Quarterly report on the results for the second quarter and half year ended September 30, 2006

Bharti Airtel Limited
(Incorporated as a public limited company on July 7, 1995 under the Companies Act, 1956)
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* *Milestones...*Go wherever. Do whatever.

* *Landmarks...*first Indian telecom company to join an exclusive list of global telecom companies.

* *Firsts...* launch of Windows Mobile 5.0 & alliance with Microsoft.

October 27, 2006

Sunil B Mittal
Chief Executive Officer
Chairman & Group Managing Director

Akhil Gupta
Chief Financial Officer
Joint Managing Director

The financial statements included in this quarterly report fairly presents in all material respects the financial condition, results of operations, cash flows of the company as of, and for the periods presented in this report.

Mobile Services I Enterprise Services
Broadband & Telephone Services

Supplemental Disclosures

Safe Harbor: - Some information in this report may contain forward-looking statements. We have based these forward-looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements' and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and actual results can be material, depending on the circumstances. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as of the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, any forward-looking statement made in this report or elsewhere may or may not occur and has to be understood and read along with this supplemental disclosure.

General Risk: - Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of Bharti Airtel including the risks involved.

Convenience translation: - We publish our financial statements in Indian Rupees. All references herein to "Indian Rupees" and "Rs." are to Indian Rupees and all references herein to "US dollars" and "US$" are to United States dollars.

All translations from Indian Rupees to United States dollars were made (unless otherwise indicated) using the rate of Rs.45.95 = US $1.00, the noon buying rate as announced by the Federal Reserve Bank of New York on September 30, 2006. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupees or United States dollar amounts referred to herein could have been or could be converted into United States dollars or Indian Rupees respectively, as the case may be, at any particular rate, the above rates or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding off. Information contained on our website, www.bhartiairtel.in and www.airtel.in is not part of this Quarterly Report.

Use of Certain Non-GAAP measures: - This result announcement contains certain information on the Company's results of operations and cash flows that have been derived from amounts calculated in accordance with United States Generally Accepted Accounting Principles (US GAAP), but are not in themselves US GAAP measures. They should not be viewed in isolation as alternatives to the equivalent US GAAP measures and should be read in conjunction with the equivalent US GAAP measures. **Further, disclosures are also provided under "Use of Non - GAAP financial information" on page 19.**

Others: - In this report, the terms "we", "us", "our", "Bharti", or "the Company", unless otherwise specified or the context otherwise implies, refer to Bharti Airtel Limited ("Bharti Airtel") and its subsidiaries, Bharti Hexacom Limited ("Bharti Hexacom"), Bharti Comtel Limited ("Bharti Comtel"), Bharti Aquanet Limited ("Bharti Aquanet"), Satcom Broadband Equipment Limited (Satcom) and Bharti Broadband Limited (BBL).

Disclaimer: - This communication does not constitute an offer of securities for sale in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus and will contain detailed information about the Company and its management, as well as financial statements

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Section 1

BHARTI AIRTEL – PERFORMANCE AT A GLANCE

Particulars	UNITS	Full Year Ended March 31,				Quarter Ended	
		2003	2004	2005	2006	June 30, 2006	Sept 30, 2006
Total Customer Base	**000's.**	**3,443**	**7,141**	**11,842**	**20,926**	**24,577**	**28,693**
Mobile Services	000's.	3,071	6,504	10,984	19,579	23,073	27,061
Broadband & Telephone Services	000's.	372	637	857	1,347	1,505	1,631
Consolidated financials as per US GAAP							
Revenue	INR Mn.	24,170	48,320	80,028	116,215	38,564	43,571
EBITDA	INR Mn.	5,056	15,968	30,128	43,572	15,021	17,025
Cash profit from operations	INR Mn.	3,041	13,588	28,132	41,060	13,330	16,437
Income / (loss) before income taxes	INR Mn.	(1,873)	5,976	16,604	25,563	8,599	10,782
Net income / (loss)	INR Mn.	(2,018)	5,076	14,978	22,567	7,551	9,338
Consolidated financials as per US GAAP							
Revenue	US$ Mn.	509	1,113	1,835	2,613	841	948
EBITDA	US$ Mn.	106	368	691	980	327	371
Cash profit from operations	US$ Mn.	64	313	645	923	291	358
Income / (loss) before income taxes	US$ Mn.	(39)	138	381	575	187	235
Net income / (loss)	US$ Mn.	(42)	117	343	507	165	203
Key Ratios							
EBITDA Margin	%	20.9%	33.0%	37.6%	37.5%	39.0%	39.1%
Net Profit Margin	%	-	10.5%	18.7%	19.4%	19.6%	21.4%
Net Debt to funded equity ratio	Times	0.63	0.89	0.66	0.48	0.42	0.41
Return on Stockholders Equity	%	-	11.7%	28.0%	29.5%	29.6%	31.6%
Return on Capital employed	%	-	9.7%	18.0%	21.1%	24.0%	25.1%

1. *Annual financial highlights for the year ended March 31, 2003, 2004, 2005 and 2006 are based on consolidated audited results as per United States Generally Accepted Accounting Principles (US GAAP).*
2. *Income / (loss) before income taxes for the full year ended March 31, 2006, quarter ended June 30, 2006 and September 30, 2006 is before fringe benefit tax. Kindly refer glossary.*
3. *Financial highlights for the quarter ended June 30, 2006 and September 30, 2006 are un-audited and are based on the consolidated results as per United States Generally Accepted Accounting Principles (US GAAP).*
4. *Exchange rate for Rupee conversion to US$ is (a) Rs. 47.53 for financial year ended March 31, 2003 (b) Rs. 43.40 for the financial year ended March 31, 2004 (c) Rs. 43.62 for the financial year ended March 31, 2005 (d) Rs. 44.48 for the financial year ended March 31, 2006 (e) Rs. 45.87 for the quarter ended June 30, 2006 and (f) Rs. 45.95 for the quarter ended September 30, 2006 being the noon buying rate as announced by The Federal Reserve Bank of New York at the end of the respective periods.*

Section *2*

AN OVERVIEW

2.1 Introduction

We are one of India's leading private sector providers of telecommunication services with an aggregate of 28,692,627 customers as of September 30, 2006, consisting of 27,061,349 GSM wireless and 1,631,278 broadband & telephone customers. We are the largest wireless service provider in the country, based on the number of customers with operations in all the 23-telecom circles of India. We also provide broadband & telephone services and enterprise services. The enterprise services group has two sub-units - carriers (long distance services) and corporates. All these services are provided under the Airtel brand.

2.2 Business Divisions

- **Mobile Services** - We offer mobile and fixed wireless services (FWP) using GSM technology on 900MHz and 1800MHz bands, and are the largest wireless service provider in the country, based on the number of customers. Our 27,061,349 mobile customers accounted for a market share of 21.4% of wireless market, as on September 30, 2006.

We offer postpaid, prepaid, roaming and value added services through our extensive sales and distribution channel covering over 480,000 outlets.

We have presence in 4,357 census towns and over 1,55,000 non-census towns & villages in India, thus covering approximately 50% of the country's population. Our network coverage is one of the widest in the Indian telecom space with over 30,000 sites across the country. We have a state of the art network operating center in Gurgaon, near Delhi to monitor the health of our mobile telecommunication infrastructure across India.

- **Broadband & Telephone Services** - We provide broadband (DSL) & telephone services (fixed line) in 94 cities. We had 1,631,278 customers as on September 30, 2006 of which 29.0% were subscribing to broadband (DSL) services.

The strategic objective of our broadband & telephone business is to have a presence in cities with high revenue potential. Our product offering in this segment includes supply & installation of a fixed-line telephones providing local, national & international long distance voice connectivity and broadband Internet access through DSL. The business also provides value added services such as intelligent network based advanced management services, viz. toll free numbers, virtual private automatic branch exchange networks, ring back tones and call forwarding among others.

- **Enterprise Services** - Our Enterprise Services division comprises of the Carriers and Corporates business units.

Carriers – This business unit is India's first private long distance communications service provider offering a portfolio of wholesale services in data and voice domain. This business segment includes the pan India network infrastructure including the optical transport network, national and international voice-switching network, multi protocol label switches (MPLS), asynchronous transfer modes (ATM) and frame relays (FR) among others. It offers extensive coverage through 36,151 km long optical transport network connected with our two international submarine cable landing stations in Chennai for Network i2i (owned by an associate company) and SMW 4 (owned by a consortium of 16 telecom operators including Bharti Airtel). The cable stations provide international connectivity across transatlantic and transpacific routes with resilience and restorability.

This business unit has strategic partnership with international carriers that include BT, AT&T, MCI/VZB and SingTel to provide services to their customers in India.

Corporates – The group serves as the single point of contact for all data and telecommunication needs for corporates and provides end-to-end telecom solutions. It harnesses the power of alliances with owned media and technologies for various industry verticals such as BFSI, IT, ITES, manufacturing & distribution, media & services, government & PSUs, education, telecom, and retail among others. Services provided include mobile services, voice services, satellite services (BIT internet, VPNs, satellite based IPLCs for redundancy reasons), managed data & Internet services, managed e–business services and managed customised integrated solutions.

2.3 Partners

- **Strategic Equity Partners -** We have strategic alliance with SingTel, which has enabled us to further enhance and expand our telecommunications networks in India to provide quality service to our customers. The investment made by SingTel in our company is one of their largest investments made in the world outside Singapore.

We also have a strategic alliance with Vodafone, the world's leading mobile telecommunications company having ownership interests in 27 countries across 5 continents. In addition, the group has partner networks in a further 33 countries. The investment made by Vodafone in Bharti is one of the largest single foreign investments made in the Indian telecom sector.

- **Equipment & Technology Partners -** We believe in deploying the finest technology and operating state-of-the-art networks. Equipment suppliers for our mobile networks include Ericsson and Nokia. In the case of the telephone services and long distance networks, equipment suppliers include Siemens, Nortel, Corning, among others. We have an information technology alliance with IBM for our group - wide information technology requirements. We also have a technology alliance with Nortel for call center technology requirements.

Section 3

FINANCIAL HIGHLIGHTS

Un-audited financial results for the second quarter and half year ended September 30, 2006 as per United States Generally Accepted Accounting Principles (US GAAP).

Detailed financial statements, analysis and other related information is attached to this report as Annexures (page 25). Also, kindly refer to Section 7 (use of Non - GAAP financial information on page 19) and Glossary (page 36) for detailed definitions.

3 Consolidated - Summary of Consolidated Financial Statements

3.1.1 Consolidated Summarised Statement of Operations (net of inter segment eliminations)

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept 2006	Sept 2005	Y-on-Y Growth	Sept 2006	Sept 2005	Y-on-Y Growth
Total revenues	43,571	27,091	61%	82,135	52,264	57%
EBITDA	17,025	10,211	67%	32,046	19,618	63%
Cash profit from operations	16,437	9,367	75%	29,767	18,625	60%
Income before Income taxes	10,782	5,796	86%	19,381	11,776	65%
Current tax expense	1,195	410		2,290	921	
Income after current tax expense	9,587	5,385	78%	17,092	10,854	57%
Deferred tax expense	183	104		41	408	
Net income	9,338	5,209	79%	16,889	10,309	64%
EBITDA / Total revenues	39.1%	37.7%		39.0%	37.5%	

3.1.2 Consolidated Summarised Balance Sheet

Amount in Rs. Million

Particulars	As at September 30, 2006
ASSETS	
Total current assets	38,383
Total non current assets	230,643
Total assets	**269,026**
LIABILITIES AND STOCKHOLDERS' EQUITY	
Total current liabilities	104,434
Total non current liabilities	53,462
Total liabilities	**157,895**
Minority Interests	**1,487**
Total stockholders' equity	**109,643**
Total liabilities and stockholders' equity	**269,026**

3.2 Segment - wise Summarised Statement of Operations

3.2.1 Mobile Services - comprises of consolidated statement of operations of mobile operations.

Amount in Rs. Million, except ratios

Partibulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Total revenues	33,022	19,052	73%	61,432	36,516	68%
EBITDA	12,179	6,949	75%	22,520	13,034	73%
EBIT	8,085	4,341	86%	15,045	8,231	83%
EBITDA / Total Revenues	36.9%	36.5%		36.7%	35.7%	

3.2.2 Non-mobile Services – comprises of the Broadband & Telephone Services and Enterprise Services (carriers and corporates).

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Total revenues	15,753	10,927	44%	29,968	21,150	42%
EBITDA	5,343	3,526	52%	10,222	7,041	45%
EBIT	3,776	2,456	54%	7,283	4,991	46%
EBITDA / Total Revenues	33.9%	32.3%		34.1%	33.3%	

3.2.3 Broadband & Telephone Services - comprises of consolidated statement of operations of broadband & telephone operations.

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Total revenues	5,244	3,656	43%	10,426	7,059	48%
EBITDA	1,069	811	32%	2,262	1,795	26%
EBIT	195	262	-25%	579	739	-22%
EBITDA / Total Revenues	20.4%	22.2%		21.7%	25.4%	

3.2.4 Enterprise Services – comprises of the Enterprise Services – Carriers (Long distance services) and Enterprise Services - Corporates

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Total revenues	10,510	7,271	45%	19,542	14,090	39%
EBITDA	4,274	2,715	57%	7,960	5,246	52%
EBIT	3,581	2,194	63%	6,703	4,252	58%
EBITDA / Total Revenues	40.7%	37.3%		40.7%	37.2%	

3.2.4.1 Enterprise Services – Carriers - comprises of the domestic, international long distance operations and landing station (at Chennai).

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Total revenues	8,362	5,563	50%	15,426	10,771	43%
EBITDA	3,367	2,021	67%	6,117	3,890	57%
EBIT	2,864	1,565	83%	5,141	3,032	70%
EBITDA / Total Revenues	40.3%	36.3%		39.7%	36.1%	

3.2.4.2 Enterprise Services – Corporates

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Total revenues	2,148	1,708	26%	4,116	3,319	24%
EBITDA	907	694	31%	1,843	1,356	36%
EBIT	717	630	14%	1,562	1,220	28%
EBITDA / Total Revenues	42.2%	40.6%		44.8%	40.9%	

3.2.5 Others – comprises of Bharti corporate offices

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Total revenues	249	-	-	249	-	-
EBITDA	(346)	(259)	-	(465)	(453)	-
Depreciation & Others	93	(102)	-	144	(1)	-
EBIT	(439)	(157)	-	(609)	(453)	-

3.3 Segment-wise Investments and Contribution

3.3.1 Investments in projects

Amount in Rs. Million, except ratios

Segment	As at September 30, 2006	
	Rs. Million	% of Total
Mobile Services	205,084	72%
Broadband & Telephone Services	41,607	15%
Enterprise Services - Carriers	32,563	11%
Enterprise Services - Corporates	4,656	2%
Others	498	0%
Total	**284,408**	**100%**
Less:- Accumulated Depreciation & Amortisation	57,688	
Net Fixed Assets & Other Project Investment	**226,720**	

Note: The investment in projects comprises gross fixed assets, intangible assets, capital work in progress, gross goodwill and one-time entry fee paid towards acquisition of licenses.

3.3.2 Segment-wise Contribution to Revenue, EBITDA and Capex incurred during the period

Segment	Quarter Ended September 2006					
	Revenue		EBITDA		Capex	
	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total
Mobile Services	33,022	76%	12,179	72%	27,444	83%
Broadband & Telephone Services	5,244	12%	1,069	6%	1,631	5%
Enterprise Services - Carriers	8,362	19%	3,367	20%	3,232	10%
Enterprise Services - Corporates	2,148	5%	907	5%	1,682	5%
Others	249	1%	(346)	-2%	43	0%
Sub Total	**49,024**	**113%**	**17,175**	**101%**	**34,032**	**103%**
Eliminations	(5,453)	-13%	(151)	-1%	(1,121)	-3%
Total	**43,571**	**100%**	**17,025**	**100%**	**32,911**	**100%**

Note: Eliminations are on account of inter-segment transactions.

Segment	Half Year Ended September 2006					
	Revenue		EBITDA		Capex	
	Rs. Million	% of total	Rs. Million	% of total	Rs. Million	% of total
Mobile Services	61,432	75%	22,520	70%	45,497	84%
Broadband & Telephone Services	10,426	13%	2,262	7%	5,593	10%
Enterprise Services - Carriers	15,426	19%	6,117	19%	4,539	8%
Enterprise Services - Corporates	4,116	5%	1,843	6%	1,737	3%
Others	249	0%	(465)	-1%	129	0%
Sub Total	**91,649**	**112%**	**32,277**	**101%**	**57,495**	**106%**
Eliminations	(9,514)	-12%	(231)	-1%	(3,089)	-6%
Total	**82,135**	**100%**	**32,046**	**100%**	**54,406**	**100%**

Note: Eliminations are on account of inter-segment transactions.

SECTION 4

OPERATING HIGHLIGHTS

The financial figures used for computing ARPU, Non Voice revenue, SMS revenue, gross revenue per employee per month are based on United States Generally Accepted Accounting Principles (US GAAP).

4.1 Bharti Airtel Consolidated

Parameters	Unit	Sept. 30, 2006	June 30, 2006	Q-on-Q Growth	Sept. 30, 2005	Y-on-Y Growth
Customers on our Network						
Mobile Services	000's.	27,061	23,073	17%	14,068	92%
Broadband & Telephone Services	000's.	1,631	1,505	8%	1,061	54%
Total	**000's.**	**28,693**	**24,577**	**17%**	**15,129**	**90%**
Non Voice Revenue as a % of Total Revenues	%	15.2%	15.8%		17.1%	
Total On-Roll Employees	No.	18,584	14,374	29%	9,420	97%

4.2 Mobile Services

Parameters	Unit	Sept. 30, 2006	June 30, 2006	Q-on-Q Growth	Sept. 30, 2005	Y-on-Y Growth
Subscriber Base						
All India Mobile Subscribers*	000's.	126,612	109,245	16%	64,587	96%
Mobile Customers on Bharti's Network	000's.	27,061	23,073	17%	14,068	92%
Net Additions						
All India Mobile Subscribers	000's.	17,368	13,090	33%	7,681	126%
Mobile Customers on Bharti's Network	000's.	3,989	3,493	14%	1,812	120%
Market Share*						
Bharti's Mobile Market Share	%	21.4%	21.1%		21.8%	
Bharti's Market Share of Net Additions	%	23.0%	26.7%		23.6%	
Pre-Paid Customers						
Total Customer Base	%	85.5%	84.4%		77.5%	
Total Net Additions	%	92.0%	93.7%		89.9%	
Other Operating Information						
Average Revenue Per User (ARPU)	Rs.	438	441	-1%	476	-8%
Average Revenue Per User (ARPU)	US$	9.5	9.6	-1%	10.4	-8%
Average Minutes of Use Per User	Minutes	451	441	2%	388	16%
Monthly Churn						
Post-paid Voluntary Churn	%	1.2%	1.3%		1.4%	
Post-paid Company Initiated Churn	%	2.4%	2.1%		2.8%	
Prepaid	%	5.1%	4.7%		5.7%	
Non Voice Revenue						
SMS Revenue as a % of Mobile Revenues	%	6.1%	6.4%		7.1%	
Non Voice Revenue as a % of Mobile Revenues	%	10.3%	10.8%		10.9%	

*Note: * All India Mobile Subscribers has been restated to include Fixed Wireless Subscribers of operators, as some of the operators are no longer reporting fixed wireless subscribers separately. Bharti's mobile market share of the previous two quarters has been restated accordingly.*

Broadband & Telephone Services

Parameters	Unit	Sept. 30, 2006	June 30, 2006	Q-on-Q Growth	Sept. 30, 2005	Y-on-Y Growth
Broadband & Telephony Customers	000's.	1,631	1,505	8%	1,061	54%
Net additions	000's.	126	158	-20%	126	0%
Average Revenue Per User (ARPU)	Rs	1,115	1,202	-7%	1,203	-7%
Average Revenue Per User (ARPU)	US$	24.3	26.2	-7%	26.2	-7%

Note: From quarter ended June 30, 2006 onwards ARPU includes DSL revenues.

4.4 Traffic Details - Gross of inter-segment eliminations

Parameters	Unit	Sept. 30, 2006	June 30, 2006	Q-on-Q Growth	Sept. 30, 2005	Y-on-Y Growth
Mobile Services	Mn Min	33,844	28,194	20%	15,281	121%
Broadband & Telephone Services	Mn Min	4,080	3,780	8%	3,171	29%
National Long Distance Services	Mn Min	3,628	2,882	26%	1,508	141%
International Long Distance Services	Mn Min	882	753	17%	451	96%
Total Minutes on Network	**Mn Min**	**42,434**	**35,609**	**19%**	**20,411**	**108%**

4.5 Network and Coverage

Parameters	Unit	Sept. 30, 2006	June 30, 2006	Q-on-Q Movement	Sept. 30, 2005	Y-on-Y Movement
Mobile Services						
Census Towns	No.	4,357	4,026	331	3,200	1,157
Non-Census Towns & Villages	No.	155,076	101,614	53,462	n/a	-
Population Coverage	%	50%	46%	-	n/a	-
Broadband & Telephone Services						
No. of cities covered	No.	94	92	2	75	19
Carriers (National Long Distance)						
Optic Fibre Network	Rkms	36,151	35,016		30,271	5,880

4.6 Human Resource Analysis

Parameters	Unit	Sept. 30, 2006	June 30, 2006	Q-on-Q Growth	Sept. 30, 2005	Y-on-Y Growth
Consolidated						
Total On-Roll Employees	No.	18,584	14,374	29%	9,420	97%
Number of Customers per employee	No.	1,544	1,710	-10%	1,606	-4%
Mobile Services						
Number of Customers per employee	No.	3,886	3,483	12%	2,606	49%
Gross Revenue per employee per month	Rs.	1,580,819	1,429,677	11%	1,176,480	34%
Broadband & Telephone Services						
Number of Customers per employee	No.	178	261	-32%	417	-57%
Gross Revenue per employee per month	Rs.	190,259	299,935	-37%	478,823	-60%
Enterprise Services - Carriers						
Gross Revenue per employee per month	Rs.	3,318,256	2,921,560	14%	3,511,837	-6%
Enterprise Services - Corporates						
Gross Revenue per employee per month	Rs.	596,022	688,527	-13%	772,619	-23%

SECTION 5

MANAGEMENT DISCUSSION & ANALYSIS

5.1 Key Industry and Company Developments

5.1.1 Industry

Recommendations on Allocation and Pricing of Spectrum for 3G Services and Broadband Wireless Access (BWA)

In May 2006, the Department of Telecommunications (DoT) sought the recommendations of the Telecom Regulatory Authority of India (TRAI) on the methodology for allocation of spectrum for 3G services and its pricing aspects. TRAI convened a public consultation in June 2006 to formulate its recommendations. On September 27, 2006, TRAI has given the following recommendations:

- Allocation of 3G spectrum should be treated as a stand alone exercise and not as an extension of 2G spectrum;
- Three bands i.e. 450 MHz, 800 MHz and 2.1 GHz may be used for 3G services in India, of which 800 MHz & 450 MHz are exclusively for CDMA;
- Current estimates indicate availability of 2 x 32.5 MHz of spectrum for 3G in a time frame of 6-9 months as per the following:
  • 5 blocks of 2 x 5 MHz in 2.1 GHz band
  • 2 blocks of 2 x 1.25 MHz in 800 MHz band
  • 1 block of 2 x 5 MHz in 450 MHz band
- Allocation of 2.1 GHz to GSM should be through auction wherein only existing operators may participate;
- Reserve price for 2.1 GHz band should be:
  • Rs. 800 mn for Mumbai, Delhi, Category A circles,
  • Rs.400 mn for Chennai, Kolkata, Category B circles
  • Rs. 150 mn for Category C circles.
- 450 MHz has been identified for CDMA on a separate plank with rural roll-out commitments and comparatively attractive allocation criteria to encourage the use of this band as it has excellent propagation characteristics suited especially for rural areas.
- CDMA operators having unified access service license shall have the option to seek one carrier in the 800 MHz band. In addition, they can either opt for one block of 2x5 MHz in 450 MHz band or participate in the bidding for 2.1 GHz band. If it succeeds in the bidding for 2.1 GHz, it can either retain 2x1.25 MHz in 800 MHz band and take 2x3.75 GHz in 2.1 GHz band else it can give up the spectrum in 800 MHz band and take 2 x 5 MHz in 2.1 GHz band.
- Since only 1 block of 2x5 MHz is available in the 450 MHz band, if more than one CDMA operators opt for 450 MHz band, then one stage bidding may be organized. Reserve price shall be half the reserve price set for 2.1 GHz in that service area.
- The second highest winning bid in the 2.1 GHz auction should be prorated to a per 2x1.25 MHz price for the spectrum in the 800 MHz band.
- DoT to verify the technical feasibility of Mixed Band allocation (co-existence of 1900 MHz for CDMA & 2.1 GHz for GSM);
- Specific roll-out obligations for 2.1 GHz and 450 MHz band whereas no rollout is envisaged for 800 MHz band
- For non-fulfillment of roll-out obligations, spectrum hoarding cess of 2.5 % of their winning auction bid per quarter should be imposed. In case obligations are not completed in the second year also, spectrum assignment should be cancelled and re-allocated to a new operator.
- One year moratorium on incremental annual spectrum charge. Thereafter additional annual spectrum charge of 1 % of the operator's total annual gross revenue;
- For BWA, at least 200 MHz of spectrum should be made available until 2007 and additional 100 MHz should be earmarked by 2010;
- Operators with current spectrum assignments in the 3.3 - 3.4 GHz band should be given the option to migrate to circle-wide operations by December 2006 and DoT should then allocate this spectrum for BWA technologies;
- DoT should get 100 MHz for BWA in the 3.4 –3.6 GHz band, coordinated with Department of Space and make appropriate allocations;
- 200 MHz of spectrum in the 3.3 - 3.4 GHz and 3.4 - 3.6 GHz bands may be allocated circle-wide to 13 operators in contiguous blocks of 15 MHz each through a one-stage sealed bid auction;
- In order to ensure availability of additional spectrum, its efficient utilization, planning for future requirement and effective monitoring a National Frequency Management Board (NFMB) may be constituted;

Based on the above recommendations and the national telecom policy objectives, DoT will frame the policy for 3G spectrum. As per the announcement made by Hon'ble Minister of Communications & IT, DoT will announce its policy within the next 3 months. The Hon'ble Minister has also indicated that operators would be in a position to commercially launch 3G services by the second half of 2007.

Verification of Prepaid Subscriber Base

Verification of subscribers, both prepaid and postpaid, is a license condition of all cellular and unified access service operators. In order to co-ordinate and oversee proper subscriber verification, as per the license conditions and the process stipulated by DoT, Cellular Operator Association of India (COAI) & Association of Unified Telecom Service Providers of India (AUSPI) jointly set up the Apex Advisory Council for Telecom in India (ACT) in April 2006. The ACT has laid down a common standard procedure for verification of mobile connections.

During May 2006, in a joint meeting of the representatives of the industry with DoT, DoT directed all telecom service providers to re-verify their complete pre-paid subscriber base within 5 months. The operators have initiated the activity as per directions of DoT. Further, COAI & AUSPI have jointly proposed to DoT that: (i) operators shall confirm 100% availability of documents of all existing & new subscribers (ii) operators shall perform 10% (random) address verification. DoT is yet to respond to the proposal.

Increase in Foreign Direct Investment (FDI) cap from 49% to 74%

On November 03, 2005, the Government of India had announced enhancement of FDI ceiling from 49% to 74% in telecom sector subject to certain preconditions. Telecom licensees were required to submit a compliance report to DoT by March 02, 2006. The DoT has extended this deadline till

January 02, 2007, in view of the complications involved in implementation.

Recommendations on the Items of Revenue includable in Adjusted Gross Revenue (AGR)

Currently, Telecom Service Licensees pay annual License Fee to DoT as a percentage of Adjusted Gross Revenue (AGR), as defined in the respective Licenses. The present definition of AGR includes many items of revenue of the licensee company arising from non-licensed activity i.e. unrelated to provision of telecom service.

In 2003, AUSPI had challenged this definition before the Hon'ble Telecom Disputes Settlement and Appellate Tribunal (TDSAT). Similar petition was filed by COAI in TDSAT in 2005.

In its Order dated July 07, 2006 the Hon'ble Tribunal remanded the matter to TRAI seeking its recommendations on individual components of revenue that can be considered as part of AGR. On September 13, 2006, TRAI submitted its detailed recommendations on items of revenue to be included and excluded from the AGR for calculation of License Fee.

For detailed recommendations, visit the TRAI website:
http://www.trai.gov.in/

TRAI Decision on Interconnect Usage Charge (IUC) for Short Message Service (SMS)

Currently, the exchange of SMS between networks of different operators is based on mutual agreement and most of the operators have adopted a 'bill & keep' approach for charging. In view of increasing popularity of SMS as a means of communication and advertisement, and with the availability of numerous tariff plans offering free/discounted tariffs for SMS, the SMS traffic has increased significantly.

In June 13, 2006 TRAI commenced a public consultation to discuss whether the current situation justifies regulatory intervention in the form of fixation of an IUC for SMS akin to IUC voice calls or whether SMS revenue sharing should be left to market forces.

On August 21, 2006, TRAI published its decision to refrain from specifying any SMS Termination Charge leaving the same under the "Forbearance" category. Further, TRAI has expressed its concern that the tariff for Premium Rate SMS is high and apparently unrelated to cost and hopes that operators will voluntarily reduce these tariffs. TRAI has also directed operators to give wide publicity to tariffs for premium rate SMS in collaboration with the content providers for greater consumer awareness.

TRAI Decision on the admissibility of Revenue Share between Visiting Network and Terminating Network for Roaming Calls

In June 2006 TRAI had conducted another consultative exercise to discuss whether in case of roaming subscribers, the terminating network should get only the prescribed Termination Charges or should there be any revenue sharing between the visiting network and terminating network, in view of higher tariffs for calls originated by roaming subscribers.

TRAI published its decision on September 11, 2006 disallowing any revenue sharing on roaming calls. TRAI feels that allowing any revenue sharing will exert upward pressure on Roaming Tariffs. Moreover TRAI maintains that the Termination Charges prescribed by them are cost based and since no additional cost is incurred in terminating roaming traffic, there is no justification for higher payout to the Terminating Network.

Regulation on Quality of Service (QoS) for Broadband Service

On October 08, 2006 TRAI released a regulation on QoS for braodband services pursuant to a public consultation conducted in June 2006. This regulation shall be applicable effective January 01, 2007 to all Internet Service Providers, Unified Access Service Providers, Basic Service Providers and Cellular Mobile Service Providers providing broadband services.

Treatment of Fixed Wireless Services

Both Tata & Reliance had gone in appeal before the Supreme Court against the TDSAT Orders declaring their fixed wireless services to be of the nature of limited mobility service. The matters are listed for hearing in the Supreme Court in November 2006 and January 2007 respectively.

Mobile Number Portability

In March 2006 TRAI had submitted its recommendations to the DoT on mobile number portability (MNP) wherein it had recommended that MNP should be implemented in India by April 2007. The policy for introduction of MNP has to be framed by DoT. However, DoT has not shown any keenness in introduction of MNP at present.

Draft Regulation on Intelligent Network (IN) Services

The matter is still being discussed with operators by TRAI.

Implementation of Carrier Selection

DoT has not yet announced any policy on the subject.

Bharti (Mobile Services) – Punjab Circle Litigation

The arbitration proceedings for a claim for the refund of license fee and interest paid to the DoT were decided against Bharti Mobile, the licensee of the Punjab mobile circle. The company has already paid the license fees and interest thereon before the commencement of arbitration proceedings. The company challenged the award before the Hon'ble Delhi High Court and the matter is now listed for final hearing on January 29, 2007.

5.1.2 COMPANY

Key developments

- Bharti Airtel was awarded the **'Most Admired Knowledge Enterprises"** (MAKE) in 2006, announced at the INFOVISION summit held in Bangalore in October 2006. The company is the only telecom services company in the world to be part of the prestigious list of MAKE 2006.
- The BusinessWeek Magazine ranked Bharti Airtel as the **13th best performing company in Asia across all sectors in 'The Asia BusinessWeek 50' list**. The Asia

BusinessWeek 50 is an annual ranking of Asia's best performing companies across all sectors.

- Bharti Airtel won awards in two categories at the **MIS Asia IT Excellence Awards 2006** - the **'Best Bottom Line IT'** and **'Best Knowledge Management'** category and is the only Indian Telecom Company to win these awards. The awards recognize companies that have pushed the boundaries of excellence and demonstrated outstanding performance in IT implementation.

- The company crossed the 25 million-customer milestone in July 2006 and became **the first Indian private telecom company to join an exclusive list of global telecom operators with more than 25 million customers**. This landmark customer base was achieved in just over 10 years, making Bharti Airtel one of the youngest companies in this list.

- The company has partnered with IBM to deliver **India's first 'Service Delivery Platform**' (SDP). Airtel's customers can now get the benefit of a complete service experience through service personalization, single access point, single sign-on to its mobile, landline as well as broadband and enterprise customers across the country. With this implementation, Bharti Airtel will become the first service provider in India to have a comprehensive service delivery platform. IBM will develop, manage and operate this Service Delivery Platform (SDP) for Bharti Airtel.

- Airtel became the **first Telco to offer Microsoft's latest Windows Mobile 5.0 technology in India.** This has enabled Airtel customers to access corporate email via direct push technology. The service will deliver powerful business applications and multimedia experience to all Enterprise and SME customers across India.

- Bharti Airtel signed an estimated **USD 1-billion network expansion contract with Ericsson**. The contract will enable Bharti Airtel to rapidly expand its mobile services footprint further and reach out to all towns and cities in 15 telecom circles in the country. The three-year service contract with Ericsson is towards the design, planning, supply and installation commissioning of Airtel networks in these circles.

5.2 Results of Operations

The company has reported its un-audited financial statements and operational results for the second quarter and half year ended September 30, 2006. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles US GAAP).

Key Highlights - *For the quarter ended September 30, 2006*

- **Total Revenues of over Rs. 43.6 billion (up 61% Y-o-Y)**
- **EBITDA of Rs. 17.0 billion (up 67% Y-o-Y)**
- **Cash profit from operations of Rs. 16.4 billion (up 75% Y-o-Y)**
- **Net Income of Rs. 9.3 billion (up 79% year on year).**
- **Highest ever net additions of 4.1 million of customers on its network**
- **Market leader with a market share of all India wireless subscribers at 21.4%.**

Bharti Airtel Consolidated

Customer Base

As on September 30, 2006, the company had an aggregate of 28,692,627 customers, consisting of 27,061,349 GSM mobile and FWP and 1,631,278 broadband & telephone customers. Its total customer base as on September 30, 2006 increased by approximately 90% compared to the customer base as on September 30, 2005.

Revenues/Turnover

During the quarter ended September 30, 2006, the company had revenues of Rs. 43,571 million; a growth of 61% compared to the quarter ended September 30, 2005. Revenues from Bharti's mobile services represented 76% of the total revenues for the quarter ended September 30, 2006. Non-voice revenue contributed to approximately 15.2% of the total revenues for the quarter.

Operating Expenses (ex-revenue share, license and spectrum fee)

During the quarter ended September 30, 2006, the company incurred an opex of Rs. 15,471 million representing 35.5% of the total revenues. The operating expense primarily comprises of

- Rs. 5,228 million towards network operations costs (~ 12.0 % of turnover)
- Rs. 2,908 million towards employee costs, (~ 6.7% of turnover)
- Rs. 7,383 million towards selling general and administrative costs (~ 16.9 of turnover)

The operating expenses grew by 68% compared to the quarter ended September 30, 2005. The increase in operating expenses is associated to the costs pertaining to the expansion of operations.

EBITDA, Finance Cost (net) and Cash Profit from Operations

During the quarter ended September 30, 2006, the company had an EBITDA of Rs. 17,025 million; a growth of 67% compared to the quarter ended September 30, 2005.The EBITDA margin for the quarter was 39.1% as compared to 37.7% for the quarter ended September 30, 2005. The increase in EBITDA was mainly due to the operating efficiencies derived from the economies of scale and benefits of integrated operations.

The net finance cost for the quarter ended September 30, 2006 was Rs. 587 million. The interest on borrowings during the quarter was Rs. 762 million and the finance income (primarily related to income on marketable securities) was Rs. 105 million. The balance amount was other finance costs, effect of exchange fluctuation and the effect of derivative accounting.

The cash profit from operations for the quarter was Rs. 16,437 million, an increase of 75%, as compared to the quarter ended September 30, 2005.

During the quarter ended September 30, 2006, the company had depreciation & amortisation expenses of Rs. 5,926 million. The depreciation & amortisation expenses grew by 60% compared to the quarter ended September 30, 2005.

Income Before Income Taxes

The income before income tax for the quarter was Rs. 10,782 million, an increase of 86%, as compared to the quarter ended September 30, 2005.

The current tax (including fringe benefit tax) for the quarter ended September 30, 2006 was Rs. 1,195 million and deferred tax expense of Rs. 183 million.

Net Income

The net income for the quarter ended September 30, 2006, was Rs 9,338 million.

Balance Sheet

As on September 30, 2006, the company had total assets of Rs. 269 billion and total liabilities of Rs. 158 billion respectively. The difference of Rs. 111 billion was on account of stockholder equity and minority interest.

The company had a net debt of Rs. 44,589 million (US$ 970 million) as on September 30, 2006, resulting in a net debt to EBITDA (LTM) of 0.80.

Capital Expenditure

During the quarter ended September 30, 2006, the company incurred capital expenditure of Rs. 32,911 million (US$ 716 million).

Human Resources

As on September 30, 2006, the company had a total of 18,584 employees consisting of 6,963 in mobile services, 11,228 in non-mobile services and 393 in corporate offices.

Mobile Services

Customer Base, Churn, ARPU and MoU

As at the end of the quarter the company had 27,061,349 GSM mobile customers on its network, which accounted for a market share of 21.4% of the All India mobile market.

Of its 27,061,349 GSM mobile customers as of September 30, 2006, postpaid customer contributed approximately 14.5% to the overall customer base while pre-paid customers contributed the balance 85.5%. During the quarter, its share of new additions was 23.0% of the All India mobile subscriber net additions.

The monthly churn for the quarter ended September 30, 2006 was 3.6% (1.2% voluntary churn and 2.4% company initiated churn) for its post-paid segment while it was 5.1% for the pre-paid segment.

During the quarter, blended ARPU was Rs. 438 (US$ 9.5) per month as compared to Rs. 441 for the quarter ended June 30, 2006. The blended monthly usage per customer, during the quarter, was at 451 minutes, an increase of 2% on a quarter on quarter basis. The non-voice revenue, which includes Short Messaging Service (SMS), voice mail service, call management and other value added services like Hello Tunes and Airtel Live contributed to approximately 10.3% of the total revenue of the segment. The Short Messaging Services (SMS) revenue, which is primarily text messaging accounted for 6.1% of the total revenue of the segment, for the quarter ended September 30, 2006.

Revenues, EBITDA and EBIT

The revenues for the quarter ended September 30, 2006 for mobile services stood at Rs 33,022 million, an increase of 73% over last year. The revenue from this segment contributed to 76% of its total consolidated revenues. The EBITDA during the quarter ended September 30, 2006 was Rs 12,179 million representing growth of 75% over the quarter ended September 30, 2005. The EBITDA margin for the quarter ended September 30, 2006 was 36.9%. The EBIT for the quarter ended September 30, 2006 was Rs 8,085 million representing a growth of 86% over the quarter ended September 30, 2005.

Capital Expenditure

During the quarter ended September 30, 2006, the company incurred a capital expenditure of Rs 27,444 million (US$ 597 million).

<u>Broadband & Telephone Services</u>

Customer Base and ARPU

At the end of the quarter ended September 30, 2006, the company had its broadband & telephone operations in 94 cities. During the quarter, the company added 1,26,438 customers on its broadband & telephone networks with 1,631,278 customers as on September 30, 2006. The company had approximately 4,73,000 broadband & telephone services customers subscribing to such services.

The ARPU for the quarter was Rs. 1,115 (US$ 24.3) per month.

Revenues, EBITDA and EBIT

For the quarter ended September 30, 2006, the revenues from its broadband & telephone operations of Rs 5,244 million, represented a growth of 43% on year-on-year basis. The EBITDA for the quarter was Rs. 1,069 million compared to Rs. 811 million in the corresponding prior year quarter, an increase of 32% respectively. The EBITDA margin for this segment was 20.4% for the quarter ended September 30, 2006. The EBIT for the quarter ended September 30, 2006 was Rs 195 million.

Capital Expenditure

During the quarter ended September 30, 2006, the company incurred a capital expenditure of Rs 1,631 million (US$ 36 million).

<u>Enterprise Services - Carriers</u>

Revenues, EBITDA and EBIT

For the quarter ended September 30, 2006, the revenues from its long distance services was Rs. 8,362 million representing a growth of 50% over the corresponding quarter last year. The EBITDA from this segment during the quarter was Rs 3,367 million, a growth of 67% over the corresponding quarter last year. The EBITDA margin, for the quarter, was 40.3%. The EBIT of this segment was Rs. 2,864 million representing a growth of 83% over the corresponding quarter last year.

<u>Enterprise Services - Corporates</u>

Revenues, EBITDA and EBIT

For the quarter ended September 30, 2006, the revenue from this segment was Rs. 2,148 million, a growth of 26% over the corresponding quarter last year. The EBITDA for this segment for the quarter ended September 30, 2006 was Rs. 907 million. The EBITDA margin for this segment in the quarter ended September 30, 2006 was 42.2%.

<u>Additional information:-</u>

1. Till June 30, 2006, the Company depreciated assets costing less than Rs. 5000 at 100% at the time of deployment. On a reconsideration to align its accounting policy with business objective, the company while retaining the depreciation at 100% has decided to apply it on a per annum basis i.e. over 12 months from deployment. Consequently, depreciation for quarter and half year (other than in respect of telephone instruments and modems as explained in notes below) ending September 30, 2006 is lower by Rs. 222 million and Rs. 405 million respectively and profit before tax higher by the same amount.

2. During the current quarter, company has reclassified customer premises equipments (CPE), comprising telephone instruments, modems and fixed wireless terminals as fixed assets in line with policy upto March 31, 2006 (this was changed to inventory in last quarter). Consequent impact on account of change in the accounting treatment as per note 1 above, and the reclassification of CPE's from inventory to fixed assets is a higher depreciation for quarter and half year ended September 30, 2006 of Rs 225 million, lower total expenditure of Rs. 806 million and an increase in profit by Rs 581 million.

3. During the quarter, Gross Revenue is lower due to a one time reversal of Rs. 292 million resulting from non-adherence of certain laid down company policies, which also led to an additional provision of bad and doubtful debts amounting to Rs. 240 million.

SECTION 6

Stock Market Highlights

6.1 General Information

Shareholding & Financial Data	Unit	
No. of Shares Outstanding (September 30, 2006)	Million Nos	1,895
Closing Market Price - BSE (October 23, 2006)	Rs./Share	498
Market Capitalisation	Rs. Million	943,573
Book Value Per Share	Rs.	57.84
Market Price/Book Value	Times	8.61
Net Debt to EBITDA (LTM)	Times	0.80
Enterprise Value	Rs. Million	988,161
Enterprise Value/ Annualised Q2 Revenue	Times	5.67
Enterprise Value/ Annualised Q2 EBITDA	Times	14.51

Stock Data	
Code/Exchange	532454/BSE
Bloomberg/Reuters	BHARTI IN/BRTI.BO
Shareholding Pattern	As on Sept. 30, 2006
Bharti Telecom Ltd	45.37%
Singtel (Pastel Ltd)	15.60%
Vodafone	5.62%
Others[1]	0.25%
Free Float	33.16%
Total	**100.00%**
Combined Volume (NSE & BSE) July 01, 2006 - October 23, 2006)	1.0 million per day

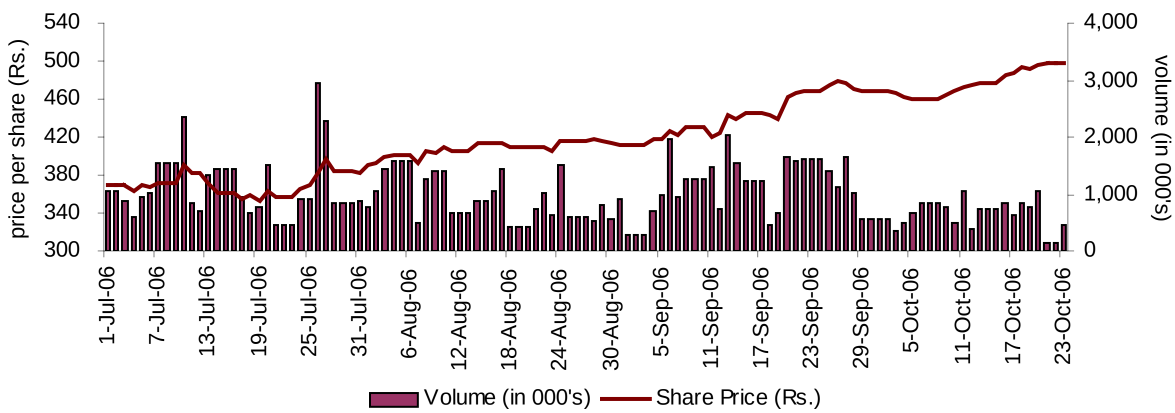
Note: 1. Others include Employee Welfare Trusts/ESOPs and Directors & Relatives.

6.2 Summarised Shareholding pattern as of September 30, 2006

Category	Number of Shares	%
Promoter & Promoter Group		
Indian	859,986,028	45.37%
Foreign	295,659,650	15.60%
Sub total	**1,155,645,678**	**60.97%**
Public Shareholding		
Institutions	560,740,416	29.58%
Non-institutions	179,099,079	9.45%
Sub total	**739,839,495**	**39.03%**
Total	**1,895,485,173**	**100.00%**

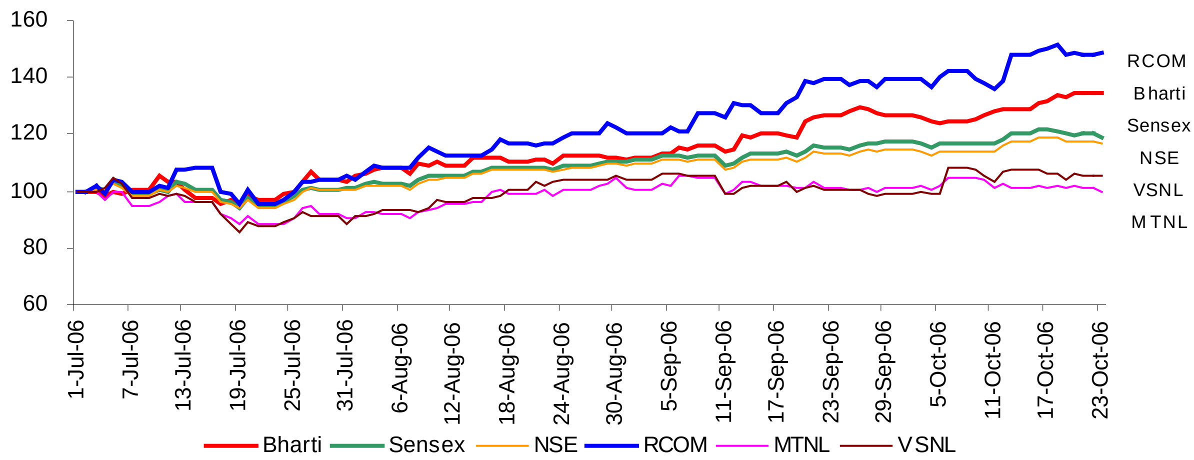
For detailed shareholding pattern of the company kindly visit our website - http://www.bhartiairtel.in

6.3 Bharti Airtel Daily Stock price` (BSE) & Volume (Combined of BSE & NSE) Movement



Source: Bloomberg

6.4 Comparison of Domestic Telecom stock movement with Sensex and Nifty



Source: Bloomberg

SECTION 7

Use of Non-GAAP Financial Information

In presenting and discussing the Company's reported financial position, operating results and cash flows, certain information is derived from amounts calculated in accordance with US GAAP, but this information is not in itself an expressly permitted GAAP measure. Such non - GAAP measures should not be viewed in isolation as alternatives to the equivalent GAAP measures.

A summary of certain of the non - GAAP measures included in this report, together with details where additional information and reconciliation to the nearest equivalent GAAP measure can be found, is shown below.

Non - GAAP measure	Equivalent GAAP measure for USGAAP	Location in this results announcement of reconciliation and further information
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	Operating Income	Consolidated Page 20, Mobile Services: - Page 21, Non Mobile Services: - Page 22, Broadband & Telephone Services: - Page 22, Enterprise Services (Carriers): - Page 22, Enterprise Services (Corporates): - Page 23, Others: - Page 23.
Earnings before Interest and Taxation	Operating Income	Consolidated Page 20, Mobile Services: - Page 21, Non Mobile Services: - Page 22, Broadband & Telephone Services: - Page 22, Enterprise Services (Carriers): - Page 22, Enterprise Services (Corporates): - Page 23, Others: - Page 23.
Cash Profit from Operations	Operating Income	Page 20
Income after current tax expenses	Income before taxation	Page 20
Net Debt	N.A	Page 20
Net Revenues	Total revenues	Page 20
Earnings before Interest & Taxes [for Non-mobile Services]	N.A.	Page 22
Total Revenues [for Non-mobile Services]	N.A.	Page 22
Total Non Current Assets	N.A	Page 21
Total Non Current Liabilities	N.A	Page 21
Schedule of cost of services	N.A	Page 24
Schedule of depreciation and amortization	N.A	Page 24
Schedule of finance cost	N.A	Page 24
Schedule of income tax	N.A	Page 24

7.1 Reconciliation of Non-GAAP financial information based on USGAAP

7.1.1 Consolidated

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Operating Income To EBITDA		
Operating Income	**11,096**	**21,137**
Depreciation & Amortisation	5,926	10,898
Pre-operating cost	2	11
EBITDA	**17,025**	**32,046**
Operating Income to Cash Profit from Operations		
Operating Income	**11,096**	**21,137**
Depreciation & Amortisation	5,926	10,898
Pre-operative costs	2	11
Interest income	30	788
Interest expense	(618)	(3,067)
Cash Profit from Operations	**16,437**	**29,767**
Operating Income to EBIT		
Operating Income	**11,096**	**21,137**
Less:		
Non operating expenses	51	52
Add:		
Other income	320	571
EBIT	**11,369**	**21,660**
Net Debt		
Long term debt, net of current portion	41,883	41,883
Short-term borrowings and current portion of long-term debt	9,622	9,622
Less:		
Cash and cash equivalents	3,115	3,115
Restricted cash	176	176
Restricted cash, non-current	61	61
Short term investments	3,066	3,066
Investments	500	500
Net Debt	**44,589**	**44,589**
Total Revenue to Net Revenue		
Total Revenue	**43,571**	**82,135**
Less:-		
Access charges	7,190	13,802
Net Revenue	**36,381**	**68,333**
Operating expenses		
Network operations costs	5,228	9,982
Equipment costs	(48)	287
Employee costs	2,908	5,273
Selling general and administrative costs	7,383	13,465
Operating Expenses	**15,471**	**29,006**
Income before Income taxes to Income after current tax expense		
Income before Income taxes	10,782	19,381
Less:-		
Current tax expense	1,195	2,290
Income after current tax expense	**9,587**	**17,092**

7.1.1 Consolidated (contd.)

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Property and equipment, net	188,268	188,268
Acquired intangible assets, net	14,572	14,572
Goodwill	23,692	23,692
Investment in associates and joint ventures	189	189
Investments	500	500
Restricted cash, non-current	61	61
Other assets	3,362	3,362
Total Non Current Assets	**230,643**	**230,643**

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Long-term debt, net of current portion	41,883	41,883
Deferred taxes on income	3,587	3,587
Unearned income- Indefeasible right to use sales	3,968	3,968
Other liabilities	4,024	4,024
Total Non Current Liabilities	**53,462**	**53,462**

7.1.2 Mobile Services

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Operating Income To EBITDA		
Operating Income	**7,859**	**14,677**
Depreciation & Amortisation	4,320	7,843
EBITDA	**12,179**	**22,520**
Operating Income to EBIT		
Operating Income	**7859**	**14677**
Less:		
Share of profits in associates/ joint ventures	(1)	1
Add:		
Other income	225	369
EBIT	**8085**	**15045**

7.1.3 Non-mobile Services

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Revenues For Non-mobile Services		
Revenues from Broadband & Telephone Services	5,244	10,426
Revenues from Enterprise Services	10,510	19,542
Revenues For Non-mobile Services	**15,753**	**29,968**
EBITDA For Non-mobile Services		
EBITDA from Broadband & Telephone Services	1,069	2,262
EBITDA from Enterprise Services	4,274	7,960
EBITDA For Non-mobile Services	**5,343**	**10,222**
EBIT For Non-mobile Services		
EBIT from Broadband & Telephone Services	195	579
EBIT from Enterprise Services	3,581	6,703
EBIT For Non-mobile Services	**3,776**	**7,283**

7.1.4 Broadband & Telephone Services

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Operating Income To EBITDA		
Operating Income	**177**	**564**
Depreciation & Amortisation	890	1,687
Pre-operating cost	2	11
EBITDA	**1,069**	**2,262**
Operating Income to EBIT		
Operating Income	**177**	**564**
Add:		
Other income	19	15
EBIT	**195**	**579**

7.1.5 Enterprise Services – Carriers (Long Distance Services)

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Operating Income To EBITDA		
Operating Income	**2,810**	**5,048**
Depreciation & Amortisation	556	1,069
EBITDA	**3,367**	**6,117**
Operating Income to EBIT		
Operating Income	**2,810**	5048
Less:		
Share of profits in associates/ joint ventures	(3)	(5)
Add:		
Other income	51	89
EBIT	**2,864**	**5141**

7.1.6 Enterprise Services - Corporates

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Operating Income To EBITDA		
Operating Income	**695**	**1,469**
Depreciation & Amortisation	212	374
EBITDA	**907**	**1,843**
Operating Income to EBIT		
Operating Income	**695**	**1,469**
Add:		
Other income	22	94
EBIT	**717**	**1,562**

7.1.7 Others

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Operating Income To EBITDA		
Operating Income	**(393)**	**(561)**
Depreciation & Amortisation	47	96
EBITDA	**(346)**	**(465)**
Operating Income To EBIT		
Operating Income	**(393)**	**(561)**
Less:		
Share of profits in associates/ joint ventures	(1)	0
Non operating expenses	51	52
EBIT	**(439)**	**(609)**

7.2 Schedule to Financial Statements

7.2.1 Schedule of cost of services

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Access charges	7,190	13,802
Licence fees, revenue share & spectrum charges	3,886	7,281
Network operations costs	5,228	9,982
Employee costs	2,908	5,273
Depreciation & amortisation	5,805	10,652
Cost of Services	**25,016**	**46,990**

7.2.2 Schedule of Depreciation and Amortisation

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Fixed Assets	5,516	10,084
Licence Fees	155	313
ESOP	89	172
Intangibles	165	330
Depreciation and Amortisation	**5,926**	**10,898**

7.2.3 Schedule of finance cost (net)

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Interest on borrowings	762	1,475
Finance charges	400	505
Finance income	(105)	(198)
Derivatives & exchange fluctuation	(471)	497
Finance cost (net)	**587**	**2,279**

7.2.4 Schedule of income tax

Amount in Rs million

Particulars	Quarter Ended September 2006	Half Year Ended September 2006
Current tax expense	1,195	2,290
Deferred tax expense	183	41
Income tax expense	**1,378**	**2,330**

ANNEXURES – DETAILED FINANCIAL AND RELATED INFORMATION

A.1 FINANCIAL STATEMENTS AS PER UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP)

A.1.1 Consolidated Statement of Operations (as per USGAAP)

Amount in Rs. Million, except ratios

Particulars	Quarter Ended			Half Year Ended		
	Sept. 2006	Sept. 2005	Y-on-Y Growth	Sept. 2006	Sept. 2005	Y-on-Y Growth
Revenues						
Services	43,301	26,678	62%	81,605	51,445	59%
Indefeasible right ot use sales	109	114	-4%	218	216	1%
Equipment	161	299	-	312	602	-
Total Revenues	**43,571**	**27,091**	**61%**	**82,135**	**52,264**	**57%**
Operating Expenses						
Cost of Services	(25,016)	(16,100)	55%	(46,990)	(30,808)	53%
(Inclusive of depreciation and amortisation)						
Costs of equipment sales	48	(274)		(287)	(593)	-52%
Selling, general & administrative expenses	(7,505)	(4,207)	78%	(13,711)	(8,349)	64%
(Inclusive of depreciation and amortisation)						
Pre-operating cost	(2)	(6)	-61%	(11)	(12)	-10%
Total Operating Expense	**(32,475)**	**(20,587)**	**58%**	**(60,998)**	**(39,763)**	**53%**
Operating Income	**11,096**	**6,503**	**71%**	**21,137**	**12,501**	**69%**
Interest expense	(618)	(911)		(3,067)	(1,377)	
Interest income	30	66		788	383	
Share of profits in associates / joint ventures	4	1		4	(2)	
Other income	320	137		571	272	
Non operating expenses	(51)	(1)		(52)	(2)	
Income before Income Taxes	**10,782**	**5,796**	**86%**	**19,381**	**11,776**	**65%**
Income tax expense	(1,378)	(514)		(2,330)	(1,329)	
Minority interest	(66)	(72)		(162)	(138)	
Net income	**9,338**	**5,209**	**79%**	**16,889**	**10,309**	**64%**
Earnings / (loss) per share for profit attributable to common shareholders						
Basic	4.94	2.79		8.93	5.53	
Diluted	4.93	2.79		8.91	5.48	
Weighted average number of shares used in computing earnings / (loss) per share						
Weighted average number of common shares (in millions)	1,892	1,870		1,891	1,865	
Weighted average number of diluted shares (in millions)	1,895	1,870		1,895	1,889	

6A.1.2 Consolidated Balance Sheet (as per USGAAP)

Amount in Rs. Million

Particulars	As at September 30, 2006
ASSETS	
Cash and cash equivalents	3,115
Accounts receivable, net of allowances for doubtful debts	12,822
Unbilled receivables	3,994
Inventories	642
Short term investments	3,066
Deferred taxes on income	1,596
Derivative financial instruments	1,122
Restricted cash	176
Prepaid expenses and other current assets	11,529
Due from related parties	321
Total Current Assets	**38,383**
Property and equipment, net	188,268
Acquired intangible assets, net	14,572
Goodwill	23,692
Investment in associates and joint ventures	189
Investments	500
Restricted cash, non-current	61
Other assets	3,362
Total Assets	**269,026**
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Short-term borrowings and current portion of long-term debt	9,622
Trade payables	24,677
Equipment supply payables	37,023
Accrued expenses	11,043
Unearned income	14,881
Unearned income- Indefeasible right to use sales	336
Derivative financial instruments	1,550
Due to related parties	16
Other current liabilites	5,287
Total current liabilities	**104,434**
Long-term debt, net of current portion	41,883
Deferred taxes on income	3,587
Unearned income- Indefeasible right to use sales	3,968
Other liabilities	4,024
Total liabilities	**157,895**
Minority interest	1,487
Stockholders' equity	
Common stock, par value Rs.10 per share	18,955
Advances against equity	3
Additional paid in capital	57,143
Deferred stock based compensation	(656)
Treasury stock	(201)
Retained earnings / (deficit)	34,400
Total stockholders' equity	**109,643**
Total liabilities and stockholders' equity	**269,026**

A.1.3 Consolidated Statement of Cash Flows (as per USGAAP)

Amount in Rs. Million

Particulars		Quarter Ended September 30, 2006	Half Year Ended September 30, 2006
Cash flows from operating activities			
Net profit/(loss)	**a**	**9,338**	**16,889**
Add: Non Cash items	**b**		
Depreciation and amortisation		5,926	10,898
Tax expense / (income)		1,378	2,330
Impact of fair valuation of financial instruments		(43)	1,780
Cash generated from operations before working capital changes	**c=a+b**	**16,599**	**31,897**
(Increase)/decrease in working capital		15,818	24,514
(Increase)/decrease in non-current assets		(2,862)	(4,918)
Increase/(decrease) in non-current liabilities		352	177
Net cash provided/(used) by/in operating activities	**d**	**13,308**	**19,773**
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,911)	(54,406)
Investment / loss in associate		(4)	1
Net cash provided/(used) by/in investing activities	**e**	**(32,915)**	**(54,405)**
Cash flows from financing activities			
Increase/(decrease) in borrowings		(628)	2,331
Shareholders Equity		578	1,397
Net cash provided/(used) by/in financing activities	**f**	**(51)**	**3,728**
Cash and cash equivalents*			
Beginning of the period	**g**	9,975	5,923
End of the period	**h=c+d+e+f+g**	6,917	6,917

** Includes short-term investments, restricted cash, restricted cash-non-current and investments.*

A.2 Trend and Ratio Analysis

The financial figures used in the quarterly trends are based on un-audited US GAAP financial statements.

A.2.1 Based on Statement of Operations

Amount in Rs. Million

Parameters	For the Quarter Ended				
	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05
Total Revenues	43,571	38,564	34,113	30,256	27,091
Access and interconnection charges	7,190	6,612	6,447	5,571	4,928
Operating Expenses	15,471	13,535	11,915	10,475	9,236
Licence Fee	3,886	3,395	2,969	3,010	2,716
EBITDA	17,025	15,021	12,782	11,200	10,211
Cash profit from operations	16,437	13,330	12,049	10,277	9,367
Income before income taxes	10,782	8,599	7,413	6,386	5,796
Net income	9,338	7,551	6,823	5,453	5,209

	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05
As a % of Total Revenues					
Access and interconnect charge	16.5%	17.1%	18.9%	18.4%	18.2%
Operating Expenses	35.5%	35.1%	34.9%	34.6%	34.1%
Licence & Spectrum Fee	8.9%	8.8%	8.7%	9.9%	10.0%
EBITDA	39.1%	39.0%	37.5%	37.0%	37.7%
Cash profit from operation	37.7%	34.6%	35.3%	34.0%	34.6%
Income before income taxes	24.7%	22.3%	21.7%	21.1%	21.4%
Net income	21.4%	19.6%	20.0%	18.0%	19.2%

A.2.2 Based on Balance Sheet

Amount in Rs. Million

Parameters	As at				
	Sept. 30, 2006	June 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sept. 30, 2005
Stockholders Equity	109,643	100,161	91,893	83,948	76,993
Net Debt	44,589	42,201	41,472	36,263	33,724
Capital Employed = Stockholder's equity + Net Debt	154,232	142,363	133,365	120,211	110,717

Parameters	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05
Return on Stockholder's equity (LTM)	31.6%	29.6%	29.4%	29.3%	30.6%
Return on Capital Employed (LTM)	25.1%	24.0%	22.3%	21.8%	20.9%
Net Debt to EBITDA (LTM)	0.80	0.86	0.95	0.91	0.92
Assets turnover ratio (LTM)	103.1%	98.2%	93.9%	90.3%	87.2%
Interest Coverage ratio (times)	22.35	21.08	19.86	19.40	20.11
Book Value Per Equity Share (in Rs)	57.8	52.8	48.5	44.4	40.9
Net debt to Stockholders' Equity (Times)	0.41	0.42	0.45	0.43	0.44
Per share data (for the period)					
Net profit/(loss) per common share (in Rs)	4.94	3.99	3.62	2.90	2.79
Net profit/(loss) per diluted share (in Rs)	4.93	3.98	3.61	2.90	2.79

A.2.3 Bharti's Three Line Graph

The company tracks its performance on a three-line graph.

The parameters considered for the three-line graph are:

1. Gross Revenues i.e. absolute turnover/sales

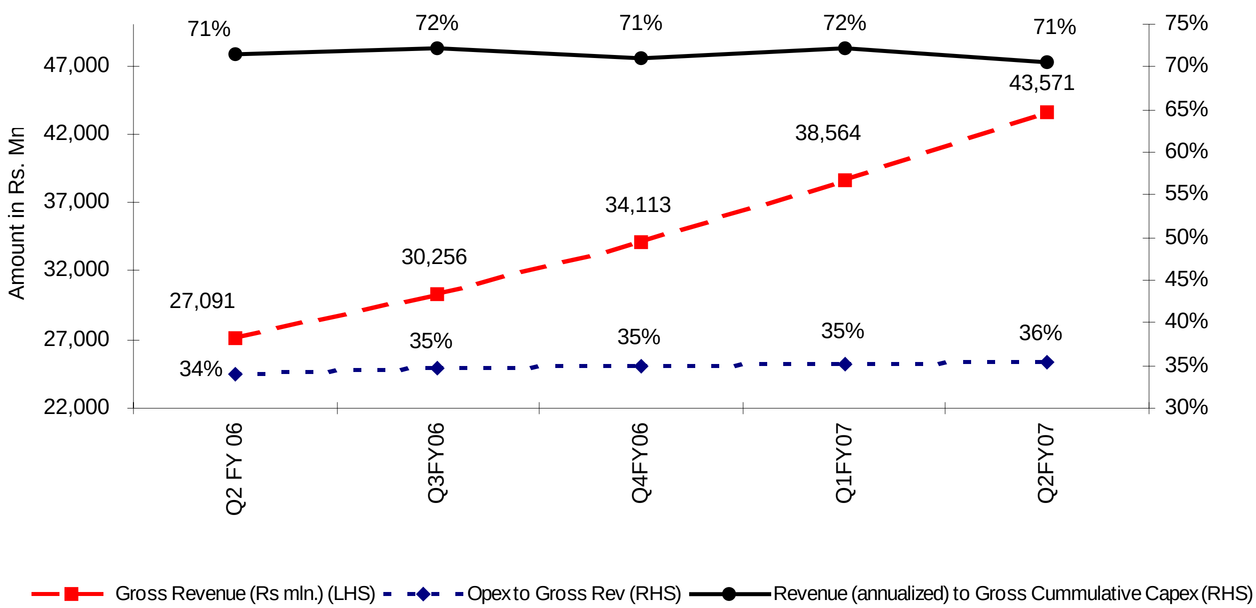
2. Opex Productivity – operating expenses divided by the gross revenues for the respective period. Operating expenses is the sum of (i) equipment costs (ii) employee costs (iii) network operations costs & (iv) selling, general and administrative costs. This ratio depicts the operational efficiencies in a company.

3. Capital Productivity – this is computed by dividing revenue for the quarter (annualized) by gross cumulative capex (gross fixed assets, capital work in progress and intangibles) till date i.e. the physical investments made in the assets creation of the company.

This ratio depicts the productivity of assets of the company.

The company believes that as far as the absolute revenues keeps increasing periodically, opex productivity stabilizes or keeps coming down and capital productivity keeps improving, the company's overall financial health can be tracked.

Given below is the graph for the last five quarters of the company:



A.2.4 Operational Performance

Parameters	Unit	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005
Consolidated						
Customers	000's	28,693	24,577	20,926	17,527	15,129
Employees (On-roll)	No.	18,584	14,374	10,970	10,255	9,420
Mobile services						
Customers	000's	27,061	23,073	19,579	16,327	14,068
Prepaid customers as a % of total customers	%	85.5%	84.4%	82.7%	79.7%	77.5%
Postpaid customers as a % of total customers	%	14.5%	15.6%	17.3%	20.3%	22.5%
Bharti's mobile subscribers market share	%	21.4%	21.1%	20.4%	21.6%	21.8%
Average Revenue Per User (ARPU)	Rs.	438	441	442	470	476
Average Minutes of Use Per User	Minutes	451	441	431	411	388
Post-paid Voluntary Churn	%	1.2%	1.3%	1.4%	1.4%	1.4%
Post-paid Company Initiated Churn	%	2.4%	2.1%	2.7%	2.8%	2.8%
Prepaid Churn	%	5.1%	4.7%	5.2%	5.5%	5.7%
SMS Revenue as a % of Total Mobile Revenues	%	6.1%	6.4%	6.8%	6.4%	7.1%
Employees (On-roll)	No.	6,963	6,624	6,038	5,604	5,398
Broadband & Telephone Services						
Customers	000's	1,631	1,505	1,347	1,200	1,061
Average Revenue Per User (ARPU)	Rs.	1,115	1,202	1,063	1,136	1,203
Non-mobile Services						
Employees (On-roll)	No.	11,228	7,518	4,697	4,428	3,810
Others (Corporate Office)						
Employees (On-roll)	No.	393	232	235	223	212

A.2.5 Traffic, Coverage & Network Trends

Parameters	Unit	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept 30, 2005
Mobile Services	Mn Min	33,844	28,194	23,187	18,636	15,281
Broadband & Telephone Services	Mn Min	4,080	3,780	3,549	3,218	3,171
National Long Distance Services	Mn Min	3,628	2,882	2,208	1,745	1,508
International Long Distance Services	Mn Min	882	753	684	516	451
Total Minutes on Network	Mn Min	**42,434**	**35,609**	**29,628**	**24,115**	**20,411**

Note: The minutes are gross of intersegment eliminations

Parameters	Unit	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept 30, 2005
Mobile Services						
Census Towns	No.	4,357	4,026	3,778	3,300	3,200
Non-Census Towns & Villages	No.	155,076	101,614	80,687	58,000	n/a
Population Coverage	%	50%	46%	42%	38%	n/a
Broadband & Telephone Services						
No. of cities covered	No.	94	92	90	79	75
Carriers (National Long Distance)						
Optic Fibre Network	RKms	36,151	35,016	32,900	31,454	30,271

A.3 Key Accounting Policies as per USGAAP

1. Joint Ventures

The Group's interest in Joint ventures in which the Group has a majority interest, but does not control due to significant participatory rights of the minority stockholders are accounted for under th equity method of accounting and is initially recognized at cost. Under this method, the Group's share of the post-acquisition profits or losses of the joint venture is recognized in the income statement and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in joint venture includes goodwill identified on acquisition.

The Group's interest in jointly controlled entities is accounted for by the equity method of accounting and is initially recognized at cost.

2. Property and equipment

Property and equipment are stated at historical cost, net of accumulated depreciation. All direct costs relating to the acquisition and installation of property and equipment are capitalized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, with the exception of leasehold improvements and assets acquired through capital leases, which are depreciated over the lesser of the estimated useful lives of the asset or the term of the lease.

Assets	Years
Building	20
Network Equipment	10-15
Computer equipment	3
Office, furniture and equipment	5
Vehicles	5
Leasehold improvements	Period of Lease or 10 years whichever is less
Assets individually costing Rs. 5 thousand or less	1

Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses arising from retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income on the date of retirement and disposal.

3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is disclosed separately. Goodwill arising on accounting for jointly controlled entities or entities in which we exercise significant influence is included in investments in associates/jointly controlled entities. Goodwill is stated at cost less accumulated amortization and impairment losses, if any.

Effective April 1, 2002, the Group adopted provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS 142 requires that goodwill and indefinite-lived intangible assets be allocated to the reporting unit level, which the Group defines as each fixed line or mobility circle. SFAS 142 also prohibits the amortization of goodwill and indefinite-lived intangible assets upon adoption, but requires that they be tested for impairment at least annually, or more frequently as warranted, at the reporting unit level.

The goodwill impairment test under SFAS 142 is performed in two phases. The first step of the impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill of the reporting unit is considered impaired, and step two of the impairment test must be performed. The second step of the impairment test quantifies the amount of the impairment loss by comparing the carrying amount of goodwill to the implied fair value. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its implied fair value.

4. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency Indian Rupees at the rates of exchange in effect at the balance sheet date. Transactions in foreign currencies are recorded at rates ruling on the transaction dates. Gains or losses resulting from foreign currency transactions are included in the statement of operations.

5. Capital leases

Lessee accounting

Assets leased to others under capital leases are stated at the lower of fair value and present value of minimum lease payments. They are amortized over the useful lives of the assets or the lease term, whichever is shorter. Amortization charge for capital leases is included in depreciation expense for the year.

Assets acquired under capital lease are capitalized as assets by the Group at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets.

Amortization of leased assets is computed on straight line basis over the useful life of the assets.

Lessor accounting

Assets leased to others given under capital leases are recognized as receivables at an amount equal to the net investment in the leased assets. The finance income is recognized based on periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.

6. Impairment of long – lived assets and intangible assets

The Group reviews its long-lived assets, including identifiable intangibles with finite lives, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic climate. For assets that the Group intends to hold for use, if the total of the expected future undiscounted cash flows produced by the asset or asset Group is less than the carrying amount of the assets, a loss is recognized for the difference between the fair value and carrying value of the assets. For assets the Group intends to dispose of by sale, a loss is recognized for the amount by which the estimated fair value, less cost to sell, is less than the carrying value of the assets. Fair value is determined based on quoted market prices, if available, or other valuation techniques including discounted future net cash flows.

7. Revenue recognition

(i) Service revenues

Service revenues include amounts invoiced for airtime charges, call revenue, fixed monthly subscription charges and VSAT/ internet usage charges, roaming charges, activation fees, and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network of the incumbent fixed line service operator for local, domestic long distance and international calls.

Service revenues are recognized as the services are rendered and are stated net of discounts and taxes. Revenues from pre-paid cards are recognized based on actual usage. Activation revenue and related activation costs, not exceeding the activation revenue, are deferred and amortized over their estimated useful life of 31 to 69 months for the year ended March 31, 2006 (2005 – 29 to 50 months), which is consistent with the estimated churn of customers. Excess of activation costs over activation revenue, if any, is expensed as incurred. On introduction of new prepaid products processing fee on recharge coupon is being recognized over the estimated customer relationship period or coupon validity period, whichever is lower. Subscriber acquisition costs are expensed as incurred.

Service revenues from the internet and VSAT business comprise revenues from registration, installation and provision of internet and satellite services. Registration fee and installation charges are deferred and amortized over the expected customer relationship period. Service revenue is recognized from the date of satisfactory installation of equipment and software at the customer site and provisioning of internet and satellite services. Revenue from prepaid dialup packs is recognized on the actual usage basis and is net of sales returns and discounts.
Revenues from national long distance operations comprise revenue from provision of voice services, which are recognized on completion of services while revenue from provision of bandwidth services is recognized over the period of use. Revenue is stated net of discounts and waivers.

Revenue from international long-distance operations comprises revenue from provision of voice services, which is recognized on completion of services.

Unbilled receivables represent revenues recognized in respect of mobile, fixed line and national long distance services provided from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

Unearned revenue include unused amounts of revenue billed in respect of pre-paid cards and monthly rentals received in advance. The related services/billings are expected to be performed within the next operating cycle.

(ii) Equipment sales

Equipment sales consist primarily of revenues from sale of VSAT and internet equipment (hardware). Equipment sales are treated as activation revenue and are deferred and amortized over the customer relationship period.

(iii) Multiple element arrangements

The Company enters into transactions that include multiple element arrangements, which may include a combination of network assets, bandwidth and services including maintenance. When some elements are delivered prior to others in an arrangement, revenue is deferred until the delivery of the last element unless all of the following conditions are met:

- Vendor-specific objective evidence of fair value (VSOE) of the undelivered elements.
- The functionality of the delivered elements is not dependent on the undelivered elements.
- Delivery of the delivered element represents the culmination of the earnings process.
- VSOE is the price charged by the Company to an external customer for the same element when such element is sold separately or reflects fair value of the element.

8. License fees

Licenses signed prior to New Telecom Policy – 1999 (NTP - 99) regime

Annual license fees incurred by the Group under the old license fee regime until the date of migration to the NTP - 99, i.e. July 31, 1999 and revenue-share fees from the date of migration to NTP – 99 are expensed as incurred. However, the Group's share of licenses acquired under business combinations during the old license regime, prior to July 31, 1999, have been accounted for at their respective fair values as at the date of acquisition and are amortized on a straight-line basis over the remaining period of the license from the date of acquisition of respective circles. Upon the migration to the NTP - 99, the remaining unamortized cost of such licenses acquired is carried over and forms a part of the new cost basis for the license signed under NTP - 99. Amortization of licenses is disclosed as part of “Depreciation and Amortization” in the Statement of operations.

Licenses signed under NTP - 99

License agreements signed/awarded under NTP - 99 stipulate the payment of one time fee termed as ‘license entry fee’ to obtain the right to operate services and annual usage charge on the basis of the percentage of revenues i.e. ‘revenue share’.

License entry fees have been recognized as an intangible asset and are measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any other impairment losses. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles. The Group’s share of licenses acquired under business combinations arising after the ‘applicability’ of NTP - 99 have been accounted for at their respective fair values as at the date of acquisition and are amortized on a straight line basis over the remaining period of the license. Amortization of license entry fees is disclosed as part of “Depreciation and Amortization” in the statement of operations. The revenue-share fee is computed on the basis of Adjusted Gross Revenue (‘AGR’) and is expensed as incurred.

UASL Licenses & license fees

The Group has migrated its cellular mobile licenses in 15 circles to Unified Access Service Licenses (UASL) after obtaining the necessary approvals from DoT. UASL permits the licensee to provide basic and / or cellular services using any technology in a defined service area.

UASL entry fees have been recognized as an intangible asset and are measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any other impairment losses. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles.

9. Other intangible assets

Other intangible assets comprising of enterprise resource planning software, bandwidth capacities, brands, customer relationships, distribution networks and licenses, are capitalized at the Group’s share of respective fair values on the date of acquisition. The methodology used for valuation of these intangibles is as follows:

- Software is capitalized at the amounts paid for acquiring the license for use and are amortized over the period of such license, not exceeding three years.
- Bandwidth capacities are capitalized at the amounts paid for acquiring the capacities and are amortized over the period of the agreement.
- Brands are valued using the Royalty Relief approach and are amortized on a straight-line basis over the period of expected benefit, not exceeding the life of the licenses and are written off in their entirety when no longer in use.
- Customer relationships reflect the estimated fair value of the customer accounts acquired from which the Group can expect to derive future benefits over the estimated life.
- Distribution networks reflect the fair value of the estimated benefit and are amortized over an estimated useful life of three years.
- The fair value of licenses are valued using the Market Value Approach. The licenses are amortized over the remaining license period

Amortization of intangible assets is disclosed as part of cost of services and selling, general and administrative expenses in the consolidated statement of operations.

10. Income-taxes

In accordance with the provisions of SFAS 109, Accounting for Income Taxes, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period in which such change is enacted. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

11. Pre operating costs

Pre operating costs represent certain marketing and administrative expenses incurred prior to the commencement of commercial operations of the new circles. These costs are expensed as incurred.

12. Derivative financial instruments

The Group enters into derivative instruments, including interest rate swaps and foreign currency forward contracts, to manage interest rate movements of its debt obligations and foreign currency exposures related to the import of equipment used in operations and its foreign currency denominated debt instruments.

Statement of Financial Accounting Standards No. 133, ‘‘Accounting for Derivative Instruments and Hedging

Activities'' (''SFAS No. 133''), requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship.

13. Asset Retirement Obligations

In July 2001, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations. This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

14. Indefeasible right to use (IRU)

Fibre and duct are sold as part of the operations of Company's Infrastructure Provider business. The Company has decided to view these as integral equipment. Under the agreements, title was not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. Direct expenditures incurred in connection with agreements are capitalized and written off over the term of the agreement. The contracted sales price is chiefly paid in advance and is recognized as revenue during the period of the agreement. Sales not recognized in income, net of amount recognizable within one year is recorded as non-current liability and amount recognizable within one year is recorded as unearned income.

A.4 Summarised Profit & Loss Statement as per Indian GAAP

Amount in Rs million

Particulars	Quarter Ended September 30, 2006 Audited	Half Year Ended September 30, 2006 Audited
Service Revenue	43,097	81,158
Sales of Goods	195	290
Total Income	43,293	81,448
Profit before Finance Expenses /(Income) (Net), Depreciation, Amortisation, Pre-operative Expenditure,Charity and Donation, Taxation and Other Income	16,879	31,861
Finance expenses (net)	834	1,476
Depreciation	5,647	10,339
Amortisation	452	905
Other Income	338	604
Preoperative Expenditure Written off	2	11
Charity & Donation	51	52
Profit Before tax	**10,230**	**19,682**
MAT credit	21	58
Tax Expenses/ (Income)		
-Current Tax	1,153	2,237
-Fringe Benefit Tax	64	111
-Deferred Tax	190	122
Profit After Tax	**8,844**	**17,270**
Minority Interest	56	168
Profit for the period	**8,788**	**17,102**

A.5 Summary of Differences in Net income/ Profit between USGAAP (un-audited) and Indian GAAP (audited)

Amount in Rs million

Particulars	Quarter ended September 30, 2006	Half Year Ended Septemebr 30, 2006
Net income as per US GAAP	**9,338**	**16,889**
Add: Differences on account of:		
Minority Interest and loss of Joint Venture	12	(2)
Differential depreciation provided in IGAAP due to forex fluctuations not considered in US GAAP	43	95
Less: Differences on account of:		
Amortisation of Goodwill/ Intangibles	68	135
Being difference in revenue recognition	137	180
License fee amortisation	147	295
Differences in accounting for finance charges	245	(816)
Remeasurement of financial instruments not applicable in IGAAP	1	6
Deferred Tax expense	7	81
Net profit as per Indian GAAP	**8,788**	**17,102**

GLOSSARY

Technical and Industry Terms

Company Related	
ARPU (for Mobile and Broadband & Telephone services)	Average revenue per customer per month is computed by: dividing the total revenues, excluding equipment sales and the connection fees, during the relevant period by the average customers; and dividing the result by the number of months in the relevant period.
Asset Turnover	Asset Turnover is defined as total revenues, for the preceding (last) 12 months from the end of the relevant period, divided by average assets. Asset is defined as the sum of non current assets and net current assets. Net current assets are computed by subtracting current liabilities from current assets. Average assets are calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.
Access and Interconnect Charges / Total Revenues	Access and interconnect charges for the relevant period divided by total revenues for the relevant period.
Average Customers	Average customers are derived by computing the average of the monthly average customers for the relevant period.
Book Value Per Equity Share	Total stockholder's equity as at the end of the relevant period divided by issued and outstanding equity shares as at the end of the relevant period.
Capital Employed	Capital Employed is defined as sum of stockholder's equity and net debt.
Cash Profit From Operations	It is not a US GAAP measure and is defined as operating income adjusted for depreciation & amortization, pre-operating costs, interest expense and interest income.
Cash Profit From Operations / Total revenues	It is computed by dividing cash profit from operations for the relevant period by total revenues for the relevant period.
Churn	Churn is calculated by dividing the total number of disconnections during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. Postpaid churn has been subdivided into: a) Voluntary: indicating the number of subscribers who opt out of the network at their own behest. b) Company initiated churn: indicating the number of subscribers whose churn is initiated by the company due to non-payment.
Gross Revenue per Employee per month	It is computed by dividing the Gross Revenue (net of inter-segment eliminations) by the closing number of employees in a given business unit and number of months in the relevant period.
Income (Loss) Before Taxation / Total Revenues	It is computed by dividing income/ (loss) before taxation for the relevant period by total revenues for the relevant period.
EBITDA	Earnings/(loss) before interest, taxation, depreciation and amortization. It is not a US GAAP measure and is defined as operating income adjusted for depreciation & amortization and pre-operating costs.
EBITDA Margin or EBITDA / Total Revenues	It is computed by dividing EBITDA for the relevant period by total revenues for the relevant period.
EBIT	Earnings / (Loss) before interest and taxation for the relevant period. It is equivalent to Income/(loss) before interest income, interest expense & taxes.
Broadband & Telephony Customers Per Employee	Number of Broadband & Telephony customers on our networks as at end of the relevant period divided by number of employees in the Broadband & Telephone segment as at end of the relevant period.
Income/(loss) after current tax expense	It is not a US GAAP measure and is defined as Income/(loss) before taxation adjusted for current tax expense.
Interest Coverage Ratio	EBITDA for the relevant period divided by interest on borrowing for the relevant period.
License Fee / Total Revenues	License fee for the relevant period divided by total revenues for the relevant period.
Market Capitalization	Number of issued and outstanding shares as at end of March 31, 2006 multiplied by closing market price (BSE) as at end of April 27, 2006.
MoU/Sub/Month	Minutes of Usage. Duration in minutes for which a customer uses the network. It is typically expressed over a period of one month. Average minutes of usage per subscriber per month is calculated by: dividing the total minutes of usage (incoming, outgoing and in-roaming) on our network during the relevant period by the average

	customers; and dividing the result by the number of months in the relevant period.
Mobile Customers Per Employee	Number of mobile customers on our networks as at end of the relevant period divided by number of employees in the mobile segment as at end of the relevant period.
Net Debt	It is not a US GAAP measure and is defined as the long-term debt, net of current portion plus short-term borrowings and current portion of long-term debt minus cash and cash equivalents, restricted cash, restricted cash non-current, short-term investments and investments as at the end of the relevant period.
Net Debt to EBITDA	It is computed by dividing net debt as at the end of the relevant period by EBITDA for preceding (last) 12 months from the end of the relevant period.
Net Debt to Stockholder's Equity	It is computed by dividing net debt as at the end of the relevant period by stockholder's equity as at the end of the relevant period.
Net Profit / (Loss) / Total Revenues	It is computed by dividing net profit / (loss) for the relevant period by total revenues for the relevant period.
Net Profit/ (Loss) Per Common Share	It is computed by dividing net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.
Net Profit/ (Loss) Per Diluted Share	The calculation of Net Profit/ (loss) per diluted share adjusts net profit or loss and the weighted average number of ordinary shares outstanding, to give effect to all dilutive potential ordinary shares that were outstanding during the year. Net profit or loss attributable to ordinary shareholders is adjusted for the after-tax effect of the following: (1) dividends on potential ordinary shares (for example, dilutive convertible preferred shares); (2) interest recognised on potential ordinary shares (for example, dilutive convertible debt); and (3) any other changes in income or expense resulting from the conversion of dilutive potential ordinary shares (e.g., an entity's contribution to its non-discretionary employee profit-sharing plan may be revised based on changes in net profit due to the effects of items discussed above).
Net Revenues	It is not a US GAAP measure and is defined as total revenues adjusted for access charges for the relevant period.
Non-mobile services	It comprises Broadband & Telephone Services and Enterprise Services.
Non Voice Revenue as a % of consolidated revenue	It is computed by dividing the total non-voice revenue of the company (consolidated) by the total revenues for the relevant period. Non-voice revenues include VAS Revenues for Mobile, VAS and Internet Revenues for Broadband & Telephone Services, Bandwidth Revenue for Long Distance Services, and Bandwidth and Internet Revenues for Enterprise Services.
Non Voice Revenue as a % of Mobile Revenue	It is computed by dividing the total non-voice revenue of mobile services by the total revenues of mobile services for the relevant period. Non-voice revenue for mobile services includes revenues from value added services (including SMS, GPRS, MMS Ring Back Tones etc.).
Post-Paid Services	The provision of mobile services, wherein the subscribers pay for usage including airtime, rental value added services, access and interconnection charges and any other applicable charges at the end of the billing period.
Pre-Paid Services	The provision of mobile services wherein subscribers pay a fixed amount, which is valid for a certain period, for usage including airtime, value added services, access and interconnection charges and any other applicable charges prior to commencement of service.
Return On Capital Employed (ROCE)	For the full year ended March 31, 2004, 2005 & 2006, ROCE is computed by dividing the sum of net profit & finance cost (net) for the period by average (of opening and closing) capital employed. For the quarterly computation, it is computed by dividing the sum of net profit & finance cost (net) for the preceding (last) 12 months from the end of the relevant period by average capital employed. Average capital employed is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.
Return On Stockholder's Equity	For the full year ended March 31, 2004, 2005 & 2006, it is computed by dividing net profit for the period by the average (of opening and closing) Stockholder's equity. For the quarterly computations, it is computed by dividing net profit for preceding the (last) 12 months from the end of the relevant period by the average Stockholder's equity for the preceding (last) 12 months. Average Stockholder's equity is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.
Total Operating Expenses / Total Revenues	Total operative expenses for the relevant period divided by total revenues for the relevant period.
Current tax expense	Current tax expense includes provision for tax and fringe benefit tax.
Total Operating Expenses	It is defined as sum of equipment costs, employee costs, network operations costs and selling, general & administrative cost for the relevant period.

All India Mobile subscribers	All India Mobile Subscribers has been restated to include Fixed Wireless Subscribers of operators, as some of the operators are no longer reporting fixed wireless subscribers separately. Bharti's mobile market share of the previous two quarters has been restated accordingly.

Regulatory	
ADC	Access Deficit Charges
AGR	Adjusted Gross Revenues. Used for computing the License Fees and WPC charges payable by an Access Provider and have been provisionally defined as gross revenue of the Access Provider net of access charges actually paid to other telecom service providers, roaming revenues passed on to other telecom service providers and service tax and sales tax actually paid to the Government, if the same had been included in the Gross Income.
AUSPI	Association of Unified Telecom Service Providers of India. It is the representative industry body for private Basic Service Operators which interacts on policy and regulatory issues with various Government bodies such as Department of Telecommunications (DoT), Telecom Regulatory Authority of India (TRAI), apex industry organizations like ASSOCHAM, Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce & Industry (FICCI), analysts and other institutions of world repute.
COAI	The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non - profit, non - governmental society dedicated to the advancement of communication in India, in particular of modern communication through Cellular Mobile Telephone Services. The main objective of the COAI is to protect, promote and upgrade cellular operations in India and also to look after the common and collective interests of its members.
CMSP	Cellular Mobile Service Provider. CMSP is another term for Cellular Operators or Cellular Mobile Telephone Service Licensees.
DoT	Department of Telecommunications. DoT is a department under the Ministry of Telecommunications, Government of India. The Department of Telecommunications is responsible for the policy formulation, licensing, wireless spectrum management etc. The department allocates frequency and manages radio communications in close coordination with the International bodies and is responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country.
IUC	Interconnection Usage Charges. IUC are the charges prescribed by TRAI vide IUC Regulations including amendments issued from time to time, which are payable by one service provider to another for usage of the network elements for origination, transit or termination of the calls.
MNP	Mobile Number Portability. MNP is a facility, which will allow cellular subscribers to change their service provider while retaining their old telephone number.
NGN	Next Generation Network. NGN is a packet-based network able to provide telecommunication services to users and able to make use of multiple broadband, QoS-enabled transport technologies and in which service-related functions are independent of the underlying transport-related technologies. It enables unfettered access for users to networks and to competing service providers and services of their choice.
TDSAT	Telecom Disputes Settlement & Appellate Tribunal. TDSAT has been set up under Section 14 of the Telecom Regulatory Authority of India Act, 1997 by TRAI (Amendment) Act, 2000 to adjudicate disputes and dispose of appeals with a view to protect the interests of service providers and consumers of the telecom sector and to promote and ensure orderly growth of the telecom sector.
TRAI	Telecom Regulatory Authority of India. TRAI is a statutory body established under the Telecom Regulatory Authority of India Act, 1997 in January 1997, as an autonomous body with quasi-judicial powers to regulate telecommunication services in India.
UASP	Unified Access Service Provider. UASPs are licensed by DoT for providing access services viz wireline and wireless including full mobility, limited mobility and fixed wireless using any technology.
3G services	Third Generation Mobile Systems. 3G facilitates high-speed data, mobile Internet access and entertainment such as games, music and video programs using image, video and sound for mobile users. It provides high data rates at a minimum of 144 kilobits per second in all use scenarios and going up to 2 meg bits per second in low-mobility and indoor environments. In addition these systems have higher capacity and improved spectrum efficiency.

Others (Industry)	
BSE	The Stock Exchange, Mumbai
GSM	Global System for Mobile Communications. This is a second generation digital technology originally developed for Europe. Initially developed in the 900 MHz band and subsequently modified for the 850, 1800 and 1900MHz bands. Originally stood for Groupe Speciale Mobile. It is an open and non-proprietary system with one of its great strength being the international roaming capability.
IGAAP	Generally Accepted Accounting Principles in India.
NSE	The National Stock Exchange of India Limited.
Sensex	Sensex is a stock index introduced by The Stock Exchange, Mumbai in 1986. It is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The base year of Sensex is 1978-79 and the base value is 100. The index is widely reported in national and international markets through print as well as electronic media.
SMS	Short Messaging Service. It is a text message service, which enables the user to send short messages to other users.
US GAAP	United States Generally Accepted Accounting Principles.

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