year, in this quarter we have been able to bring it down to 2.56 which is just a little over 2.5 which from our view point. In terms of leverage we are at a very comfortable nice level. Some of you might recall that during the year we launched 3G in a big way in India in all the circles that we have and we also have the inter-circle roaming arrangements in the other circles. We have also launched 3G in Africa in about eight or nine countries during this year, so 3G is something which we are focusing on. We also have launched 4G- TD-LTE is the first network in India last month and Airtel Money which is a precursor to the big thrust on mobile commerce has been launched in Africa and also now followed by launch in India. We do expect these to grow at a pretty rapid pace in times to come.

So overall a good year I think the growth has been nice and steady in all respects but as you could appreciate since the entire 3G and 4G license fees, especially 3G the interest amortization have hit the P&L this year and accordingly the net profit came down from 6,062 Crores last year to 4,260 Crores. We also of course in Africa launched Rwanda. Let me take this opportunity to congratulate Manoj and his team, it was launched in a record 83 days from the time the license was given to us, that is a great job done, that is the 20 country under our belt now.

Just a quick one on India and South Asia, you know that the last year was a very, very disturbed year. There had been regulatory disturbances. There were huge amount of competitive intensity and I am glad that despite all those challenges the revenue growth was still in double digits, so that is a pretty good achievement by Sanjay and his team in very challenging circumstances. The customers in India and South Asia just under 200 million and we do about 2.5 billion minutes per day, so India as you can see is a big huge machinery which is chugging along nicely. Africa has been a pretty good growth. We have revenues which have grown from 2.88 billion to 4.14 billion during this year and that if you adjust all the 70 days which we did not have in the previous year because we started operations from June 10, 2010 means roughly about 20% growth adjusted for that one quarter. EBITDA crossed a billion dollars, up from 629 million previous year and that again adjusted means about 50% growth. In Africa we have done a lot of structural correction, we have introduced our CapEx model, the managed services model, the IT outsourcing model and the results as you can see are now clearly showing. We have a customer base of 53 million in Africa as of March 31, and we are roughly adding about 2 million a quarter.

Overall I think the year gone by has been an extremely important year in our history. We believe we have now got all the building blocks in place whether in India or in Africa. We have made massive investments for future particularly in the data space on 3G, TD-LTE and M-commerce. India and Africa we believe are both on the threshold of data revolution and I believe that we are making and have made all necessary investments in all fronts for this revolution, however as you are all aware while this was a good part of the year, on the flip side this was the most disturbed year in terms of regulatory developments, unprecedented uncertainties on that front. We hope that while our performance, efforts and investments in 2011 would obviously ensure that we are entering this new year as fundamentally a very, very strong company and are poised to grow and exploit the full potential particularly on data both in India and Africa, however obviously the ability to make large investments in network which will be required particularly in India to take the broadband to the masses in India, for all industry players would inevitably depend on the outcome of the recent discussions and recommendations. We are hopeful that Government will take the right decisions which are pro customer, who are pro industry and which will enable the industry which shares a common dream between the industry and government to take telecommunications, not just broadband, but also voice even deeper in the country and enable inclusive growth.

We remain excited about the coming year but obviously there are some dark clouds on the horizon, we are watchful about them and hopefully in the coming days will have some more clarity on some of those issues. May I open the floor for question and answers now.

**Bharti Airtel Limited Fourth Quarter and Full Year ended March 31, 2012****Sanya - 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 Salgaonkar from Goldman Sachs, London. Mr. Salgaonkar you may ask your question now.

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**Sachin Salgaonkar – Goldman Sachs - London**

Hi, thank you for the call, my first question is on India. Akhil, as you had indicated because of the corrective actions obviously there was a change in revenue per minute pattern with RPM declining after increasing for three quarters, now wondering how should we see at RPM going forward directionally and of course a part of the competition has responded to this in its own way, so do you see an increase in competitive intensity because of this. Second question is on Africa, now the ARPU in this quarter declined, so was it because it is macro or competition which lead to this, several of your competitors have seen increased competition in some of the markets, I want to know your thoughts on the same. And lastly a very quick house keeping question your fixed asset intangible has declined quarter-on-quarter what is driving this? Thank you.

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

Sachin this is Sanjay Kapoor and let me take your first question. First and foremost the competitive intensity in this country has not come down so whether you take the cancellation verdict on 122 licenses or otherwise it is an intensely competitive market place where bulk of the operators continue to work at price points which do not even cover their marginal cost and that is a reality. On the other side the very fact that we had increased the prices over the last three quarters gave us the propensity and an option to go and combat in the market and win back our minutes and I think we did that. Competition for most of our strongholds were already very aggressive and prices were at the bottom most level at most of the places, so I would say that under the current circumstances to expect any further gain on prices may not be in order but I do not think the market has lot more propensity to lose as well, so I think I would say ballpark what you see today plus, minus here or there should be the reality till truly a final consolidation as it happens. Manoj would take of the year African ARPU please.

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

On Africa broadly the tariffs have been quite stable. There is some impact of course of FX on tariff and in few competitive markets maybe there is a slight deduction like Ghana, where Glo has launched as a new competitor, obviously there will be some impact on the tariff but otherwise tariffs have been quite stable and we expect in the next year tariffs to be quite stable because no competitor is trying to initiate any kind of major tariff change, no price war etc., including us and I am sure the stability of tariffs will lead to good growth in the coming year.

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

On your last one there was something on the fixed assets which you asked. Can you repeat that question please?

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**Sachin Salgaonkar – Goldman Sachs - London**

If I look at the intangible assets on a quarter-on-quarter basis was just showing a decline so I was wondering what is driving this.

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

That must be just the foreign exchange translation coming from Africa

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**Sachin Salgaonkar – Goldman Sachs - London**

Okay, thanks a lot.

**Bharti Airtel Limited Fourth Quarter and Full Year ended March 31, 2012****Sanya - Moderator**

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

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**Suresh Mahadevan – UBS - Mumbai**

Good afternoon and thanks for the opportunity to ask this question and congrats on a good set of numbers volume growth finally coming back. I have two questions, one is the follow up on pricing in the medium-term, it seems to me that only there are three strong players left like obviously yourself, Vodafone and Idea but do you see a situation where I think in the medium-terms tariffs could actually inch up because clearly costs are going up whether it is diesel which will have to be increased at some point or the regulatory costs so that is question number one basically medium-term outlook on tariffs how do you see it. The second thing is related to regulation, it seems that the noise on refarming has increased as everyday goes by what plans does Bharti have to tackle refarming if it becomes a reality and is there any way to give investors some idea in terms of what the impact would be in terms of financial terms or otherwise? Thanks.

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

Let me try and answer these questions for you. On the pricing in medium term as far as the economics in the marketplace are concerned obviously they warrant that the prices should go up because you are right the input costs are going up and expenses are rising for cross industries and therefore telecom is not insulated from any such exposures but the fact of the matter is that as long as there are so many players in the market and the uncertainty sits around the canceled licenses it is not so easy to take up tariffs, I suggest that till some real consolidation happens on a sustainable basis to inch up the prices in accordance with the input cost may not be possible so I think you will keep seeing a little bit of fluctuation but by and large at the levels that we are in I mean when you look at it favorably over the last year from a year Q4 exit last year to Q4 exit this year actually the rates have gone up by 1.3%, I mean this is a phenomena which for the previous two years was truly on a big decline so I think those sort of declines are not there but to anticipate any price hike in the near future also seems a little utopian at the moment. As far as regulation is concerned Suresh I do not think we have heard the final one on refarming. It is an industry issue. The industry is taking this matter up. Industry has minced no words to the government to say it does not make any sense and it is not in line with practices globally and that there is a huge amount of exposure that needs to be considered both from customer experience perspective and from a viability perspective. We are hopeful that this is not a Bharti Airtel fight but an industry fight which we are voicing our opinion on and talking to the right people lets see once the final framework comes then I think we will be in a better position to comment on what implications it has.

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**Suresh Mahadevan – UBS - Mumbai**

Okay, thanks and good luck on the regulatory going forward.

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

Yes, we need that.

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**Suresh Mahadevan – UBS - Mumbai**

Thank you.

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**Sanya – Moderator**

Thank you very much sir. The next question comes from Mr. Vinay Jai Singh from Morgan Stanley, Mumbai. Mr. Jai Singh you may ask your question now.

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**Vinay Jai Singh – Morgan Stanley - Mumbai**

Thank you so much again congratulations on the traffic growth. Question is on the other side what happens to the data revenue growth 3% growth out here any data points on 3G would be much appreciated in my model I would have assumed a much faster sequential growth in data revenues, so bit of a disappointment only in that part of the business. Second question the Airtel business or the enterprise business, I hear this is the second consecutive quarter where we have seen some pain both on the revenue front and the EBITDA front if you could throw some light out there that will be great if I could ask a third one just the CapEx for fiscal year 2013. Thank you.

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**K. Srinivas – President – Consumer Business – Bharti Airtel Limited**

Vinay hi, this is Srini here. The number that you see on non-voice is actually a combination of several non-voice components starting from SMS to Core VAS to data 2G, 3G and all that stuff, so what you are seeing is a composite one. We had one impact because if you recall about three to four months ago TRAI had restricted the number of SMSs which could be sent by a customer to 200 and that obviously had some impact on the SMS revenues but overall I think between 2G data and 3G data we are absolutely happy with the kind of growth that we are seeing, the penetration is actually going up steadily month on month and we are seeing actually double digit growth happening in that the data space. So data space is actually moving in the right direction with more and smart phones coming into the system and more and more penetration happening into the deeper rural markets.

**Drew Kelton – President B2B – Bharti Airtel**

Thanks for the question. On the revenues for the moment, we had a significantly strong quarter in Q3 which some one offs in the quarter, so that was really the normalization effect, which if you look at the normalizations over the year the quarters actually have grown sequentially year on year by 7% the first time in something like 12 quarters for the B2B business on revenue line, on annualized basis.

There have been some challenges on the margin and let me cover that very quickly. We have made a decision to change the mix of the products and services as we have moved more into services portfolio and now has seen a small change in the margin. The second piece is we saw such significant challenges around our SLA performance in this last quarter because we had some penalties around the challenges we had in the Malad fire. The third piece we saw some traffic reduction in the quarter particularly in our international voice, in our corporate and our carrier customers again as a result of the Malad fire. In the last piece which is the challenging one around timing predominantly around our prudent treatment of how we collect against all receivables and this typically is very cyclical quarter-on-quarter and unfortunately in this last quarter was not strongest we had seen. If I analyze that over the last four quarters usually the last quarter of the business has a very strong collections and was not strongest this quarter. As predicted further we have now recovered all the collections that was required from Q4 into Q1, we see sequentially the quarter EBITDA margins stabilizing in the lower twenties going forward.

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

On the CapEx Vinay we did 2.8 billion last year, the indications as we discussed today we should be somewhere between 3 to 3.2 billion in this current year, that is between India and South Asia as well as Africa.

**Vinay Jai Singh – Morgan Stanley Mumbai**

Thank you so much sir.

**Sanya – Moderator**

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

**Sachin Gupta – Nomura - Singapore**

Thanks, can I just check on Vinay's previous question, this CapEx of 3.2 how much was Africa, I missed that, I apologize for that.

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

About a billion for Africa I mean give or take a 100 million here or there but roughly about billion there to 2, 2.2 in India and South Asia.

**Sachin Gupta – Nomura - Singapore**

Is that 1.5 billion Africa this year, just wondering if billion is to that in that regard on there?

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

Next year we do expect that it would be about a billion and maybe 1.1 around that, it will be lower than this year.

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**Sachin Gupta – Nomura - Singapore**

Okay, can I just check one more thing on Africa, it is on page 11 of the MD&A your cumulative investment as of last year was \$13 billion, you have spent 1.5 billion in CapEx but the investment now is only 13.4, so was wondering if the difference just FX related or has there been a write down as well?

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

It would be purely FX translation related .

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**Sachin Gupta – Nomura - Singapore**

This last question I guess is you talked lot of disturbances the last year but obviously given where that regulatory landscape currently is and Sanjay mentioned that pricing environment is still pretty choppy would you say that 2013 could be worse than 2012?

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

Sachin, I do not think it will be worse off because 2011-12 had some after math of 2011-12 as well because you carry forward some of the stuff into the year but I think on an exit this year is much better of than the last year. So I think overall I would not say it will be worse of then what it was, it will be in the same ballparks.

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

I think, leave the regulatory part aside, there is something completely different other than that there is absolutely no reason for us to believe that the current year will not much better than the last year.

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**Sachin Gupta – Nomura - Singapore**

Thank you very much for that.

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**Sanya – Moderator**

Thank you, Mr. Gupta. The next question comes from Mr. Rajeev Sharma from HSBC securities, Mumbai. Mr. Sharma you may ask your question now.

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**Rajeev Sharma - HSBC Securities – Mumbai**

Thanks for the opportunity. Just a couple of questions first one is on the Africa CapEx I just wanted to understand that so far we invested about \$2 billion in Africa and we just have put up about 4000-4500 Cell sites so in terms of network I just wanted to understand is this all only network sites or if that is the case it is one of the per unit basis significantly higher what we see in India and otherwise if you can help me understand where this CapEx has gone in to, it has gone in to fiber, backhaul or how it has been spent. Second, is my observation correct, just wanted to check that given that 900 circles have been attractive as far as India goes your investments in 900 in terms of capacity towers is actually quite sufficient to handle re-farming if it is happen means it may not be a significant jump in CapEx? That is the two questions I have for now.

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

Let me Rajeev start with the first one on Africa CapEx. The upfront CapEx has been higher because the network and IT platforms which we acquired from Zain needed either a complete replacement or a major upgradation whether it is hardware, software platforms so that actually was a major upfront cost. The per unit cost between India and Africa on active there is a minor difference because Africa service cost is slightly higher, on passive definitely Africa cost is higher because steel and other infrastructural materials are not manufactured in Africa. They are brought from other countries including India into our countries in Africa and then with the countries they have no ports hence there is major transportation and warehousing cost. Also the IT had definitely setup cost because we had a major IT upgradation along with IBM and of course some costs are minor costs of real estates of offices etc. So for 4000 sites, which we launched till now after we took over per unit may be looking more because of this heavy upfront cost but

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otherwise our cost per unit definitely is far lower than competition. That I can assure you so in the coming year if we spend a billion or a billion 0.1 I think that is worth much more if you look at the similar cost per unit cost of other operators in Africa.

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**Rajeev Sharma - HSBC Securities – Mumbai**

Ideally Manoj, what would be good network in your countries where you have presence in Africa. For example if you know when it comes to India we generally say at 65000 kinds of towers is good for Pan-India coverage, what would that number be in your markets just from a medium-to-long term perspective not near term?

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

Very good point because clearly there are two advantages Africa has. One is the spectrum advantage where we have 900 spectrums in ample quantity so that helps the EPS (erlang per site) is definitely much higher than India where the 900 spectrum is lower. I cannot give you a broad statement for Africa but country-by-country the coverage does not need to many sites like India needs therefore going ahead, we feel the capacity per site will go up but coverage sites may not go up as much as India needs

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

And Rajeev next question on refarming seems to be a very hypothetical question at the time being. We do not know how much spectrum we are talking about we do not know what will be the shapes of tower in which refarming will happen, not happen so it is very difficult to give you a judgment on whether the existing capital investment is enough or not, whether the existing sites are enough or not I think we will answer this question when we come closer to the policy.

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**Rajeev Sharma - HSBC Securities – Mumbai**

Okay lastly ,one question for Manoj on the VAS side you have seen 28% revenue growth QOQ so what is picking up in VAS and how do you see this maybe it is low base effect, so how long you think this can play out going forward?

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

We are very optimistic about non-voice revenues in Africa because of the youthful population. The medium age as you know is 18, youth love VAS, music, data and of course Airtel Money. So we believe that this will go up as habits build up in many countries as our VAS percentage is quite low single digit which has huge potential for growth so as the new VAS platforms are being launched let us say music, I think now we have music platforms across all countries and that is picking up very well. 3G is being launched systematically. We have launched 3G in five more markets this quarter now totally seven countries. Airtel Money we have launched in three more markets this quarter taking to eight countries and all 3G markets and all Airtel Money markets will be launched by next few months clearly the non-voice element will continue to grow at a healthy clip in this year.

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**Rajeev Sharma - HSBC Securities – Mumbai**

The last question for Sanjay, Sanjay do you have any plan for providing voice on LTE or do you think there is ecosystem which supports voice on LTE which supports voice given that you have taken the first advantage and launched LTE in couple of your markets?

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

Just to clarify Rajeev, there are no voice standards on TD-LTE as yet. Once the voice standards come then we will begin to talk about voice; however, voice over IP is a reality with any broadband and the customers can continue to use that, but till the standards are defined we cannot provide voice on TD-LTE.

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**Rajeev Sharma - HSBC Securities – Mumbai**

Thank you very much and all the best for coming quarters.

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**Sanya - Moderator**

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Thank you, Mr. Sharma. The next question comes from Mr. Shobhit Khare from Motilal Oswal Securities, Mumbai. Mr. Khare you may ask your questions now.

**Shobhit Khare - Motilal Oswal Securities - Mumbai**

Good afternoon Sir. Thank you very much for the opportunity. Three questions, one is how has been the initial response in the 4G launch and which segments is Airtel targeting and what is your expectations in terms of let us say subscriber penetration, ARPU, etc. Second is on the passive infrastructure there is a slight decline QOQ in the revenue so wanted to check does it relate to any new entrants or do we expect some more pressure going forward there. Third is on Africa where we have seen operating costs are almost flat on QOQ. So how sustainable is this cost control and is there anyone of costs saving there?

**K. Srinivas – President – Consumer Business– Bharti Airtel Limited**

Shobhit, this is Srini here. On your question on response to 4G, I think I just want to sort of clarify that when it comes to internet experience at the end of the day, you start with 2G, there is 3G, there is 4G, there is DSL and of course to the serious enterprises there is also ILP. We actually look at what is the entire spectrum of internet offerings from Airtel and 4G has obviously been the newest technology that we have started to bring to the customers. Fundamentally, this is the first time that we brought in LTE eco system on the TD LTE and the ecosystem as you know are revolving one of the early players in the world to at least launch TD LTE that speeds having very good, the customer experience have been pretty good. I think we are quite happy with the product that we actually put out in the marketplace, early days to sort of give you any other indications other than the fact that the early experience seems to be pretty good.

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

On passive infrastructure the revenue is marginally lower in this quarter and that is mainly because we have written off the revenue and the revenue utilization for S-Tel where you might recollect that S-Tel and Etisalat have walked out of India and we had some tendencies tenancies for S-Tel and Etisalat so those have been written off and that is why there is a marginal dip in the revenue for the quarter.

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

Your third question was about OPEX in Africa as we went through Africa we were shocked by the cost structure. Cost structure was far-far higher than India and far higher than we expected therefore we started controlling it and started eliminating wastages, changing the business model, etc., so the last six quarters I will say the cost structure has not been stable. It has been more lumpy, it is sometimes gone out sometimes came down but sometimes upfront cost have been debited, sometimes some recoveries have been made of some old dues, etc., etc., but let me assure you going into the future we see more stability. Definitely our incremental EBITDA will be more than our present EBITDA which means it could be more than 30%, maybe 40% in a stable fashion and we believe this lumpiness, which we have seen in incremental of EBITDA will also stabilize over the next three or four quarters.

**Shobhit Khare - Motilal Oswal Securities - Mumbai**

Thank you sir. All the best.

**Sanya - Moderator**

Thank you, Mr. Khare. The next question comes from Mr. Rahul Singh from Standard Chartered, Mumbai. Mr. Singh you may ask your questions now.

**Rahul Singh – Standard Chartered - Mumbai**

Hi, this is Rahul here. I had two questions on CapEx. In India the implied CapEx in India is about \$2 billion for next year whereas you spent only \$1.3 billion this year. So I just wanted to understand where this increase is coming from because the minutes the absolute addition in minutes might remain the same, which we had this year and next year, so where is it going? It is going into capacity CapEx or backhaul. Second question just wanted to get a confirmation on the B2B business I think someone mentioned that the margins will go back to low 20s from 1Q, can I get a reconfirmation of that?

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

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Your first question on CapEx, well this \$2 billion will primarily go in to the network and now you know the network is multi-tiered 2G is still growing and data on 2G is growing, so there is investment requirements on 2G plus topography of the country is undergoing a change and now customers are living in colonies and streets probably that they will not in as much quantity living in earlier and there was a little bit expansion of the reach as well. On the other side, there is 3G which we want to make seamless in the towns that we operate with 2G for a superior customer experience and also as you are aware we got licenses for four circles for 4G which we are rolling out as well. So I think it is a combination of all these along with towers which is included in the figure that we quoted and finally and very importantly the creation of backhaul, as we are transforming from voice to data creating a very solid IT infrastructure and backbone is absolutely paramount. One small thing that I want to point out that we say 2 to 2.2 we also talk about other two countries in South Asia which includes Bangladesh and Sri Lanka.

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**Drew Kelton – President B2B – Bharti Airtel**

It is Drew Kelton here again, we tried to reiterate we finished this year on year-on-year basis of 18.7% on an annualized view on the EBITDA margins over the next year we expect to see that stabilizing to low 20s.

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**Rahul Singh – Standard Chartered - Mumbai**

Okay thank you everyone.

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**Sanya - Moderator**

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

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**Reena Varma – Merrill Lynch - Mumbai**

Yes thank you very much. Just a few questions from me; firstly based on whatever you are seeing in terms of data and the numbers. Are you happy with where your market share is post the price interventions that you have undertaken? Do you still think people change based on the headline numbers that has been reported by Idea so far and I think that might have given you some sense on market share in addition to you own MIS. That is my first question. My second question is with regards to the SG&A for the India operations please can you confirm is there any onetime item in the SG&A in terms of write backs because you have had substantial jump in your subscriber churn, you have also launched Airtel Money and yet your SG&A expenses are down quarter-on-quarter so if you can please help us understand that. Final question is if you can please share with us what is the hard US dollar debt exposure that you have which is due for payment in the next twelve months and how is it hedged? That's it from me. Thank you.

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

Reena, to answer your first question I think prima facie yes we are happy with our market share because in such a competitive environment there are very few examples in the world where the incumbent just got away a little bit of RMS sharing of and yet retaining much higher margins compared to the other operators in the market place. However, we have lost a little bit of ground and our eyes are on it to make sure that we get back there and we will keep trying; however, I do not want to pose any definitive timelines to say we are going to do it in a quarter, two quarter, three quarter, but I think we have our eyes to get back to where we were at a peak. I would ask Srikanth to answer.

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**Reena Varma – Merrill Lynch - Mumbai**

May I just follow up over there please the fact that 4Q tends to be a seasonally good quarter for telcos so have you bifurcated your growth into how much of it is seasonal and how much of it is marketshare in circles where you cut tariff?

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

Yes of course we look at both in fact, you talk about bifurcation we actually segmented in lot smaller segments and then get down to circles and zones to see how we are performing on a zone basis and sub zone basis so it is a very intricate exercise that happens so yes we know that we are getting a due share out of the aggression that we have created and also wherever we balanced our rates, where we were charging too higher premium and some of our leadership circles, I think we got benefits over there. It is a fairly balanced portfolio.

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

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As per the question on the selling SG&A expenses are concerned, I am sure that you will agree that you cannot look at this exactly from a quarter-on-quarter basis, having said that if you will recall that in Q3 we had said that there were some special campaigns and sponsorships that we were running that the F1 and the BCCI etc., we had also had one of cost in Bangladesh in that quarter so having said that if you will look at the overall trend as a percentage of gross revenue it is at about 14.5% in India and South Asia and it was 14.6 one year back it is 14.2 in the first quarter so it is in that kind of the ballpark.

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**Reena Varma – Merrill Lynch - Mumbai**

So, there is no write back during the quarter?

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

Every quarter you have a few write backs write offs and write backs so as far as the significant movement between Q3 and Q4 that is the thing that you are looking for Reena, I explained you that they were the significant one offs that hit us in Q3.

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**Reena Varma – Merrill Lynch - Mumbai**

Just a small follow upon. This is on the Airtel Money launch expenses has it all been booked or it is a policy of amortization?

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

They are fully booked.

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**Reena Varma – Merrill Lynch - Mumbai**

Thanks a lot.

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**Harjeeth Kohli – Group Treasurer - Bharti Airtel Limited**

On the US dollar exposure, the US dollar debt from India is very minimal of the overall debt that we have in India. In fact globally speaking whatever we are scheduled to retire in the next 12 months is minimalistic given we have rear ended that amortization that we had taken, and whatever is getting due from the respected geographies we have discussed that in the past in the next 12 months a judicious percentage of that is kept hedged as ballpoint of time.

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**Reena Varma – Merrill Lynch - Mumbai**

Sir my question on the debt was on the consolidated level what is the US dollar debt exposure and how much of it is hedged?

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**Harjeeth Kohli - Group Treasurer - Bharti Airtel Limited**

In the rolling 12 months there is minimum debt which is getting retired or getting scheduled to repay back for the next twelve months overall USD debt is about \$9 billion as we have talked to you about on the acquisition finance.

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**Sanya- Moderator**

Thank you Ms. Varma. The next question comes from Mr. G. V. Giri from IIFL Mumbai. Mr. Giri you may ask your question now.

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**G. V. Giri – IIFL – Mumbai**

Once more can you explain what is the reason for the sharp jump in India CapEx from 1.3, because many of the reasons you gave seems to be a regular reasons and point to point year to year jump does not quite seem to be explained, so just would like your thoughts on that once again please?

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

I can only accentuate what I said earlier that the intensity of investment is going up because the coverage that we want to create on 3G is going absolutely in line with our seamless coverage on 2G which is really a carpet type of coverage for a superior customer experience and also like I said we did not invest as much in the 2G given the changes in topography and there is a little bit of change on that we see opportunity over there and finally 4G is absolutely a new item which you hardly saw during last year. So these are incremental and as data traffic is rising both on 2G and 3G we feel that it is prudent to be investing in building a robust IP and backbone capability to manage the growth of traffic in the coming quarters and years. So I think we are just moving and you know streamlining that investment ahead of times because we think that is required to move to becoming a data dominant player in the market.

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

If I may add I think around 200 million or 250 million could also be on account of passive infrastructure outlay being higher this year because we are seeing resurgence of demand for Towers so there will be more CapEx incurred on the passive infrastructure side as well.

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

One last thing I mean Bangladesh we this year would cover about 65% of the population but going into the next year we will be closer to 90%.

**G. V. Giri – ILFI –Mumbai**

Okay understood. About Bangladesh and Sri Lanka in Indian Rupee terms whatever we could derive by multiplying the India ARPU average subscriber etc., and the left over being considered as the rest of South Asia revenues that seems this contracted a little bit so presumably you would probably had some EBITDA loss expansion in case you are at a loss level. Can you just give some color on the status of that business and the trajectory of turnaround that seems visible at this point?

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

In fact you know we do not report those revenues separately for Sri Lanka but whatever your conjecturing is I can only say that Sri Lanka has grown healthily enough during the last quarter but for some local currency adjustments during the quarter.

**G. V. Giri – ILFL –Mumbai**

So what sort of timeframe can we expect turnaround or break even at EBITDA level?

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

The day we are closer to that we will probably come and announce it to you. So you will hear about all these countries Bangladesh, Sri Lanka as they breakeven we will come and make that announcement to you.

**G. V. Giri – ILFL –Mumbai**

Sure. Also one question on your license fee outgoes is it correct to understand that this quarter you would have paid for December ending quarter and for the March ending quarter together and is it okay license fee or there are various other outgoes like service tax etc., which would have resulted in some of your current liabilities coming down?

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

That is right. In Q4 you have to pay both for Q3 and Q4 so that is payments. That would not make a difference. That is what will bring the liabilities down.

**G. V. Giri – ILFS –Mumbai**

Sure thanks. Thank you very much.

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Thank you, Mr. Giri. The last question comes from Mr. Sanjay Chawla from JM Financial Singapore. Mr. Chawla you may ask your question now.

**Sanjay Chawla – JM Financial –Singapore**

Hi, thank you for the call. My first question is you have seen a 3.3 billion increase in India plus South Asia mobile revenues despite that we have not seen any major increase in the EBITDA margin just about 15 basis point quarter-on-quarter and also because you know Q3 we had a one off item in Bangladesh so one would had expected a higher increase in EBITDA margins. Can you give explain what caused only 15bps increase in the margin and secondly I believe you have a \$2 billion repayment on the acquisition debt related to Zain coming up due in June this year. If that is correct and how much do you intend to repay the time around and how much do you intend to refinance?

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

There is approximately that amount. That is already been taken care of so we would be repaying whatever is due.

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

On the EBITDA margins there are three essential things if you look at our site roll out during this quarter compared to the previous three quarters it is a substantial change and that contributes towards little bit of expenses. The other is majorly the access cost because of the minutes going up it goes up and therefore drains the EBITDA and the final thing is that when you acquire so many more customers compared to the previous quarter then incrementally you end up spending money and one thing I don't know whether you noticed that if you look at our aggression even on the mobile number portability it has been fairly significant. We have added one million net numbers ported into Airtel which is the highest that any operator has ever done in a quarter. So I think on all these fronts there is an extra expense, but we believe that all these are necessary to change the game on bringing in growth on activity towards data.

**Sanjay Chawla – JM Financial –Singapore**

Sanjay, just a quick follow-up on this; on the subscriber acquisition cost obviously your churn rate has gone up this quarter or even to higher gross ads but have you also seen or put pressure on the one time dealer commission at the time of acquisition?

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

Yes I mean it will be wrong on our part to say that additional customers come without acquisition parity or competitiveness in the market. We are very conservative on many of these things but you have to be realistic when you participate in the market. As far as there is a bit of pressure over there but truly speaking we are conservative. On the churn front I just want to say one thing that first and foremost there is no standard definition that the industry follows on churn. So you know how you read a "X" company's churn versus the "Y" company's churn is very difficult to compare because there is no standard definition. Secondly what you see with us the churn going up because we were operating at churn levels which are far below the industry average and therefore the moment you are competitive you see a little bit of blip that happens at that time. We are very confident that this will come under control and we will back to where we were earlier.

**Sanjay Chawla – JM Financial –Singapore**

Thanks for that. If I could just squeeze in one last question are you expecting any reduction in the license fee this year has we move to a uniform license fee of 8% in FY'13?

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

8% will result in some reduction as when that is notified. It is not notified yet. We will come back to you post its implementation.

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**Sanjay Chawla – JM Financial –Singapore**

All right. Thank you very much.

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**Sanya – Moderator**

Thank you, Mr. Chawla. At this moment I would like to hand over the call proceedings back to Mr. Akhil Gupta for the final remarks.

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

Well thank you very much for being on the call. I think a good year that we had. My feeling particularly in India we are seeing the early signs of data becoming big. I think we are well prepared for this. We have made some very large investments over \$4 billion in the license fees. We are prepared to make whatever investment is required we believe in this story we will do that.

Africa is kicking off well. We are seeing steady progress not only on the revenue side. We are constantly gaining market shares our brand is kicking in as you know we now have the Airtel all over Africa. Our margins are becoming better. Our incremental margins are significantly higher than what the overall margin is which means that we can expect a better margin going forward so Africa I think in every respect is kicking in well. The big question is on India. I think if the regulatory environment is stable is sensible and is pro customer and pro industry this could be a phenomenal year for Indian Telecom. I think the investments which are lined up unless we are forced to filtrate away in nonproductive uses I think all Industry players would be prepared to put in large investments, network and coverage taking voice and data deep into the country. So I do hope that this turns out to be an exciting year something which India telecom fully deserves. Thank you very much for being on the call.

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**Sanya –Moderator**

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