

## Conference Call Transcript

Event: Bharti Airtel Limited Earnings Conference Call for the Third Quarter And Nine Months Ended December 31, 2006

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<b>Bharti Airtel Limited Earnings Conference Call for the Third Quarter And Nine Months Ended December 31, 2006</b>
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**Henry Cobbe**  
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**PRESENTATION****Divya – Moderator**

Good afternoon ladies and gentlemen. I am Divya, the moderator for this conference. Welcome to the Bharti

Airtel Limited third quarter and nine months ended December 31, 2006 earnings call hosted by Macquarie Securities. Mr. Shubham Majumder, Analyst India Telecom, Macquarie Securities is your call leader today. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for international participants connected to Airtel International Center. After that, a similar question and answer session will be conducted for the participants in India. Now I hand over to Mr. Shubham Majumder. Thank you, and over to you Mr. Majumder.

**Shubham Majumder - Macquarie Securities**

Thank you Divya. Good Morning or Afternoon, ladies and gentlemen who have dialed in to this earnings call. We at Macquarie Securities are pleased to host this call and welcome you all to this analyst briefing on third quarter and nine months ended December 31, 2006 earnings call. We would like to take this opportunity to extend our congratulations to Bharti's management on a good set of results. As usual, we have a full representation from Bharti's senior management on the call today. On behalf of all the participants and Macquarie Securities, I would like to thank the senior management for taking the time to be with us on the call today. I would now hand over the call to Ms. Sonal Kapasi, Head, Investor Relations of Bharti Airtel to initiate the proceedings. Over to you Sonal.

**Sonal Kapasi – Head, Investor Relations – Bharti Airtel**

Thank you Shubham. Good afternoon and welcome to Bharti Airtel's third quarter and nine months ended December 31, 2006 earnings call. I hope all of you must be in receipt of the quarterly results. The same is also available on our web site [www.bhartiairtel.in](http://www.bhartiairtel.in). Present with me on the call today are members of the senior management. We propose to commence this call with the opening remarks from Mr. Akhil Gupta and Mr. Sarvjit Dhillon, after which the floor will be opened for Q&A.

Before I hand over the call to Mr. Gupta, I must remind you that the overview and discussion today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face. I now hand over the call to Mr. Akhil Gupta. Thank you.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Thank you Sonal. On behalf of all of us at Bharti Airtel, I would like to extend a very warm welcome to all the investors and analysts who have joined us on this call. First of all, I would like to apologise on behalf of Sunil who has, perhaps for the first time ever, not been able to take this call because he had to leave for Davos for the World Economic Forum, where he has the honour of being the co-chair and is representing India in that capacity.

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I think the last quarter was an extremely robust quarter, not only for Airtel but for the entire Indian telecom industry. We capitalized extremely well on the strong growth which the market is showing. I am now delighted to share that the Indian telecom market with over 190 million customers is featuring among the top five telecom economies in the world. However, the overall tele-density of still less than 20% makes it one of the lowest penetrated countries and that obviously indicates that we have a huge growth potential in times to come.

As expected, the mobile segment performance continues to be the strongest. The country's mobile customer base has now increased to 147 million as on December 31, 2006. I think it is a matter of great pride for all of us that the last quarter saw more than 20 million new customers joining the mobile segment. You might recall that at the time of the last earnings call, Sunil had mentioned that the Indian wireless net additions had crossed that of China for the first time. The performance in the current quarter has reinforced the trend and in fact now the gap is very wide, almost 7 million per month in India versus approximately 5 million in China. I believe this is an extremely important achievement because it clearly shows that India is on a higher growth trajectory than China. India also, in the last quarter, became the country with the highest ever-net additions in the history of telecom clocked in a single quarter. In short, I think the growth continues to be strong, which is driven by increasing network reach and the consumer seeing a strong value proposition in mobile communication. As you are aware, the tariffs in India remain absolutely the lowest amongst all operators in the world. We expect that these factors will continue and will drive new customers in joining the mobile market.

Let me talk about some of the key developments on the regulation side. On the regulatory front, first of all I would like to thank TRAI for publishing the detailed report providing operator-wise adjusted gross revenues. I would, of course, request the regulator to include the DSL numbers as well, which I am sure in the subsequent reports they would add. This will enable all of us to benchmark the revenue market share in addition to the customer market share. That I understand and believe will facilitate more meaningful comparison and analysis for all of the analysts.

Based on the second quarter 2007 AGR data, Bharti Airtel's position is confirmed as the overall leader, not just in terms of customer market share, but also in revenue market share. During the quarter, the regulator has taken some very important initiatives. These are extremely welcome steps and augur well for our growth prospects. For instance, the government announced a scheme of providing support from USO fund for setting up and managing infrastructure sites and provision of mobile services in rural and remote areas by amending the Telegraph Act. On another front, the regulator has now initiated consultations on sharing of passive and active infrastructure. At Airtel, we strongly welcome these initiatives as they would help the industry in trimming costs, making offerings even more affordable and also help the environment. I would, of course, in a few minutes cover our plans on the infrastructure sharing as well.

Moving to Bharti Airtel, I would like to now update you on some of the key developments at the company level. First and foremost, corporate governance, transparency and reliability of the data provided to the investors have been something very important for all of us at Airtel. I am very pleased and proud to mention that in addition to the full scope quarterly audited IGAAP accounts, which we have been providing for a long time, this quarter we have another watershed development. We are in this quarter starting to give on concurrent basis a complete nine months up-to-date US GAAP full scope audited accounts as well. I think this brings us to another level of financial reporting and governance on a go-forward basis. This also means that from the next quarter, our quarterly results also would be based on audited account as per IGAAP as well as US GAAP. Based on the data collected by us, I believe that this places us amongst one of the very few companies in India, if any, and even internationally to be able to do so on a quarterly basis.

To mention some of the other key developments that have arisen in this quarter. The board of directors of Bharti Airtel at its meeting which was held yesterday approved the acquisition of a submarine network cable system from Network i2i, which is jointly owned by SingTel and Bharti Group Company by way of purchase of all the assets for equity for an overall consideration of \$110 million subject to obtaining all requisite approvals. I think this is an extremely important step for Airtel, which has a very large share of the data traffic out of India. It is our strategy to go ahead and have a fully redundant network of submarine cables and capacities on an owned basis across the globe, and this particular link between India and Singapore was absolutely vital for that. Another key decision taken by the board of directors was the approval of a scheme of transfer of the towers for mobile communications and the related passive infrastructure into Bharti Infratel Limited, a 100% subsidiary of Bharti Airtel Ltd.

As I mentioned earlier, infrastructure sharing is an important initiative for the whole telecom industry. And I believe that by transferring this in a separate company it will bring more focus and enable us to have more sharing and thereby have enhanced operational efficiency.

I am also very pleased to report that Bharti Airtel has had the privilege and the honour of receiving a letter of offer from the Telecom Regulatory Commission of Sri Lanka to offer 2G and 3G services in their great country. We believe that Sri Lanka is a very promising market for telecom services and Bharti Airtel with its extensive experience and a unique business model is very well placed to address this opportunity. This will be the first international operation of Airtel and is in line with the company's plan to expand its telecom operations internationally in select markets, particularly in the SAARC region.

The company has also applied for a license to offer Direct-to-Home services in this quarter, which has been approved by the Board and we are putting together a team to take this initiative further during this year.

I am particularly pleased to report that Bharti Airtel, the mobility side was adjudged the most customer responsive telecom company in India by the Avaya

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Economic Times Global Connect Awards for the second year in a row. Customer satisfaction and customer experience remains the utmost priority at Airtel and therefore the award in this direction gives all of us some very special pleasure.

Let me just briefly touch upon the performance of the company for Q3, which I am sure you have the quarterly report with you. We had a very strong performance in this quarter. We added over 5 million customers and that has taken our customer base to almost 34 million and the mobile service user base has gone up to about 32 million at the end of December. Our execution engine continues to roll ahead of others and we have enhanced our market share in this process. Our mobile services are now available in nearly 4,600 census towns and over 1,75,000 other towns and villages. We are today covering about 54% of the country's population. We continue to add more cell sites and extend our coverage. We added about 4,300 new sites during this quarter taking our overall total to over 34,000 sites. Thus we have enhanced our coverage leadership in the country.

We carried for the first time over 50 billion total minutes during this quarter, which was an increase of 20% over the preceding quarter and more than double of that in the corresponding quarter last year. Of these 41 billion were on mobile networks alone. The financial key highlights, which of course Sarvjit will take you through specific details. Broadly our revenues were Rs. 49.1 billion. For the first time the company crossed the \$1 billion mark. We had \$1.1 billion revenue for the quarter. EBITDA crossed Rs. 2,000 crores, or Rs 20 billion for the quarter and the net profit was Rs. 12 billion in the quarter.

Before I hand over to Sarvjit, who will give you an update on the financial performance of the company in detail, I would like to state that I think the mobile penetration in India will continue to accelerate at a rapid pace. The growth which we are seeing, which is indeed very strong is certainly, in our view, not only sustainable but has the possibility of accelerating a little more, but irrespective of that certainly we feel in the foreseeable future this growth is sustainable. And I believe that the telecom revolution which we have seen in India is set for another level in times to come.

Over to you Sarvjit.

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**Sarvjit Dhillon - Director - Finance & Business Integration**

Thank you very much Akhil. I would also like to welcome all of the participants both here and around the world who have taken the opportunity to dial in today. Hopefully all of you have received the quarterly report of our results both the third quarter and the nine months to December 2006. You have heard in Akhil's speech some of the top line operational and financial indicators for the quarter and our coverage plan. I therefore will go straight on to the financial performance of the company.

Before I do that, I would just like to reiterate again, Akhil's point, that in addition to full scope quarterly IGAAP accounts, we have this quarter on a concurrent

basis completed the nine months up-to-date US GAAP on a full scope basis.

Moving on now to the financial results of the quarter, we have again shown good quarter growth with consolidated revenues, EBITDA and net income recording robust growth. The consolidated revenues were Rs. 49.1 billion, a year-on-year increase of 62%. The consolidated EBITDA was Rs. 20 billion representing a year-on-year growth of 79%. The EBITDA margins for the quarter at 40.8% is a rise of 380 basis points over the corresponding quarter last year. Cash profits from operations during the quarter were Rs. 21.3 billion, an increase of 108% over the corresponding quarter last year. The incremental increase over EBITDA is on account of the net finance income of Rs. 1,317 million with normal finance cost at Rs. 944 million being offset by the nominal movements in derivatives and exchange fluctuations, primarily due to the strengthening of the rupee and for the market to market accounting treatment in the quarter.

The income tax charge for the current expenses is at Rs. 1,273 million and for the deferred taxes at Rs. 866 million resulting in an effective tax rate of 14.8%. The net profit for the quarter therefore was Rs. 12.1 billion, a year-on-year increase of 123%.

Our total CapEx in Q3 is approximately \$413 million, we do expect for the full year somewhere about \$2.1 to \$2.2 billion this year.

Just to highlight a few of the key financial ratios as well. The return on the equity for the quarter was 35.5% as compared to 31.6% a quarter ago while the return on capital employed improved from 25.1% last quarter to 26.3% in the current quarter. You have seen from the segmented performance, robust growth. I recall that in the half-year earnings call we also had clarified that broadband and telephony performance of the quarter was affected by some one-time adjustments. It is pleasing to report this quarter that business is back to normal growth curve this quarter.

Just moving on now, you also know that we closely monitor our performance on a three-line graph for a five-quarter dashboard and it is showing a robust picture with revenues now again at Rs. 49.1 billion. Capital and Opex productivity improving to 74% and 33% respectively in the quarter.

Just moving on now to the balance sheet front, the company had a net debt of Rs. 41 billion that is approximately \$930 million as of the end of the December 2006 quarter. The net debt to EBITDA was 0.63 times as compared to 0.8 times a quarter back. Interest coverage was 24.8 times, up from 22.3 times in the September quarter.

Just before I finish off, I would just like to say that you can see that is another good quarter for the company. I will now hand it over to the moderator for the question and answer session.

Thank you very much.

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**Divya - Moderator**

Thank you very much sir. I now hand over the proceeding to Lucy at Airtel International Center to conduct the question and answer session for the international participants. After this we will have a question and answer session for the participants in India. Over to you Lucy.

**Lucy – Moderator**

Thank you Divya. At this time, international participants may press "01" if they would like to ask a question. On pressing "01" participants will get a chance to present their questions on a first-in-line basis. One moment please for the first question. The first question comes from Mr. Sundeep Bihani from Lehman Brothers, Hong Kong. Please go ahead sir.

**Sundeep Bihani – Lehman Brothers – Hong Kong**

Good afternoon all and congratulations on all the new initiatives being planned by the Bharti Group. I just have a couple of questions. First of all on the fixed line margins, at 27% do you think it is sustainable?

Secondly in terms of the new fixed line circles, are they now at EBITDA margins closer to the group levels? Enterprise margins continue to be pretty much volatile going up, down, again up and again down, so any color on what would be a percentage number which could be sustainable in the longer term?

Third is, can you clarify on your Capex statement of \$2.5 billion for FY08? Does that mean any sort of acceleration?

The fourth question is on submarine cable. You indicated aspiration for a global network. Recently one of your competitors announced \$1.5 billion of Capex, should we expect a similar number from you and what kind of overall time frame should we be looking at for the overall Capex to come in? Thank you very much.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Let me take up Sundeep, thanks for the questions, the last one part from the international side. I think very clearly we see a huge potential on the international traffic not only just voice, but particularly data and broadband. I think the growth we are seeing in India particularly with the corporates is stunning, and what we are seeing is a tremendous increase in the traffic at every level. It is clear that we would like to have a network across the world on a redundant basis, but that does not mean we are going to build our submarine cables everywhere. I think in many places there are large capacities available on IRU basis, but what we will not be doing is taking big capacities on lease basis. So it is not necessary that we will build up our own cables everywhere. Our strategy would be to participate in consortium cables. For instance we are the original consortium partners in SE-ME-WE4. We are going to be looking at some of the other cable systems where we can be original partners in the consortium. That

would be the strategy. I do not think it would involve anywhere near the figures that you mentioned in billions. A few hundred million like we have done in i2i, which is a very crucial leg, is possible. But I do not see it running anywhere into billions.

Manoj would you like to take up the questions on the fixed line margin and enterprise?

**Manoj Kohli – President – Bharti Airtel**

Hi, good afternoon, this is Manoj Kohli. Just to elaborate what Sarjit said just now about B&TS margin had a one-time dip last quarter, now is it normalized and actually it is higher than what were at last year the same quarter. I believe we are growing well in all those cities- 94 cities. We really do not differentiate between old cities and new because all of them have now been around for about a year of operations. We believe that the EBITDA margins in B&T will be stable in the times to come.

On enterprise margins, I believe this is a B2B business, which does a lot of projects. Some are big, some are moderate projects. These projects bring in more revenues in some quarters, less revenue in other quarters. Sometimes the cost is up fronted. Therefore the margins show a bit of up and down, but that is the nature of the business which we need to live with.

On the Capex front, the Capex as you know this year is ranging between \$2.1 to \$2.2 billion and in the coming year, we are in the midst of estimation of next year's Capex where it looks to be around \$2.5 billion for the next fiscal year.

**Sundeep Bihani – Lehman Brothers – Hong Kong**

Manoj, just a clarification on Capex. This \$2.5 billion, does this indicate that you are actually going to accelerate your coverage plans just in light of some of the other players trying to roll up to national levels?

**Manoj Kohli – President – Bharti Airtel**

We are very clear that the first mover advantage is a very important objective of the company. We will definitely go into new towns, first mover, pick up the quality customers before others do pick it up. Finally we also want to share much more than today, hence our cost of getting into new towns will be lower than normal cost. Our new Capex obviously, new rollout is guided by the three-line graph which you see in our investor report.

**Sundeep Bihani – Lehman Brothers – Hong Kong**

Thank you Akhil and Manoj.

**Manoj Kohli – President – Bharti Airtel**

Thanks Sundeep.

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**Lucy - Moderator**

The next question comes from Mr. Anand Ramachandran from Citigroup USA. Please go ahead sir. Mr. Ramachandran... The next question comes from Mr. Henry Cobbe from Nevsky Capital, London. Please go ahead sir.

**Henry Cobbe – Nevsky Capital - London**

Thanks very much for the call. Thames River Capital is renamed Nevsky Capital. This is for your information. My questions are on the derivatives gain, how much of that is foreign exchange related?

Second question, on the tower sharing with the infrastructure company, would you be opening that infrastructure company to do business for new networks or competing networks or would you look into sharing those towers with other players?

Lastly, just on the long distance side, you are seeing fantastic growth in traffic, and looking at your combined long distance and international call volumes versus one of your major competitors, it seems you are now on a level pegging having been quite far behind just six quarters ago. So do you expect to continue growing in revenue terms at similar rates?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

On the derivative gain, it is on the foreign exchange movement because rupee appreciated in this period and this is on that account. As far as the tower company is concerned, well, this sharing has to be with the competition; so there is no question of sharing with anybody else and this could involve all kinds of competitors, so our aim is to take some early steps and the leading steps to accelerate the sharing and bring down the cost on network, which are I think very high for all the operators. So we are taking these first steps as the leaders in this industry to bring down the cost not only for us, but for everyone and to preserve the much needed capital.

Long distance growth, yes, we are very pleased with the growth we are seeing in long distance. We are seeing growth not only on the national long distance side but as you have noted on international long distance side, our minutes for the time have exceeded a billion.

Let me invite Manoj to give you a small update on the international calling cards which we have launched.

**Manoj Kohli – President – Bharti Airtel Limited**

Thanks Akhil. The calling cards launch in US was targeted to 2.5 million NRIs in that country. The good news is that it has had a good start in the last two months, the customers have grown, traffic has grown, and revenues have grown. I cannot share details with you as yet, but let me give you news that it has had a good start and very soon we will finalize the plans to

launch into other countries beyond US and we will give you details by next quarterly. Thank you.

**Henry Cobbe – Nevsky Capital - London**

Thank you.

**Lucy - Moderator**

Thank you sir. The next question comes from Tien Doe from GIC, Singapore. Please go ahead sir.

**Tien Doe – GIC - Singapore**

Hi. Good afternoon. Thank you very much everyone for the call and congratulations on the results. Just a few questions from me. The tower companies, do you plan to list at some point a tower company? Could you just give a few more details on the business model of that tower company? For example, the transactions that tower company gets into the future with Bharti. Are those going to be done on an arms length basis? From what I understand with the tower company business models normally the second guy coming on to the tower gets a lower rate than the first lessor and the third guy gets a lower rate from the second guy. Is that the sort of business model we are talking about as well to your spin off?

The second question is just on your employee numbers on the mobile side and overall. Those have actually come off a bit. I was just wondering how that was the case? How did you manage that?

The third question is based upon on Sri Lanka. Your thoughts in general terms, how you will take market share away from the current incumbent. I know there are a number of other weak players, but I guess Dialogue Telecom in Sri Lanka does have a very large market share? How will you take market share away from them?

The final question, any update on freeing of spectrum by the MOD. Is that still happening at some point or you think that should be a 2008 story? Thank you.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Thanks Tien Doe. On the tower company, I think the question whether we will list it or invite other financial or other investors- at this point in time we are actually not looking at that. What we are concerned about is, and the reason why we have done this hiving off this business into a separate 100% subsidiary is to bring more focus to this part of the business. It is a very huge expenditure item for us both in terms of Opex as well as Capex.

On a strategic level, it has been our decision at the highest level that this industry definitely needs more sharing. We felt that if we can separate this operation from the main network, I think the focus in terms of sharing will be much more. So that remains our first

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and foremost driver for having off this business into 100% subsidiary. But listing and other things I think we are not worried about it at this stage and we will come to it as the time arises. Manoj would be talking about the employee number. But just quickly on the spectrum, I think we are expecting some more spectrums in line with the given policy on 2G. 3G of course the guidelines are awaited. So I am hopeful that in this year itself we will get more spectrum wherever the guidelines permit us to have.

On Sri Lanka, certainly we would not like, at this early stage, to share our strategy. We are in the process of formulating it, but we are confident that with the low penetration in that country and our business models, we should be able to make a place for ourselves. I think beyond that at this stage it may not be appropriate for us to really lay out any initial strategy that we are forming.

Manoj, would you please tell about the employee numbers?

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**Manoj Kohli – President – Bharti Airtel Limited**

The manpower, you must have seen that our numbers are stable between last quarter and this quarter. This is a very conscious strategy of focusing on manpower productivity like we focus on every resource productivity. We believe that we can improve productivity levels dramatically over the next few years. We are now redesigning our organization. We are trying to give more IT tools to our employees so that our levels of productivity can go up further. The focus is on quality of the manpower. The focus is on getting new skill sets, which maybe the company does not have as much as we desire to have. So there is a shift towards productivity, towards quality and towards new skill sets in the company.

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**Tien Doe – GIC - Singapore**

Okay. Thank you very much for all that.

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**Lucy - Moderator**

Thank you, sir. The next question comes from Mr. Rajiv from HSBC, Hong Kong. Please go ahead sir.

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**Rajiv – HSBC – Hong Kong**

Congrats, Manoj on a good set of numbers. My first question is regarding in one place we have upgraded the Capex forecast to \$2.5 billion for the next year, but on the other hand we have a good strategic initiative in terms of infra sharing and a separate tower coming up. So just like to understand like one place you have such a big initiative which can reduce your Capex estimates to 20% to 30% minimum if we go for a separate tower company. In that same year you have a very high CapEx estimate? Also would like to understand how much of your TFA will move to this tower subsidiary?

Also how much Capex are you planning for international operations?

On the Sri Lanka initiative, I would like to understand, does Bharti really feel that incremental opportunities being provided by Sri Lanka are more than lucrative than the present available opportunities in India?

Last, what are the consequences if you do not get spectrum as per the policy in the next six months' time? Thank you.

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

I think Manoj you could take up some of the operational bit, but on Capex I think very clearly the \$2.5 billion estimate, which we are having takes into account some of these savings. I think the growth is very robust, and we would like to be at the forefront of capturing this growth. So I would say that \$2.5 billion Capex does take into account some of that. This is not either-or situation. We would like to expand as much as we can and cover more ground, so it does take that into account. Sri Lanka again is not a either or question at all. I mean it is not that we are doing Sri Lanka at the cost of the Indian growth. The Indian growth continues. Sri Lanka will be a separate countrywide operation reporting directly to the President. So it is not an either or situation and therefore that question about what would have happened if we had concentrated on India does not arise. Of course India will grow whatever it takes, and we will be providing that. One more question, Manoj will take that.

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**Manoj Kohli – President – Bharti Airtel Limited**

Just to come on the spectrum question, we had a backup plan internally where we are working with both Nokia and Ericsson to get their world-class network optimization talent to India to help us enhance the quality. We will not let the quality of network suffer, but we are confident at the same time that the Government of India in a matter of maybe two or three months will get the 2G spectrum released from services and allocate it as per policy to the industry players.

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**Rajiv – HSBC – Hong Kong**

Just a followup question like what percentage of TFA will move to the tower company and how much Capex is for international operations?

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

This is under a scheme of reconstruction and reorganization where there is no value going there. In terms of accounting it is only the book value which will move there.

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**Rajiv – HSBC – Hong Kong**

So book value of your towers or you will also move your electronic Capex, which is also roughly 30% or whatever it is of your TFA?

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

There is no proposal to move the electronic or the active part of the network. It is only the passive. The towers, the generator and the uninterrupted power supply, shelters etc.

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**Rajiv – HSBC – Hong Kong**

How much Capex estimates you have for the international operations?

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

I am sorry?

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**Rajiv – HSBC – Hong Kong**

Capex estimates for your international operations in FY' 08?

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Not included in the \$2.5 billion. We are going to have the planning on that. At this point in time, we are not including the Capex of Sri Lanka into this.

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**Rajiv – HSBC – Hong Kong**

One very last question, I am very sorry. I have taken so many questions. What percentage of population is overall, Bharti group, you feel in India is coverable and profitably coverable?

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

I think this is a moving target really. We believe at this point in time 75% to 80% looks very, very achievable and with profit, but India is a moving target. Incomes are growing and they are spreading all across the country. It is quite possible that by the time we reach that percentage, that percentage would have moved ahead and we are very confident that the way the Indian economy is growing; the benefits are going to the rural sector. That would indeed be the case in the next few years.

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**Rajiv – HSBC – Hong Kong**

Thank you.

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**Lucy - Moderator**

Thank you, sir. The next question comes from Mr. Anand Ramachandran from Citigroup, USA. Please go ahead sir.

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**Anand Ramachandran – Citigroup - USA**

Thank you gentlemen. I called in a little late into the call. Congratulations on a great quarter results and apologies if one of these questions has been answered before. Three questions really. Firstly, the infrastructure company side, can I just check how many towers you have now and what proportion of them are already being actively shared? And do you have a feel for what an ideal number should be given obviously your expert feel for the Indian market?

Secondly on the overseas front, Sri Lanka is one obviously active project here onwards. How many more projects do you think you can actively handle before you say enough for now, before you get to comfort with what we have on the table?

Lastly, and I do not know if this question has been asked before. On the ongoing Hutch-Essar stake sale, I was wondering how Bharti sees this impacting the component of dynamics, if at all. Secondly one of your shareholders is obviously actively involved as a potential acquirer. I would assume it is not in line with the Bharti strategy. So I am just wondering what your perspective is on conflict of interest if any at all arising from this and how you see this proceeding? Thanks.

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Well, let me lead the infrastructure tower thing for Manoj to explain. I will take the other two.

I think Sri Lanka, as I mentioned, is a very important first step for us from the international strategy. Clearly SAARC was always on our radar screen and we are very pleased that we are making the first moves in Sri Lanka, which is one of the bigger targets here. So we are very excited and very thrilled about this opportunity. We would be looking actively at some other opportunities as and when they arise on a case-to-case basis. But again, the only thing I would like to reiterate here for all our investors and all our other stake holders is, anything which we do on the international side, I think has absolutely no either-or situation vis-à-vis the Indian operations. The Indian operations just would not be allowed to get disturbed. No amount of attention will be taken off from the Indian side and that is something which is an absolute must for us internally. This is in line with the discussions we have had at the board level, at the internal management level and that is something we are very, very clear about. What we will do in future I cannot indicate at this point in time except that yes, we will look for the opportunities which could add value to our shareholders.

On Hutch-Essar stake sale, well, I think so much has been said and written about it that I seem like a broken

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old record if I say anything on that. Now all I would say is clearly Vodafone have informed us that they are interested in that and are making a bid. We understand they have perhaps made a non-binding bid, but they have clearly indicated that. Very clearly it is a situation of conflict of interest. And to give full credit to Vodafone, I must say in line with the absolute high standards of corporate governance, which it is known for, they themselves refrained from attending yesterday's board meeting. Beyond that I guess it is all speculative and hypothetical at this stage. But in terms of the competitive intensity I think whatever competition we have seen, all the competitors are very able and very experienced. Hutch has been a great competitor. It is a great company. So I think it does not make any difference in terms of competitive intensity because it is already too high.

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**Manoj Kohli – President – Bharti Airtel Limited**

Moving to your infrastructure question, by December we have installed and commissioned 34,000 towers. We believe we will get close to maybe 38,000 to 40,000 towers by March. Our present infrastructure sharing with our competitors is about 23%, which we believe with this move on independent infrastructure company will enhance the sharing substantially because the KRA of this management team will be to enhance sharing, bring in two tenants or three tenants in each tower. I think this will be an important focus for the new company.

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**Anand Ramachandran – Citi Group - USA**

If I could just follow up the acquisition strategy and obviously I absolutely appreciate it does not disturb the local operations if at all and that is a totally separate thing. So I guess the takeaway is the number of operations is totally determined by the number of opportunities you see as attractive than a question of capacity per se. Would that be right?

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**Manoj Kohli – President – Bharti Airtel Limited**

That is right.

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**Anand Ramachandran – Citi Group - USA**

Thank you.

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**Lucy – Moderator**

At this moment there are no further questions from participants outside India. I would like to hand over the proceedings to Divya. Back to you ma'am.

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**Divya - Moderator**

Thank you very much Lucy. We will now begin the question and answer interactive session for the participants in India, who are connected to Airtel Audio Conference Service. Participants who wish to ask

questions may please press “\*1” on their touchtone-enabled telephone keypad. On pressing “\*1” participants will get a chance to present their questions on a first-in-line basis. To ask a question please press “\*1” now. The first question comes from Mr. Sheriar Irani of IL&FS Investsmart, Mumbai. Mr. Irani, you may ask your question now.

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**Sheriar Irani -IL&FS Investsmart - Mumbai**

Hi. Can you hear me?

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Yes.

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**Sheriar Irani -IL&FS Investsmart - Mumbai**

Okay. Just one question on the i2i cable, the price at which it is being purchased is at US \$110 million. I just wanted to check what has been the cost of construction of this cable?

Secondly, also what is the current holding structure of this? It is 50%, is it owned by Bharti Airtel or is it a Bharti Company and how has that been worked out? Thank you.

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

The overall cost for Bharti Airtel for acquiring i2i cable would be US \$110 million. The original cost, this was built in 1999, if I am not mistaken. I am not exactly aware, but it was certainly more than this. We had placed all the facts before the audit committee and the Board. It was assessed that the replacement cost if we were to build up a new cable today would have been significantly higher and of course on top of that there is an advantage. So they have looked at all pros and cons and then they approved it. It is owned 50% by SingTel and 50% by Bharti Group Company, not Airtel because when it was set up, the Board of Airtel had decided that Airtel may not want to own this, which we felt that i2i over the years has served Airtel extremely well. This decision was taken by the board yesterday.

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**Sheriar Irani -IL&FS Investsmart - Mumbai**

Okay. Fine.

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Thanks Sheriar.

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**Sheriar Irani - IL&FS Investsmart - Mumbai**

Thank you.

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**Divya - Moderator**

Thank you, sir. The next question comes from Mr. Jatin of Anand Rathi Securities, Mumbai. Sir you may ask your question now.

**Jatin Mandalia – Anand Rathi Securities – Mumbai**

Congratulations to the management for a good set of numbers. I have a couple of questions. First the exchange fluctuation gain of Rs. 2,192 million. What is it exactly relating to? Secondly regarding the TRAI proposal to revise the roaming revenue- any update on that and what will be the impact on Bharti?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Can you just repeat the first question please?

**Jatin – Anand Rathi Securities – Mumbai**

You have the exchange fluctuation gain of Rs. 2,192 million. What is it exactly relating to?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

As per the US GAAP Sarvjit, would you like to just explain this as per the US GAAP?

**Sarvjit Dhillon - Director - Finance & Business Integration**

Hi Jatin. The exchange rate fluctuation, there are two parts to it and obviously it is a non-cash item. It is principally driven by the fact that we have had appreciation of the rupee in the quarter. That is a large turn that has taken place. As you see it is a non-cash item and that will continue based upon what happens on the unhedged portion as well, as well as marked to market movements.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

On the TRAI proposal of roaming, you know India has got the lowest tariff anywhere in the world and the competition has been bringing it down. We fundamentally believe that in an intense competition environment the tariff should be left to the operators because they are working very well, but since there is some kind of a proposal we do not want to influence it in any manner and would like to keep the comments reserved on this for the time being.

**Jatin Mandalia – Anand Rathi Securities – Mumbai**

Okay. Thanks.

**Divya - Moderator**

Thank you, sir. The next question comes from Ms. Nandita Parker of Karma Capital, New Delhi. Ms. Parker, you may ask your question now.

**Nandita Parker – Karma Capital – New Delhi**

That is Mrs. Parker. Congratulations on amazing results. Just a couple of questions on your foray into the media side of the business. Could you comment on both the DTH operations and also in terms of when you would be launching and so on? What is the CapEx on that? Secondly whether you have any plans to launch a kind of a cable TV...Using your broadband to launch a cable like service, so it is a sort of a triple play.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Manoj, would you cover in on the IPTV and DTH.

**Manoj Kohli – President – Bharti Airtel Limited**

As you know globally, we see telecom converging into entertainment and I think we believe this phenomenon will also come into India soon and we should as a leader in telecom lead this. IPTV, we have had good trials in the NCR region in the last year or so and we are planning to launch it by next quarter. On DTH, we have applied for the license, we have formed a company, but we have not really finalized the project. As soon as the project details are finalized, we will be happy to share with you.

**Nandita Parker – Karma Capital – New Delhi**

So IPTV would be basically available to the 2 lakh broadband customers, right?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

IPTV has to run along with wherever we have copper going into various homes. But DTH as you know is a satellite service.

**Nandita Parker – Karma Capital – New Delhi**

Right. So, IPTV, what is the size of the target launch for you?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

At this point, before the launch, I would not like to share details, but as we launch we will share more details with you.

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**Nandita Parker – Karma Capital – New Delhi**

Okay, and just on the DTH, is the Capex for DTH included in the \$2.5 billion for next year?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

No, it is not included in \$2.5 billion and anyway, it will not be very high.

**Nandita Parker – Karma Capital – New Delhi**

Okay. Thank you.

**Divya – Moderator**

Thank you ma'am. The next question comes from Mr. Shubham Majumder of Macquarie Securities, Mumbai. Mr. Majumder, you may please ask your question now.

**Shubham Majumder - Macquarie Securities**

Hello. I have two questions. One is on the CapEx for \$2.5 billion largely for next year. That Capex number is tied to what sort of population coverage? And, more importantly, if you can just break that up into urban and rural coverage, just so that we know what the aspirational level you want to reach in the next 15 months in terms of coverage?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Well, as we had mentioned earlier, the plans, exact plans, on the Capex are being drawn up and what we have given considering the vast interest from our investors, is an initial estimate, it could vary a bit as we finalize our plans. We expect this to be in the vicinity of \$2.5 billion. And broadly speaking what we would like to do by the end of next year is cover something in the region of about 70% or so. 66% to 70% of the overall population, at least. Urban and rural, well I think the way we are seeing growth everywhere. Typically, whatever we grow, roughly 50% is in the areas where we are already there, 50% is what we add in the new areas. So I think it will be a good mix of urban and rural. We believe we will be expanding in the rural areas very, very quickly henceforth and a significant portion of our expenditure would be targeted also toward the new smaller towns, which invariably covers a large tract of rural India as well. So, at this point, I think, as we mentioned, this is still work in progress, but what we have shared with you are some early indications.

**Shubham Majumder - Macquarie Securities**

Akhil, another small question is on long distance margins. They have gone up 270 basis points quarter-on-quarter to 43% in this quarter and this is possibly

one of the highest EBITDA margins you have seen in this business in a long time. Over the last one quarter what has really improved to warrant such a large margin expansion, and do you think it is sustainable?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

You know, long distance business by its very nature is a low variable cost business; it has to be because there is no marketing expenditure involved, which is an inherent part of the service business and therefore, it can vary a little bit from quarter to quarter as Manoj explained earlier on the enterprise segment, both the corporate side as well as the carrier side. It can go up and down a bit depending on the tariff, but of course, the variable expenditure in this business is certainly low and that does make the margin a bit more volatile than the other traditional mobile business.

**Shubham Majumder - Macquarie Securities**

And a last question, Akhil, on the rural subsidy sharing mechanism funded by the USO fund. The government is planning to lay out something like \$900 million odd to finance the rural infrastructure build-out for passive infrastructure on cellular business and there is going to be a bidding process thereby, a reverse bidding process that is possibly coming on in the next two-three months. What is the thought of Bharti to be participating in this business going forward?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

I think first and foremost this is a very, very welcome step and culmination of the big demand, which we had as mobile operators that the mobile network is now being included in USO. The technicality there was an earlier provision in the Indian Telegraphs Act, which the government amended. So I think on behalf of all the operators we do need to thank them for this very pragmatic step. Certainly as the leaders and somebody who are absolutely committed at taking the coverage to the deepest part of the country, we hope to be certainly participating in this tender and are now carefully studying the terms and conditions of the tender, which will come out.

**Shubham Majumder - Macquarie Securities**

Okay, thank you, Akhil. All the best.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Thank you.

**Divya – Moderator**

Thank you sir. The next question comes from Mr. Rahul Singh of Citigroup, Mumbai. Mr. Singh, you may ask your question now.

**Rahul Singh - Citigroup – Mumbai**

Yes. Hi, everyone. I had two questions. Firstly, on the increase in coverage of 4% during the quarter also; we were just trying to reconcile this with the drop in Capex on a quarter-on-quarter basis on the mobile business and was just wondering whether I am missing anything on the drop in Capex and at the same time maintaining the same pace of increase in coverage.

Number two was on your purchase of i2i at \$110 million. If I am not mistaken, the original cost was about \$650 million for construction. I was just wondering in terms of the valuation of this purchase and whether we can justify it or whether you have any benchmark in terms of the IRU rates currently which can justify the replacement cost, which you mentioned was at \$110 million, whether it can be justified on the basis of any market based pricing of bandwidth, which is ongoing in that segment of the international bandwidth.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Thanks, Rahul. I think let me explain you the i2i bit first because it is the related party transaction and therefore in line with our practice. This is something we would like to explain fully. First and foremost, let me clarify it was not \$650 million initially. There was a plan initially of around that figure, but it was lower than that. Now the justification of \$110 million for this entire capacity, which has something about 800-odd lambdas still on this network. So it is a very large capacity eight-fiber system between India and Singapore. It was taken up by the audit committee and the board broadly on two different valuation parameters. The first was the savings in the Opex, which it brings to the company and that had been explained there.

I think I would not want to get into that detail for the only simple reason that might be construed as my giving some kind of a guidance which we, obviously as a matter of principle, do not give. That was the first one where the board and the audit committee realized that this investment gives a very, very healthy return based on what we are bound to save with owning this particular capacity. Just to remind you, before we owned this capacity, we had to give the charges for all traffic, which we were carrying between India, Singapore and beyond which was on a half circuit basis. Now, it would be on a full circuit basis and therefore we do not have to give recurring revenue, which we were giving earlier.

That was the first parameter and it gives a very, very healthy return in the opinion of the board and the audit committee. The second parameter was the replacement value. It is expected that if this network was to be built up again, it would at least cost between

\$150 to \$180 million on a like to like basis. You take away some depreciation and add some premium and again on that parameter, the audit committee and board found that the \$110 million valuation was absolutely justified. So this was a decision, which the Board and the Audit Committee had taken without too much of assistance from the concerned party.

**Rahul Singh - Citigroup – Mumbai**

Okay. The other question was on the coverage increase.

**Manoj Kohli - President - Bharti Airtel**

Yes. Rahul. Let me share some details there. In this quarter we have added about 250 urban towns and about 22,000 smaller towns and villages, which is a very substantial roll out for a quarter. What we should see actually is the YTD Capex starting from April 2006 up to December 2006. There are issues of large WIP (work in progress) material, etc., which are in the field for roll out purposes. So I believe that this new coverage actually did add on to about 4% population addition to our coverage.

**Rahul Singh - Citigroup – Mumbai**

Okay, actually the reason why I asked this question was also because your network operating cost did not increase at all on a quarter-on-quarter basis. After a long time network operating cost did not increase and also SG&A did not increase much on the operating cost side, so those two things also point to a slightly lesser roll out, which also ties in with Capex.

**Manoj Kohli - President - Bharti Airtel**

Rahul, it is not lesser roll out. It is more efficiency creation by the company. I think the management is completely focussed on improving the cost efficiency, especially the network cost, which is the largest chunk of cost in our P&L. So those efficiency steps are giving benefit to the company now.

**Rahul Singh - Citigroup – Mumbai**

Okay. Thanks a lot.

**Divya – Moderator**

Thank you, sir. The next question comes from Mr. Vaibhav of Motilal Oswal Securities, Mumbai. Sir, you may ask your question now.

**Vaibhav Doshi- Motilal Oswal Securities – Mumbai**

Congratulations on a good set of numbers. Most of my questions have been asked. Just wanted to check where have we reached on re-verification right now?

**Manoj Kohli - President - Bharti Airtel**

We have crossed 70% re-verification and we expect that we should be more than 90% by March, maybe 95%, depending on how well it goes. So, we actually are leading the industry in terms of re-verification of the prepaid customers.

**Vaibhav Doshi - Motilal Oswal Securities – Mumbai**

Okay, in other words this sort of increased ARPU on the fixed line side, is this largely a result of the DSL subscriber base, which continues to go up? Where do you see stabilization level in terms of percentage of your subscriber, which will be DSL?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Our focus on DSL is enhancing, hence you are right. The increased ARPU is based on higher proportion of DSL customers vis-a-vis voice customers. I believe in times to come our focus on DSL will further enhance and should give us more customers and revenue.

**Vaibhav - Motilal Oswal Securities – Mumbai**

Are you looking at any kind steady level like 40% or 50%?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

It is difficult to state because the market is evolving and PC penetration is also growing well. So it is difficult to evaluate whether it is 40% or 50%.

**Vaibhav - Motilal Oswal Securities – Mumbai**

Okay. Thanks.

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Thanks.

**Divya – Moderator**

Thank you, sir. The next question comes from Mr. Bijal Shah of Brics Securities, Mumbai. Mr. Shah, you may ask your question now.

**Bijal Shah - Brics Securities - Mumbai**

Hi. Congratulations on a great set of numbers. I have three questions.

First is if you can just throw some light on how tax rate is going to move going forward. In this quarter we have seen the tax rate going up to 14.8%. So is there anything linked to a foreign exchange gain, which we have seen?

Question two is, can you just give us some breakup of Capex, like how, much is going to mobile next year? Is it 70% or 75%, which we normally do provision for mobile, would it be a fair assumption?

Thirdly, if you can just give us some idea of what is the roaming revenue as percentage of your mobile revenues currently?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

The tax rate is always a little bit of a dicey proposition, because the deferred tax depends on a quarter-to-quarter basis on your expectations for the remaining part of the year. You are right, some percentage does move. Of course, the minimum alternate tax is pretty much set. I would say it would be fair, unless there is a big change in the tax rate in the forthcoming budget, to assume something in the vicinity of 15% to 16% as an overall effective tax rate for us including the deferred tax. On Capex, as I mentioned, it is still early days. We are still working on it, but yes, on a broad based basis, I would say roughly 70% could be going to the mobile business. So anywhere between two-third, 70% or in that range. Roaming revenues, well, we do not have individual breakups of the sources of revenue, so I am afraid I will not be able to give you that.

**Bijal Shah - Brics Securities - Mumbai.**

Just on the tax rate again. Is 15% to 16% tax rate, you are talking about FY08 or for the last quarter only?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

I am saying that going forward, unless there is a big change in the tax rate, or in the tax statute, then it looks like something which would emerge as the - if there is a big change in the tax rate, it could make a big difference.

**Bijal Shah - Brics securities - Mumbai.**

Okay, thank you.

**Divya – Moderator**

Thank you, sir. The next question comes from Mr. Sanjay Chawla of JP Morgan, Mumbai. Mr. Chawla, you may ask your question now.

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**Sanjay Chawla - JP Morgan- Mumbai**

Hi. Congratulations to the management on a good set of results. I have two questions. One is you mentioned the number of towers that you had as of December 2006 was 34,000 and 23% of them are being shared. Does it mean that the actual number of towers owned by Bharti is 77% of 34,000 which is 26,000? That is question number one.

Second is, on the i2i, I was just wondering how comparable or how different is Network i2i cable with respect to the Tata Indicom cable, which they have put up at the cost of about \$100 million, I believe?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Let me take up the i2i one. I think i2i is a much bigger cable system. Tata's, I understand, is a four-fiber system, this is an eight-fiber system. And with the interest of various other cable systems coming up across the world, particularly linking into India, I think the chances of i2i having a chance of giving fibers to those cable systems is big. So it is a different network, that is four fibers and this is eight fibers. On the number of towers, Manoj, if you could please explain.

**Manoj Kohli - President - Bharti Airtel**

Okay, when we share it is both ways. It is shared with other operators and other operators share with us. So, I do not have a breakup at this point in time, but as I recall I think other operators are sharing more of our towers.

**Sanjay Chawla - JP Morgan- Mumbai**

But just trying to interpret this percentage 23% figure which you share currently, does it mean that 23% of 34,000 are actually owned by other operators which you are able to use on a barter basis?

**Manoj Kohli - President - Bharti Airtel**

No, as I said to you when we say sharing, it is both ways sharing. Other operators coming to towers which we own, and we going to towers, which other operators own. I think we are sharing more of our towers than other operators sharing their towers with us.

**Sanjay Chawla - JP Morgan- Mumbai**

I see. Thank you.

**Divya – Moderator**

Thank you, sir. The next question comes from Mr. Sheriar Irani of IL&FS Investsmart, Mumbai. Mr. Irani, you may ask your question now.

**Sheriar Irani - IL&FS Investsmart – Mumbai**

Yes. Hi, just a question once again on the Capex. If I remember the number correctly about at the beginning of FY07 you all were looking at a Capex estimate for FY07 of about \$1.5 to \$1.8 billion in that range. Obviously that time also the Capex was revolving etc., but during the course of the year this has gone up and if I take down an average of that and average of \$2.2 to \$2.1 billion now, it is up 30%. So are we likely to see a similar increase on this \$2.5 billion number for FY08 that you have mentioned?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

Well, I am actually very happy that the current year the Capex has gone up from our original estimate because that has also been accompanied by massive growth in customers, the revenues, EBITDA. And if that is the case for next year, I'll be the happiest person to see the \$2.5 billion estimate get topped as it is in conjunction with the rest of the things. And I am sure my investors would be very happy too.

**Sheriar Irani - IL&FS Investsmart – Mumbai**

Yes, sure. My only point here is that therefore your free cash flows might get deferred further. So I was just wondering on that point. Is that correct to assume for FY08 as well?

**Akhil Gupta – Joint Managing Director – Bharti Airtel**

I think this business when it is in a growth phase like you are seeing today, we will be doing a severe disservice to our stakeholders, particularly the shareholders if we were starting to worry about the free cash flow. Let's face it. Free cash flow is there, it generates certain return in the hands of the shareholders. You have seen my return on equity is 35.6 or something like that. If really I do not think that any of my shareholders will get 35.6% return, therefore the more I can keep investing back in this business and give that kind of equity returns, I think, personally for any informed shareholder, such flow becomes a complete complete nonevent.

**Sheriar Irani - IL&FS Investsmart – Mumbai**

Absolutely. I am not wronging that number or the fact that it has gone up. My only point is that is this number 2.5 likely to go up further or is it some sort of an average that you all have assumed taking into consideration any likely upside in the Capex?

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

I cannot obviously say whether it is definitely likely to go up because if it is likely to go up, I will stand for a higher number.

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**Sheriar Irani - IL&FS Investsmart – Mumbai**

Sure. Sure. Absolutely.

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**Akhil Gupta – Joint Managing Director – Bharti Airtel**

With present estimate, we believe this is certainly what it looks like. But I think we have a very flexible company. We would not be captive to any kind of plans which may result in taking lower share of the growth. If necessary certainly we will up it.

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**Sheriar Irani - IL&FS Investsmart – Mumbai**

Okay, thank you

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**Divya – Moderator**

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

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**Srinivas Rao - Deutsche Bank - Mumbai**

Hello, this is Srinivas here. I just wanted to check with you a statement in your quarterly report which states that around 7,900-odd towers is eligible for the USO funds. Are these your towers which are eligible, which means around 25% of your network would be available for the USO funds?

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**Manoj Kohli - President - Bharti Airtel**

Okay, this USO scheme is independent of what we are doing and as Akhil said that we will participate in this tender process. These towers have to be established by the company which wins this tender. It has nothing to do with our 34,000 towers.

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**Srinivas Rao - Deutsche Bank - Mumbai**

Okay, the number of about 8,000 is not which your towers are eligible?

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**Manoj Kohli - President - Bharti Airtel**

Not our towers. These are the towers which are covered by the Government of India tender.

**Srinivas Rao - Deutsche Bank - Mumbai**

Okay. Thanks.

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**Divya – Moderator**

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

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**Rajan Bharti Mittal – Joint Managing Director - Bharti Airtel**

Let me thank all the participants who have taken time off to be with us on this important call. A very robust set of numbers, telecom growth is taking place and Bharti is participating and improving its margins as well as market share. We hope that we have been able to clarify all the queries raised in this call and we look forward to being with you in the next quarter. Please stay connected and thank you so much.

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**Divya - Moderator**

Ladies and gentlemen, this concludes the earnings call. You may now disconnect your lines. Thank you for connecting to Airtel Audio Conference Service. Have a pleasant evening.

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