

## Earnings Conference Call Transcript

Event: Bharti Airtel Limited Fourth Quarter and Full Year Ended March 31, 2013 Earnings Call

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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 31st, 2013 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 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. Sarvjit Singh Dhillon. Thank you, and over to you Mr. Dhillon.

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### **Sarvjit Singh Dhillon - Group Chief Financial Officer- Bharti Enterprises Limited**

Thank you and good afternoon everyone and thanks for joining us today. I have with me today the management team of Airtel, both from international operations as well as from India, both of whom you know. First of all talking about the business let me talk with you about the significant events of the quarter and look beyond the last year.

As far as in India the industry is concerned, we saw in February little or no response to the spectrum auctions and as you know the same issue from last November as well. Really that has given rise to a couple of things as far as the Indian environment concerned. Firstly, that we have seen some elements of rationality in operator economics and what I mean by that is we saw some elements of operators exiting the market and others actually being only in selective circles in India. Now we still have hyper competitions despite that passive consolidation taking place and then that is still leaving somewhere around at least 10 operators per province of India, which is at least double of what we see in the rest of the world. Having said that it does give us an element of clarity as far as the market is concerned with an element of reduced competitive environment, but still in a hyper situation.

With the huge investments the operators made in networks in India, returns definitely needs to be crystallized going forward. The other point, I wanted to make was really on the regulations, over the last year and still, continue to be very dynamic period for the industry. We have been seeing and we still are seeing many regulatory headwinds with such as spectrum auction, license extensions, one-time fees, 2G issues, 3G ICR issues all sitting in some form of judicial process in the country. But this being the case, it is probably unfair of me to comment or for us to comment on any of these matters at the moment because they are following their own due legal process. And in any case, in many such circumstances they are subjected to the nature anyway.

So let us move on to the market and here I think some elements of positive movements as far as the Indian market is concerned. Firstly I think you have seen over the last few months and probably back seven, eight months that there has been a concerted effort both on the operator's side and regulation through first-time acquisition rules, the quality of customer base increasing and the quality of customer acquisitions increasing. This has resulted in a reduction in much of the wastage in selling and distribution expenses in India, and that has had a direct impact as far as the operating margins are concerned. Secondly, from the point I made earlier as far as the market is concerned in licensing and the spectrum auctions that took place, the passive consolidation in the market place is also just starting to see some pricing power coming back and returning to operators and from that you are feeling this element of pricing stability that is taking place from the market.

Lastly as you know billions have been invested of dollars in our networks, both in India and across our international operations just to recap, there are 13 3G licenses in India we have and 8 4G licenses and 13 3G licenses in Africa. In India data customers now represent at least 23% of the base. That is greater than one in five that is using some form of data services, on the Airtel network. This has reflected in data traffic growth and 3G-customer growth of over a 135% year-on-year. And a similar story is starting to emerge in Africa where we have seen 23% growth in data volumes just on quarter-on-quarter crossing the 3 billion-entry mark in the last quarter itself. That sends some positive signs there as far as the market place in India is concerned.

Just moving on now to some positive developments in the quarter, as you know from our debt portfolio we do have a process at the moment to diversify the debt portfolio while industry is concentrating on banks and we did have a maiden bond issue this quarter raising \$1.5 billion, which is multiple times oversubscribed, and one of the largest issues in the Indian market. That is good news going forward. It is a 10-year bullet repayment, which is now extending the doors to exit of our debt portfolio.

Secondly we continue to expand a little bit on our 4G services. As you are probably aware we are already in Kolkata, Pune and Bangalore. We now have launched services in Chandigarh and some of its suburbs in the Northern India.

Thirdly, something, which is new for us as far as this quarter, is concerned, we made our first ever in-market or in-country acquisition via telecom in Uganda. So this is again an amalgamation of our operations. It will consolidate our position of Airtel to be the second largest operator in Uganda with a customer base of nearly 7.5 million and a market share of nearly 40%. The definitive agreements have been signed but it is subject to regulatory approvals.

Just moving on now to the results of the quarter Global consolidated revenues for the quarter were 204 billion that is a year-on-year growth of 9% and a sequential growth of about a percentage point. The consolidated EBITDA was Rs.65 billion, representing a year-on-year growth of 4% and a sequential quarter-on-quarter growth of 5%. What is happening based upon

what I mentioned earlier on, is that the EBITDA margin for the quarter has expanded and is ending at 31.7% that is an increase of 1.2% over the previous quarter.

Cash flow from operations before derivatives and exchange fluctuations was 54.8 billion, as a result of the expansion that you have seen in the margins, net income for the quarter of 5.1 billion and that compared to the quarter of last December, a quarter ago increased by Rs.2.2 billion.

Just moving on to the capital front now, our CapEx in Q4 was about \$650 million that is taking our full year CapEx for FY'13 to the US\$2.5 billion and I did mention in the previous call, capex guidance for FY'14 that still stands, is somewhere around \$2.2 to \$2.3 billion of which about \$600 million is for Africa. A couple of more points on the balance sheet the Company had a net debt of about \$11.7 billion at the end of March. The net debt to EBITDA annualized in pictures shows 2.45 times amount that is down from 2.58 from the last quarter.

As far as year-on-year is concerned, it is also a full-year closing for us, global consolidated revenues been some stood at 803 billion. That is a year-on-year growth of 12%. The EBITDA on a year-on-year basis stands at 249 billion; representing a year-on-year growth of 5%. The consolidated EBITDA margins at 31% and net income at 23 billion.

Just moving on now to a couple of points as far as India is concerned as announced to international, as far as India and South Asia is concerned there has been an improvement in the EBITDA margin across India and South Asia in all segments, Mobile Telemedia, DTH and Airtel business approximately 2.1% and despite the drop in gross adds, net adds are positive at 6.3 and VLR ratio strengthened further to 95.1% in March I mentioned earlier that issue of the marketplace changes that is affecting churn. Churn has been reduced by to half at 3.2% from 5.9% in the previous quarter. I also mentioned realization rates largely stable. There is a marginal drop of 0.20 Paisa. The good news is exit Mar is higher than the quarter average Heartening to see that as far as voice minutes are concerned, minutes on the network to mobile in India grew by 12.3 billion minutes and that is highest ever we have seen in a quarter-on-quarter growth of 5.1%.

Just moving on to Africa now, there is an element of revenue de-growth by 1.15% in reported currency and 0.78% in constant currency. This is we had a seasonally weak quarter anyway as far as the African continent is concerned, and also seeing some element of general economic slowdown in terms of consumption. However, our overall rate did grow 4.8% from 4.3% in the previous quarter and our data KPIs continued to be on an upswing and 23% of our customers in Africa use some form of data that is about 14.5 million. Back on that and non-voice revenues as a percentage have also grown to 17.7% with messaging at 8.6% and data 4.4%.

As far as Africa is concerned going forward now, I think we see the year is a year of consolidation and our market leadership stabilization of realizations and leveraging the strengths of the network that we have now put in over the last few years. We think that the peak of the Cape is now behind us and we should see therefore a leverage of an element of free cash next year on the operations. Our CapEx, like I said from the guidance that we gave, is primarily going to be on 3G, coupled with some elements of solar hybrid solutions going forward.

Just moving on now before I hand over to Q&A, I would like to talk about our tower business. As many of you might be, we announced the results a couple of days ago. Total tower base stands at 82000 towers with an average share impact of 1.91. The consolidated revenues for the quarter over 2600 Crores. That is 11% year-on-year. Net profit of 287 Crores that is 34% year-on-year up. As far as the full-year is concerned, couple of updates just to bear in mind; Tower Company has now crossed revenues consolidation over 10000 Crores for the year and net profit over 1000 Crores. These are the key highlights for the quarter as far as regulation; market and Company performance is concerned, overall for India, South Asia and for Africa. So with this, I will hand it back to the moderator to discuss any Q&A that you may have. Thank you.

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#### **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 "\*" "1" on their touchtone enable telephone keypad. On pressing "\*" "1" participants will get a chance to present their questions on a first in line basis. To ask a question participants may please press "\*" "1" now.

The first 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**

Yes, good afternoon and thanks for the opportunity. I have a couple of questions. The first one is on revenue per minute realization. I think it still continues to probably decline marginally despite measures you are taking to cut down promotional minutes etc. So just wanted to hear your thoughts on when we will be able to see this trend reversing because that is something which I think most of the investors are probably very keen to look at. So I think just wanted to hear your thoughts on that? That is number one. Second one is on your non-voice as a percentage of revenues; I think Africa has been quite good this quarter. Anything specific that you are doing there that is leading to this? Africa now looks like it is higher than India. And India, what do you think could accelerate this further? So these are my two questions. Thank you.

**Gopal Vittal - Joint Managing Director and Chief Executive Officer - India - Bharti Airtel Limited**

Hi Suresh. This is Gopal here. For your first question, if you look at the quarter you will see that voice realization is more than steady with a marginal downtick, but you see that the light of the fact that we have added 12.3 billion minutes as Sarvjit said which is amongst the highest that we have across our history. The truth is that as we look at the quarter we see an uptick through the quarter, in terms of realizations and hopefully that we could see that how that actually plays out in the subsequent quarters. Coming to your second question and I will hand over to Manoj on the Africa piece. As far as non-voice revenue is concerned, we have really taken a hit on VAS revenues as we have made a series of corrections in terms of bringing consent in-house and getting dual consent by customers. This has impacted us quite sharply because we were among the first operators to actually put this in place. You may be aware that TRAI has now mandated that by the end of June all operators need to actually implement dual consent. We have pretty much done 80%-90% of it across our platforms. So that's one of the reasons why VAS has taken a hit, but having said that our data revenues continue to be strong. We have grown our data volumes by 21% and that has reflected in revenues.

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Hi, Suresh this is Manoj. There is good news and a bad news. Let me start with the bad news. The elasticity of voice is far lower in Africa vis-à-vis what we saw in India. And that is why elasticity/moderate elasticity and high seasonality affected our voice revenues this quarter. And the good news as you rightly pointed out is that non-voice revenues, whether it is data, SMS, music, ring back tones, Airtel Money, all that it comes in the non-voice, has picked up very well. Now this is because our 3G we have launched already 14 markets in this year, in the last 12 months, we have launched Airtel Money in 17 markets. It has been a huge launch focus this year. Not only in terms of network launches but also building ecosystems including this quarter, we did showrooms, we did data experiences, we did smart phone bundling, dongle bundling because these are incipient times. These are initial times when you need to help catalyze habit formation of the customer. So we are really building up habits of customers to use data and good news is that African customers may not be as talkative as Indian customers, but definitely they are more data friendly, which is good news, and that is why that gives us confidence that the data revenue will definitely pick up very well in the next few years. Similarly Airtel Money has been launched and is in the initial stages of pickup, in some markets it has picked up very well, for example in Kenya, Tanzania, Uganda, and some markets in Franco like Niger, etc., picked up very well and we believe that next twelve months both data and Airtel Money should definitely give us solid revenue streams.

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**Suresh Mahadevan – UBS – Mumbai**

Thanks a lot, Manoj and Gopal. Thank you.

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**Sanya – Moderator**

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

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**Sachin Salgaonkar - Goldman Sachs – Mumbai**

Hi, thank you for the opportunity. I have two questions, firstly on Africa. Now, Manoj, if you look at the EBITDA margins, they are at 25% roughly. I guess it was at a similar level a couple of years back. Now, I understand there is seasonality factor and I also understand that you guys are making a lot of investments as you rightly indicated towards Airtel Money and 3G. So the question out here is how should we look at the margin trend over a longer term? When could be the investments behind us or is there significantly different than what you guys thought earlier and hence margins could not expand? That is the first part. Second point was just a follow-up question towards Gopal to what he mentioned towards Suresh. Now Gopal, I understand that the realizations are moving up. Any negative elasticity impact, which you guys, are seeing because of that? Thank you.

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - India - Bharti Airtel Limited**

Sachin let me take your second question first and then I will hand it back to Manoj. I think to demonstrate the same what the elasticity is; at this point in time we are being very, very careful and very scientific about how we actually execute some of these pricing moves. The good news is that as we cut back on some of our discounted minutes, many of our competitors have followed suit and so the industry as a whole or large parts of the industry would have moved I think. My guess is that the elasticity would not be as grim as they might be if there is just one operator doing it.

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**SachinSalgaonkar - Goldman Sachs – Mumbai**

Okay.

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Okay, Sachin coming back to your first question now. Before I come to margin, let me start with revenues. Now the revenues declined this quarter, primarily because Anglo, as you know, has seasonality in January and February. This year that seasonality actually extended into March, which normally, is not the case, but at the same time, let me say with confidence that Anglo, we have been growing our RMS every quarter. This quarter we do not know because the data is still not out but till Q3 which is still December we have increased our RMS in every quarter. Moving to Franco, overall Franco has been a steady state growth for us in the last many years, but we see some slowdown in the Central Africa region where two Congo and Gabon, as you know, have been got, have got affected by some European impact especially the France connection, where I think the economies are still soft and maybe there's a bit of impact on the market. Nigeria, on the other hand, went through a catharsis of major tariff decrease by the market leader in the month of late August early September and those 3-4 months of October, November, December actually other operators lost revenue. We did not lose we had stable revenues, but we can see a bit of comeback, the first times of comeback of traffic and revenues in Nigeria in this quarter, but not a major comeback. I think in the present quarter, which is Q1 we expect much more. So this was one issue where the moment revenues degrow and you are in an investment phase, still in the investment phase, I think it is difficult to pullback OpEx by the same proportion. Now, what we did pullback that let me explain to you, we continued our focus on 3G, we continued our focus on Airtel Money, we continued our focus on branding, showrooms, smartphone bundling, and many such things, which we believe are right for this year, which is new year, which has started just now in the month of April, and that I think led to a pullback which was not adequate for the fall of revenue. So that is why I think the margins fell. Going ahead, let me tell you, we had confidence in this fiscal year, new fiscal year, we are focusing a lot on margins as well as free cash and it is very clear that our investment, as Sarvjit has said, network investment phase peak is over. Now it will stabilize at a lower level and our guidance of CapEx is also much lower than last year. So therefore the focus has to be much more on margins, much more on free cash and I think both these objectives will definitely be met this year.

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**Harjeet Kohli - Group Treasurer – Bharti Enterprises Limited**

Sachin, hi, this is Harjeet. I believe Gopal was not very audible in his answer, the earlier one for you. May I request Gopal to just go through that question again on the negative elasticity point basis the RPM?

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

Sure, Sachin this is Gopal. Your question was really why, are we seeing any negative elasticity as the realizations as we see an uptick. I think like I said it is probably too premature perhaps to comment on that. What we can tell you is that as we cut back on much of the discounted minutes that we have in the marketplace and many of the promotional minutes, we are seeing many of our competitors actually follow suit. And so I think if we were do it alone then perhaps you probably will see a lot more elasticity. If we are doing it altogether, in the sense that the competitors are following us, then chances are that the elasticity may be less acute, but we will wait and watch.

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**SachinSalgaonkar - Goldman Sachs – Mumbai**

Okay. That is very clear. Thanks a lot Gopal, Manoj, and Harjeet and all the very best.

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**Sanya - Moderator**

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

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**Sachin Gupta - Nomura Securities – Singapore**

Thank you very much. I think firstly some of the answers are still not very clear from Gopal so you might want to address that. Just the three questions I have are obviously, Manoj, you talked about you are looking to, and you have some margin and FCF target for African business. I was just wondering would it possible to state what those targets are for us to work something towards. As you know, we actually do not have much visibility on those businesses. And secondly, just on the domestic business, obviously your volume growth has been quite strong in domestic minutes. So I was wondering, would it be possible to attribute, I do not know if you can attribute how much of that is due to other operators scaling back their businesses versus the

core operations? Just trying to assess how should we think about the volume growth going forward as well given we have a slightly better sense on pricing now. Thank you.

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Okay. Sachin let me recap. Your first question was about targets we have financial targets we had kept for ourselves for Africa, is that right?

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**Sachin Gupta - Nomura Securities – Singapore**

Yes. I mean, you talked about obviously you got targets on free cash flow and margins for Africa, just wondering is it possible to elaborate a bit more on that?

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Okay, let me share with you that on constant currency basis. I think by end of this year we were quite close to USD 4.9 billion, if we had taken the target of the time we took over the company. So the devaluation and depreciation of currency has been so huge for the last about 10 to 11 quarters that that definitely has impacted the top line. Second issue has been the market, very frankly did not grow as well as we expected. Market at that point of time was growing at 14% to 15%. It has come down and that is one of the reasons top line did not grow and we could not garner as healthy margins as we expected, but we are determined Sachin, we are determined to go to the same targets. We are still determined we are going market-after-market, where we are increasing our revenue market share. All the investment phase as I said earlier in network whether it is 2G, or 3G our branding is over, so now the time when we really will garner lot of improvement in margins as well as free cash. Luckily, Nigeria is coming back after a year, when Nigeria as a market was nearly flat, Nigeria is coming back to a double digit growth this year, which we believe market deserves to have at such a level of penetration. Franco has been stable and I hope the Central Africa markets will come back and Anglo like last year has grew well. So I believe that the coming year we will see all the three regions growing well and with our initial investment phase, project phase, restructuring, 3G investment, etc., over, I think now is the time to garner both margins and free cash.

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

Sachin just coming back to your first question on volume in India, like we mentioned we have grown at about 12.3 billion minutes sequentially quarter-on-quarter. There have been some minutes that have come on to the network due to the shutdown of a few operators, but I would say that we have also saved more broad-based growth in volume. So it is not just linked to other operators, there have been some sort of reduction in dual SIMs and so on as many of these customers have started using Airtel as a primary SIM but having said that there has been broad-based growth in volumes.

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**Sachin Gupta - Nomura Securities – Singapore**

Thank you very much.

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**Sanya – Moderator**

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

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

Good afternoon and thanks for the opportunity. Two questions. One is I wanted to understand the decline in SG&A and access cost in India and South Asia. It is down sharply in absolute terms. So what is driving this and how sustainable are the cost savings here? And my second question is while you talked about the traffic growth, how much of it is because of the seasonality and are there any other underlying factors here also which are driving the strong traffic growth in this quarter?

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**Nilanjan Roy - Chief Financial Officer Limited - India -Bharti Airtel Limited**

Hi, Shobhit, this is Nilanjan hereon the India SG&A side, fundamentally we have seen a reduction in our S&G cost, as our gross adds have come down versus the last quarter because the FTA process only went into effect in November 9th. So we actually had about a month-and-a-half of hyper gross adds during October and November of last quarter. And clearly we have seen some resemblance in our market practices as well. So that has been one impact. And the second one is of course enterprise

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business of B2B, collection efficiency in quarter four from government accounts rarely goes up and we see quarter four benefits flowing through. So these are the two large reasons for the reduction in SG&A costs in the quarter.

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

Shobhit, your second question, there is a seasonal uptick normally in quarter four. But the growth that we have seen I think is a little bit sharper. If you recall, if you just go back and look at quarter-four 2012 our total minutes were about 230 billion. So compared to quarter-four 2012, we have grown at about 10% in volume and that is a growth that seems to be higher than what we have seen historically. So there is some seasonality, but not as pronounced to actually account for the entire up-tick in minutes.

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

Got it Sir thanks a lot and all the best.

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**Sanya – Moderator**

Thank you very much Sir. The next question comes from Mr. Sunil Tirumalai from Credit Suisse, Mumbai. Mr. Tirumalai you may ask your question now.

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**Sunil Tirumalai - Credit Suisse – Mumbai**

Thank you. I have two questions. So the first one is for Manoj.Sir, so having gone through the first one month of the current quarter, are you seeing any bounce-back in the seasonal weakness because you said that it got extended into the month of March. I mean, have we seeing any improvements now?

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Okay, Sunil I can say that Nigeria definitely shows signs of robust growth because it went down if you recall since August and now it is showing finally the signs of coming up. Good news is the regulator has definitely taken some unprecedented steps of lower interconnect rate, of number portability as well as now declaring the market leader as a dominant operator enforcing the market leader to increase the on-net tariffs. So these are positive steps and I believe that all these will lead to a double-digit growth in Nigeria. How well this quarter will go? I cannot give you a very precise guidance. What I can say definitely it has picked up. Coming back to Franco now, Franco as I said Central African countries are still soft. We see some movement, but not as per our expectations, and Anglo as I said the seasonality seems to be extended. So let us see I really cannot say more than this.

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**Harjeet Kohli – Group Treasurer - Bharti Enterprises Limited**

I do not have anything specific to add. I will just remind that one month or three months is only one month or three months. So you should just keep that in mind.

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**Sunil Tirumalai - Credit Suisse – Mumbai**

Sure. And the second question was on India. So in the past, we have not really seen too much into the trends in subscriber numbers because we knew that the HLR numbers were not quite indicative. But then now after that the new processes and the industries VLR going up, I mean I believe that the VLR numbers that we are seeing should be quite representative of the underlying market shares and the growth trends. So in that context, I mean, is it a cause for worry that the number two and number three operator seem to be adding as much or if not more on a monthly basis in terms of subscribers? And also given in terms of rural customers we are getting to know about the number two operator having more rural subscribers than Airtel. So is that something that we should, what is the management's thinking around that?

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

So if you look at the churn, which was another indicator to look at our churn at 3.2% this quarter is amongst the lowest that there is across all operators. We are very mindful of the fact that we want to drive quality acquisitions, we are not being mindless about the way we are driving gross additions and you can say that there has been therefore we are seeing a slowdown in our gross additions even as our attempt is to really drive far more quality acquisitions. With regard to the specific question on the press article that appeared on rural market shares, I think it is a definitional issue. There are several circles, for example where we

show zero customers in rural and many of our competitors show millions of customers. So there is a definitional issue here, which we will try to get to the bottom of as to how these sorts of definitional issues creep in.

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**Sunil Tirumalai - Credit Suisse – Mumbai**

That's all Sir. I will come back later for questions. Thank you.

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**Sanya – Moderator**

Thank you very much Sir. The next question comes from Ms. Reena Verma from Merrill Lynch, Mumbai. Ms. Verma you may ask your question now.

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**Reena Verma - Merrill Lynch – Mumbai**

Thank you very much for the call. Just a few questions. Firstly, could you comment on the media report about your equity raising plans today? And secondly, I just wanted to understand the comment attributed to Gopal post the press conference that the real challenge is to grow revenue. Given that comment, I just wanted to understand what is the baseline EBITDA margin against which Gopal is looking at revenue growth? Should we take the fourth quarter wireless or India EBITDA margin as the new baseline against which you are measuring your growth performance? Also just a couple of quick housekeeping queries I had is on Africa you have highlighted the formation of tower companies and if I recollect correctly, you had started reporting tower company financials in Airtel way back in 2008 soon after the formation of the tower company. So when can we expect that for Africa? And just finally, the saving in interconnect cost for fourth quarter fiscal '13 seems to be very substantial and not fully explained by the drop in ILD which is a very small drop in traffic as a proportion. So please can you help us understand that? Thank you.

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

Reena this is Gopal. I would say that the baseline numbers in terms of EBITDA margins you should look at is the full year average which is about 31% for mobile. And the reason I say that revenue growth is absolutely crucial is that as leaders, we have got to grow this market. The fact is that we've got to grow revenue, we have got to grow market share, and we have got to grow margins. That is simply what we would like to do. So the baseline EBITDA if you look at is 31, which is for mobile specifically I am talking about which is what we have had last year.

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**Nilanjan Roy - Chief Financial Officer Limited - India – Bharti Airtel Limited**

Reena, on the interconnect cost, I think if you have seen a reduction of about 120 Crores in India, South Asia in the quarter. I think we have attributed that in the comment as well largely to our Airtel business where we have exited a lot of the international wholesale voice business and consequently if you see the B2B side we have dropped in the gross revenue by about 107 Crores, but EBITDA is up by nearly 66 Crores and a large part of that is due to the interconnect reduction as well on wholesale voice. As usual there will be some movement in Mobile as well as voice and non-voice mix changes, but these are two broad reasons of the interconnect reduction.

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**Reena Verma - Merrill Lynch – Mumbai**

Just very quickly, so this wholesale voice reduction, 66 Crores saving, this is reflected in enterprise margins?

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**Nilanjan Roy - Chief Financial Officer Limited - India - Bharti Airtel Limited**

This will be the enterprise, yes.

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**Reena Verma - Merrill Lynch – Mumbai:**

Thank you.

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**Harjeet Kohli - Group Treasurer – Bharti Enterprises Limited**

Reena, hi Harjeet. On the question around equity just trying to take that, just try to give a little bit of pretext, for the last two years we have been saying while if we compare our company vis-à-vis global companies from a leverage ratio perspective. We are fine. We are right there somewhere in the median range, but internally speaking as we had always talked about our conservative outlook towards debt we are looking towards the first of its cover reaching an exact EBITDA level of two. And in that respect, while organic cash flows, the internal business cash flows, which we have been seeing of course helped, there have been initiatives of the past which you have seen in the name of Infratel IPO or other equity means which we try and use opportunistically and whenever needed to make sure the financial muscle is around to be able to take care of whatever growth initiatives we have in mind as well as keep a good financial structure. So unfortunately what happens is as we are looking at a variety number of things at the company level across different segments, different SBUs, different geographies, something or the other keeps getting picked up between I think it is difficult for us to comment. It is actually unfair in such situation for the company to comment. But you should rest assured that the movement anything is finalized, within 15 minutes anything and everything will go out from our Company as a corporate governance. Nothing should be worried about. It is just unfair to be able to comment around so many things like DTH gets sought upon what is happening there, are you doing something in Sri Lanka. So all of these things we just want to keep at rest. Anything that receives a binding end we will get back to you ASAP.

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**Reena Verma - Merrill Lynch – Mumbai**

Harjeet, thanks for that. So in that light, given your focus on free cash and net debt to EBITDA, can I please ask you what is the total dollar million commitment that you already have in terms of the various deals that keep getting announced, Nigeria, Warid, Uganda, your remaining stake purchase from Qualcomm, please can you sum up that amount and give us a number?

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**Harjeet Kohli – Group Treasurer - Bharti Enterprises Limited**

Reena there are two things to comment here. Number one, because every deal happens at a counterparty, each counterparties confidentially is important for us number one. Number two is you should also see it in the context of whatever we are doing will reflect, Nigeria stake sale happened, their minority buy-out happened last quarter, and it is reflective in the last quarter's net debt. So if you see the net debt remaining flat, you can assume that it is not something meaningful that has gone out of the kitty. So keep that in mind. In the overall context of \$2 - \$2.5 billion of average routine growth plus maintenance CapEx that we have, if there are a couple of \$100 million more/less spent on consolidating position, consolidating economic interest it should not bother much.

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**Reena Verma - Merrill Lynch – Mumbai**

Thank you.

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

Okay, the question on the access charges in Africa. So external developments there have been reductions during the quarter, last quarter in Tanzania where the mobile termination rate was reduced. Beginning this quarter, the running quarter, there is a reduction, which has been announced, a significant reduction in mobile termination rates, which has been announced in Nigeria, which is actually a 40% reduction per minute. So you have to look at last quarter's movement in access charges in the context of, number one, this external development. Number two, also look at it in the context of the revenue, the voice revenue having declined and number three, there has been a percentage increase on the on-net traffic in terms of on-net to off-net there has been a favorable movement. So these have resulted in the access charge movement, reduction that you spoke about \$13 million in the last quarter. From this quarter onwards there will be a more significant change because of Nigeria, but we will share the details at the end of quarter one.

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**Reena Verma - Merrill Lynch – Mumbai:**

Thank you. My question on Africa was actually with regards to Tower Co financials, so when will start reporting those separately?

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Reena it is very different, Africa is very different from India. India when we started Tower Co in 2008, we had to unplug it from GSM in one go and we started reporting Tower Co independently. In Africa we have to do it 17 times because of the each country when we unplug, it will have to go into a Tower Co account. So this year we are planning quarter-after-quarter. I will likely request Hans, who is CFO, Africa, is here with us fortunately today, will give you details how quarter-after-quarter will unplug the Tower Co financials from GSM and by the end of the year I think Tower Co in Africa will be independent of GSM.

**Hans Van Lierop – Chief Financial Officer - Bharti Airtel (Africa)**

Thank you Manoj and thank you Reena for the question. Yes, we are in the progress of transitioning our assets studio to the tower companies. The shareholder structure is somewhat different in Africa, as many of the holdings are associated with the companies in the country itself, although they all move up to our structure in the near future. Thus we are progressing in the year. We should be able to start reporting on it separately. For now there is a lot of focus on creating the sharing and getting the MSA signed with our partners across the continent and that is taking up very well.

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**Reena Verma - Merrill Lynch – Mumbai**

Thank you very much. Very useful commentary. Thank you.

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**Sanya – Moderator**

Thank you very much Madam. The next question comes from Mr. Piyush Chaudhary from CIMB, Mumbai. Mr. Chaudhary you may ask your question now.

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**Piyush Chaudhary - CIMB – Mumbai**

Thanks for the call and good afternoon everyone. Two questions on Nigeria, Manoj, you mentioned of significant developments, which have happened, three developments. Could you help us in quantifying what could be the margin impact, EBITDA margin impact due to these developments or any sense, which you could help us qualitatively or quantitatively? Secondly on India, we are seeing data picking up at a very fast clip, but are you also witnessing a trend where data pickup is cannibalizing voice and SMS? Is there an evidence of that and what kind of efforts is the Company doing to reduce that impact?

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Piyush, let me start with Nigeria. I can say with absolute confidence that this year Nigeria will come back to normal growth of double-digits. Second we will continue to gain RMS like we gained RMS of about half a percentage point in the last quarter. We will continue to gain RMS because on the back of robust and wealth entrenched network, brand and distribution. Now if these things happen margins should improve. How much margins should improve, I really cannot share it with you at this point because I really do not want to give a guidance, but I will give you a confidence that margins of Nigeria should improve as revenues and revenue market share improves.

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

Piyush, as of now we do not see any cannibalization whatsoever between data and voice. In fact, some of our heavier users of data are adding to ARPU in terms of actually adding incremental ARPU to the total ARPU. So there is no evidence of any cannibalization as we see.

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**Piyush Chaudhary - CIMB – Mumbai**

Okay. And just a very small question in housekeeping, what is the quantum of bad debt recovery during the quarter?

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

Piyush we do not give the details out, we just give the overall SG&A.

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**Piyush Chaudhary - CIMB – Mumbai**

Yes, but out of that 2 billion, is it, okay. It is not quantified. Thank you. That is helpful.

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**Sanya – Moderator**

Thank you very much Sir. The next question comes from Mr. Srinivas Rao from Deutsche Bank, Mumbai. Mr. Rao you may ask your question now.

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**Srinivas Rao - Deutsche Bank - Mumbai**

The first question is on India, I just wanted to know your strategy on LTE and 4G, which for the industry itself has been fairly slow given that we understand Reliance's launches on the annual, which I have been hearing for some time. What is your rollout strategy there? Can it become a mainstream offering given that almost two years have passed after the allocation of spectrum, so that's the first question. And my second question pertains to Africa again, on Nigeria MTN now can again go back to actually promotional offers which banned. So do you see any impact going forward on that? And in a related question, you have something called an Airtel Premier program in Africa, which you mentioned. Could you throw some light on what percentage of customers or what percentages of revenues are covered under this program?

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

Srinivas on your 4G and LTE we are today in four cities - Pune, Calcutta, Chandigarh, and Bangalore, and we have got other four circles from Qualcomm as you are aware, our plans for Delhi and Mumbai are not yet frozen, but we will come back to you very soon in terms of our plan. Just to give you a context of what is going on in LTE, number one is that the spectrum as you know it is 2.3 gigahertz has a penetration of about 300-350 meters so it is always pretty difficult to work with and very difficult to offer ubiquitous coverage. Second is the device ecosystem is very nascent. There are no handsets today in the marketplace. So we are largely selling dongles or routers, which are kind of Wi-Fi routers for the home and the office. And therefore, if you look at Bangalore, if you travel to Bangalore, Pune, you will find mostly it is a nomadic solution, which is really what we have deployed. I think this ecosystem is going to take some time to develop. It could be a couple of years. We believe that the earliest a handset maybe available is towards the end of the year. We do not quite know what is the cost of that handset will be, but clearly if the ecosystem doesn't develop then this is going to take a little bit more time. The long-term future of this technology is very, very powerful, because it gives you tremendous speeds and it is fantastic experiences for those who can actually get the delivery of it.

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**Srinivas Rao - Deutsche Bank - Mumbai**

Fair enough. I mean, I just wanted to ask you, I mean, increasingly realized long term in India is only 20 years and in that context that does that impact the business plan the later you launch?

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**Harjeet Kohli - Group Treasurer – Bharti Enterprises Limited**

It was not clear, Srin. If you just repeat please.

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**Srinivas Rao - Deutsche Bank - Mumbai**

The license period is 20 years and we are increasingly realizing that the government is very, very so to say, not very interested in actually extending licenses. So, now that almost 10% of the license period is over, with a very minimal launch in 4G so does that impact the business case?

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - Bharti Airtel Limited**

I think, Srinivas, you must understand that any technology actually follows a hockey stick approach, and the pace at which it could adopt and accelerate is pretty dramatic once the basic critical scale is there. You can see what is happening to 3G. A year ago we were sitting here saying 3G is not growing as much. 3G is actually growing by leaps and bounds and so, I am very optimistic about the future of this. You know we were a part of the global consortium trying to actually grow the TD-LTE as a spectrum band. I was just saying that in the short-term you are seeing pressure because there is no device ecosystem, and that is the truth. The fact is that it will happen. All the device players we know are working on it. The pace at which it happens is really a function of the scale that develops not just in India, but across many parts of the world.

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**Harjeet Kohli - Group Treasurer – Bharti Enterprises Limited**

I think apart from the hockey stick, let me just compliment the fact that we have a 2G base over that of 3G base and over that a 4G base the marginal of productivity or whatever you do, whenever you get a chance to get will be far higher than what we have done today. So, I think there are payoffs sitting in the system. We just need to wait for the right collective sense of the ecosystem to deliver that.

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**Srinivas Rao - Deutsche Bank - Mumbai**

Fair enough. Thank you. On my questions on Africa?

**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Srini, coming to Nigeria, the regulator has clearly announced that all operators can do promotions except the market leader because I presume, the network quality of the market leader is not up to standards of the regulator, and so all other operators including Airtel have initiated promotions again. I am sure market leader will also do it as and when its network quality and capacity comes back to normal. That gives us confidence, because our network quality if you recall recently has been adjudged to be the best network quality in Nigeria and that gives us strength of building our revenues faster. Also our 3G network in Nigeria is the biggest network, bigger than the market leader. So that gives us strength to have a RMS of data to be much bigger than our voice RMS. Coming to your second question on Airtel Premier, I cannot give you details of this scheme. This is a scheme for HNI customers in Africa. Already we have launched it in about eight countries. The balance countries should be launched in the next six months and this is purely service-oriented scheme for the HNI customers - platinum, gold, diamond customers and VIP customers. Already we are seeing a positive impact. For example in Nigeria, we are seeing many, many high value customers of other operators coming into our company on number portability. So that means this Premier scheme is working.

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**Srinivas Rao - Deutsche Bank - Mumbai**

Fair enough. Thank you so much. This was helpful.

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**Sanya - Moderator**

Thank you very much Sir. The next question comes from Mr. Sanjay Chawla from JM Financial, Singapore. Mr. Chawla, you may ask your question now.

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**Sanjay Chawla – JM Financial - Singapore**

Good afternoon. Thank you for the call. Just a couple of small questions, if one looks at your India plus South Asia mobile revenues and I exclude the India mobile revenues per se, then if I look at the balance which is primarily Bangladesh, Sri Lanka, now that number has been a bit volatile. I mean, this number was up 24% QoQ in the third quarter and down 18% in the fourth quarter. So can you just explain us what is exactly happening there? That is the first question. Second is, Harjeet, if you could just give us the number for the interest on acquisition debts in Africa in the fourth quarter and how much do you expect that number to increase going forward after the recent refinancing of some of the debt? And thirdly, your non-voice revenues have come down in India in absolute terms; I mean the SMS and VAS number. Now apart from the VAS impact that you highlighted, has there also been any impact on SMS in terms of any OTT migration? And a related question also is we have not seen any increase in your mobile data realization, ARMB in this quarter whereas Idea reported a pretty significant uptick, about 10% quarter on quarter up-tick. So could you also just share your thoughts in terms of what might be happening there? Thank you.

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**Harjeet Kohli – Group Treasurer - Bharti Enterprises Limited**

Sanjay, this is Harjeet. On the interest question on the acquisition debt and acquisition refinancing via bond markets, you are very well aware that the bond was done for 10 years, at a fixed coupon of about 5.125% and we have also earlier talked about what is the general cost of acquisition finance, which is about LIBOR plus 200% basis points, little above, little lower depending on how the Libor is performing. Now what we have done is we have actually moved that from the fixed coupon of 5.125 to LIBOR terms because we paid a debt, which was already in LIBOR terms. The new stock back cost is just about 100 basis points higher than what it was earlier, so 100 basis points on \$9.5 billion is technically speaking \$15 million of interest cost of which a quarterly impact is \$3-\$4 million so nothing really to bite by in terms of the overall interest cost, but that is a broad explanation there. On your question on the rest of South Asia performance looking at it deduced number of India mobile revenues via either a data percentage or a voice revenue percentage, maybe we can, I need to just get an understanding of how did you derive those numbers. Maybe once we are through with this call, we can connect to see how we can give you reconciliation, but I think more we are really in general the trends are not any disruptive.

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**Sanjay Chawla – JM Financial - Singapore**

Sure. Thanks for that.

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer - India - Bharti Airtel Limited**

So Sanjay, on the SMS and VAS front, there is no evidence to suggest that SMS is being cannibalized heavily by ODT applications yet. The erosion that we have seen is primarily on VAS. Having said that, to your second question around the results of Idea, I think what is important for us is are we driving towards our strategy which is acquiring quality customers, making sure

that we drive up realization from voice by cutting back on discounts and freebies, driving the growth of mobile Internet and in the process, if we are able to grow our share, grow our revenue and grow our margin, I think that is something that we will be pleased.

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**Sanjay Chawla – JM Financial - Singapore**

Thank you.

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**Sanya - Moderator**

Thank you very much Sir. Ladies and gentlemen we are in the last five minutes of the conference call. Due to constraints of time, management will have to speed up the pace of the question. The next question comes from Mr. Rahul Singh from Standard Chartered Securities, Mumbai. Mr. Singh, you may ask your question now.

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

Good afternoon, I had a question on your capital allocation for this year. If I look at your CapEx to sales for last year, India mobile was 13% and all the other divisions including Africa was more than that in the range of 16% to 20%. So just wanted to understand from whatever discussion I have seen, it seems like India mobile business would still grow faster than any of your other divisions next year, given the pricing discipline and the volume growth we are seeing through and data. So it just seems a little bit odd to see CapEx to sales in the India mobile business being the lowest. So is there any plan to rationalize CapEx in the other businesses? And the related question would be to just maybe I missed CapEx guidance, if you can just reiterate the CapEx guidance and the breakup of that please?

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

Yes, Rahul, as we don't give guidance, but just on the allocation of CapEx I think these are all you know what the business requires. I think they all compete yet it is about different competitor sets as a different CapEx profile, product Telemedia, B2B, or -- so I don't think it can really compare it and say one business is actually going to grow faster than the other. They are on different competitive sets and will be allocated CapEx accordingly. So I wouldn't take more than that from that.

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

If I look at the Telemedia CapEx to sales is 20% and the growth being much lower, why are we continuing to invest so much CapEx in that business. I mean what is that at the end game there in terms of where the returns are going to come from is where I was getting at?

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

Telemedia also has a lot of the fiber sitting in that and it provides fiber across the businesses. So probably that is the reason you see a higher CapEx figure sitting in that segment, but that supports both the intra-city fiber of mobile and of B2B side.

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

And no CapEx guidance for next year, I mean, for FY14? Did I hear that right?

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**Sarvjit Singh Dhillon -Group Chief Financial Officer- Bharti Enterprises Limited**

As I mentioned in the last quarter and the beginning of the call today, there is no change between the two periods. We are looking at FY'14 capital guidance of somewhere around \$2.2 to \$2.3 billion of which about \$600 million would be for Africa.

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

Thanks. Thanks a lot.

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**Sanya - Moderator**

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

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

Thank you so much Sir. I have just one question partly answered by you in most of my other colleague's questions, which is margins in the domestic business, which were wonderful this quarter inching up. Now, if you look at the sales and marketing costs as percentage of sales in India and SA, that has been the lowest ever since your first quarter, second quarter of 2010 at 12.4%. The interconnect costs also have gone to 12.9%. So the question here is with voice RMS going up, margins should move up, but can we see a chance wherein the sales and marketing go back to an average of what it was this year of about 14%-ish. Ditto for interconnect, can that go back to an average of 13.5%? Then you know margins can come under pressure for these two costs as well. Or do we think this is a good base point? Thank you.

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**Nilanjan Roy - Chief Financial Officer Limited - India -Bharti Airtel Limited**

On the SG&A cost, I said there were two parts of the benefits. One is, of course, the lower gross adds, which we think can get sustained. The other one is of course the bad debts, which is, we are in Q4, so on a full year basis actually we will see that the figure coming back. On the interconnect, it could be baseline as well, but like I said, it depends a lot of more of global wholesale voice and therefore we have to read it in the conjunction with what will happen in the global wholesale voice business that we can go or degrow depending on our voice strategy. So, I think that it is to be read in conjunction with the global voice, but underlying on the mobile side, I do not think we will see any major impact on interconnect.

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

So put together all these impacts, would it be fair in saying that there could be 50 to 75 basis points possible pressure in this quarter because of the one-offs on the margins?

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**Nilanjan Roy - Chief Financial Officer Limited - India -Bharti Airtel Limited**

It is a bit premature to comment at this stage.

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

Sure. Thank you so much.

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**Sanya - Moderator**

Thank you very much Sir. The next question comes from Mr. Rajatdeep Anand from ICICI Prudential Life Insurance, Mumbai. Mr. Anand, you may ask your question now.

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**Rajatdeep Anand - ICICI Prudential Life Insurance - Mumbai**

Good evening. I think there has been a good deal of top management change at your Company, so if you can tell us what is it that you will now be doing differently? How this Airtel will be different versus what we have seen in last two years maybe? That is one. And I heard the answers on Africa. Are you confident to say that the worst is behind you and probably this is the base that you have seen because this seems to be the worst numbers in Africa we have seen in last eight quarters? And I think revenue and PAT have moved in divergent directions. So when do we start seeing them move together again for the consolidated entity?

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**Manoj Kohli - Managing Director and Chief Executive Officer (International) – Bharti Airtel Limited**

Rajat, I think you raised a very important point. Our expectations have definitely been higher, but because of various circumstances this quarter has not been up to expectations, but let me give you a confidence that markets are moving well. Now we are seeing them moving and coming back. As I said Nigeria is coming back, Central Africa Republics are coming back, Anglo is also, with the after extended seasonality, is coming back. So I think we should see some positive growth. As we said our restructuring is over, our project phase is over, hence major investments in all launches of 3G, Airtel Money are over, so, now is the time to garner more revenues and more margins. So, I agree with you. I think this should definitely be an exceptional quarter.

**Rajatdeep Anand - ICICI Prudential Life Insurance - Mumbai**

Okay.

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

Let me take the question on taxation. In this quarter there are two items that are worth mentioning. The first one is a dividend distribution tax incurred on the dividend that was proposed by Indus towers. As you know Indus towers is a 42% held company of Airtel and hence it is not a subsidiary and therefore the dividend tax, which is paid out by Indus is not available for a set off against the dividends paid by Airtel to its shareholders and therefore it is a charge on the P&L as per the IFR as accounting treatment. So that is a charge of Rs.357 million in this quarter. The second development in this quarter or rather after the balance sheet date, but before the board adopted the accounts was the proposal in the Indian Parliament to increase the surcharge for the coming year, income tax surcharge from 5% to 10%, which is affectively increase, effective tax rate in India by 1.5%. Since Airtel and its subsidiaries net is carrying a net deferred tax liability, net of deferred tax assets it is a liability position with the income tax rate going up, we have had to take up the liability by that percentage and that has resulted in a one-off uptake of Rs. 950 million. Together it is accounted for Rs.1.3 billion in this quarter. Now looking at the tax rate, if you look at the full year when the annual accounts are fully published, you will see that the standalone Bharti Airtel, which is the flagship company, the effective tax rate has gone up from 18.2% to 21.2% in that standalone company. So it has gone up by 3%. And out of the 3% you can attribute about a percent to the deferred tax impact on the surcharge increase that I spoke about. So this is the flagship company, and you are seeing an underlying increase of tax rate, effective tax rate by 2% in this year in the standalone accounts, which will be available once the annual report is published, but if you look at the consolidated India and South Asia, you are looking at an effective tax rate of 32.1% and that includes the flagship company tax as well as the dividend distribution tax, which itself accounts for 1.5% this year, and on top of all of this there is a denominator effect, which is all other companies other than Airtel, so some of them are profit making and some of them are loss making, so together there is a denominator impact, which pushes the tax rate to the reported number of 32.1% and I am sure you will get more details of this once the full accounts are uploaded.

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**Rajatdeep Anand - ICICI Prudential Life Insurance - Mumbai**

Yes. Thanks for answering that tax question. Actually it is a bit more general. I did not mean how revenue and PAT have diverged on one-quarter basis. It was more of over last 12 quarters revenues have around doubled whereas the PAT is less than half. And EBITDA has not kept in-line with revenue, but it has still grown. So I just wanted to understand, some -- every quarter has that one one-off or rather evidence in terms of tax or ForEx loss. So I am just trying to understand when is it that they start moving together.

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

Okay. So, well, let me give a general answer to this. I think you will have to see this in the context of the fact that we have continued to invest in our CapEx keeping the long-term strategy in mind. And that has added on to the depreciation bill as you see it quarter on quarter. So no shortcuts have been taken. We have really supported the 3 G-network expansions as well as continuing to fill the gaps in the 2G network in India, so that continuing to happen. The interest on the 3G and the BWA loans have started kicking in so to that extent again you will see it on the P&L. While all this has happened, the EBITDA margin over the last one year, 12 months, you have seen the slides. So if you put all these together that really resulted in this, but the point I want to reiterate is while the market continued to be competitive, and the margins have been under pressure, we have been steadfast in our strategy to invest for the future. And that has, of course, had an impact, but you have seen some upswing in this quarter and I cannot give forward guidance, but I think this quarter's performance could be an indicator for you.

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**Rajatdeep Anand - ICICI Prudential Life Insurance - Mumbai**

Thank you very much. All the very best.

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**Sanya - Moderator**

Thank you very much Sir. The last question comes from Mr. Janakiraman from Franklin Templeton, Chennai. Mr. Raman, you may ask your question now.

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**Janakiraman Rengaraju - Franklin Templeton - Chennai**

Yes. So this question is on cost management. If I look at Bharti's India business, what has happened over the last three years is costs have grown well ahead of revenue. And in fact if I look at the last one-year or two years despite the scale advantage that

you have, your growth in cost is much more than the number three player who is just half of your size. So there does not seem to be any scale advantage that is playing out in terms of cost. So what is the Company's view on this kind of cost inflation, and what kind of cost inflation are you seeing for the next two years? And to just clarify, what I mean as cost is other than the regulatory charge and the interconnect charge. This is just fewer OpEx, which are network OpEx, selling cost and central and admin costs. Thank you.

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer – Bharti Airtel Limited**

Jankiraman, let me attend that. I think, if I look at the last few quarters, as you know we have come out in the last I would say four or six quarters, come out of bruising tariff price fall. And clearly, the overall industry revenues have actually fallen to something like 6%-6.5%. In the contexts of the investments that need to be made to support 3G networks, 2G as well, clearly the single most important objective is to actually grow our revenues, because if we grow our revenues faster than all of that would get taken care of. So, I would actually your question around two ways - one is we have to grow our revenues faster, which is really our focus and that means we will get smarter around, more quality acquisitions, moving up the realization of voice, growing data and really winning with some of our most valuable customers. Having said that, waste elimination is an absolute top priority for us, and we are looking at every element of waste whether it is the way we deploy our capital, whether it is the way we actually spend in different items of operating expense to see how do we actually strip out waste in the business, but not so much cost reduction as waste elimination.

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**Janakiraman Rengaraju - Franklin Mutual Fund - Chennai**

All right. So after two years of 12% to 13% increase in cost, can you just sum the estimate for cost inflation for the next two years? Will it be lower than that or kind of in line with those numbers?

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**Gopal Vittal - Joint Managing Director and Chief Executive Officer – Bharti Airtel Limited**

We do not give any specific guidance as you are aware. So I am unable to comment on that. Like I said, I think, if you just go back and look at what are our objective is, we have got to grow our share, we have got to get more competitive and we have got to get profitable growth. I think that is what we are chasing, and that is what we are driving for.

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**Harjeet Kohli - Group Treasurer – Bharti Enterprises Limited**

There is no point in such calls to really compare vis-à-vis the competitors so, we do not do that. The only thing, I want to point out is the last two years we have built out a South Asia franchise that includes Bangladesh and Sri Lanka, which may or may not necessarily be comparable in terms of profitability's we have in India. So as we do that of course when you compare the South Asia results with the peer India there will be some differences.

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**Janakiraman Rengaraju - Franklin Mutual Fund - Chennai**

Yes. But I looked at the standalone numbers, so this is just relevant to the India numbers alone. Anyway, thanks for the answer. Thank you.

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**Sanya - Moderator**

Thank you, very much Sir. At this moment, I would like to hand over the call proceedings back to Mr. Dhillon for the final remarks.

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**Sarvjit Singh Dhillon - Group Chief Financial Officer- Bharti Enterprises Limited**

Thank you very much for the call today. I think, we have had a full year today and a quarter's growth as well. We look forward to seeing to you again and talking to you again in the end of July at our first quarter results. Thank you from wherever you have dialed in from around the world. Thank you very much.

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**Sanya - Moderator**

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