

**Bharti Tele-Ventures**  
**FY 02 Earning call**  
**April 29, 2002 (2:30 pm IST)**

Moderator: Good afternoon, ladies and gentlemen. I am Mrinalini, the moderator for this conference. Welcome to the Bharti Tele-Ventures conference call on the un-audited results for the quarter and year ended March 31, 2002. At this time, all participants are in the listen-only mode. After the presentation, we will conduct a question and answer session first for participants connected to SingTel and later for participants connected to Cyberbazaar. This call is being recorded at the request of Bharti Tele-Ventures. Participants who have any objections to such a recording may disconnect at this time. I would now like to turn the call over to Mr. Alistair Scott of Merrill Lynch. Thank you and over to Mr. Scott.

Alistair: Thank you very much Mini. Good morning or good afternoon everybody. On behalf of Merrill Lynch, obviously I am delighted that we are kicking off the first results announcement from Bharti Tele-Ventures after their IPO. It is our privilege to have with us today, Mr. Sunil Bharti Mittal and obviously Mr. Akhil Gupta and rest of the management team. Obviously, thank you very much for publishing the results and for showing a very strong on year-on-year basis. It has been a very interesting few months. I know there is lot to catch up in terms of the companies operations and launches in various circles, as well as obviously the IPO itself. Perhaps, I will not turn over to Sunil Goyal, Investor Relations Officer, to introduce the team and to conduct the call. Thanks.

Sunil Goyal: Good afternoon ladies and gentlemen. Thank you for joining us in our first results announcement. I am Sunil Kumar Goyal, better known as SKG. I handle investor relations and business analysis for Bharti Tele-Ventures. We have with us in Delhi, Mr. Sunil Bharti Mittal, Chairman and Group Managing Director, Mr. Akhil Gupta, Joint Managing Director. Today, we will start with a brief overview from Mr. Sunil Bharti Mittal followed by summary of financial and operational results by Mr. Akhil Gupta, and finally open the discussion for Q&A. Before I hand over the call to Mr. Mittal, I would like to remind you that this discussion may include forward looking statements that may be read in conjunction with risks that we face. I now hand over the call to Mr. Sunil Bharti Mittal.

Sunil Mittal: Very warm welcome to all of you at the first investor conference post our listing. I am very pleased to have the pleasure of announcing the annual and quarterly results. I will be assisted by my colleague Akhil Gupta, who will after my brief introduction, give the detailed summary of the financial highlights.

Before I speak about our business and detailed performance, let me take a couple of minutes to give you an overview of the Indian telecom market and some recent trends. The total size of the Indian market in revenue terms is now about \$8.5 billion, of which the national long distance revenue comprises of about \$3.3 billion and the international telephony at about \$1.4 billion. Clearly, the market still remains under penetrated. In fact, in a very recent article in The Economist, a detailed view has been given about Indian telecom as to how under penetrated it is and what kind of an opportunity it throws up. At 3.8% penetration on the fixed line side, India clearly has still many years to go before it can reach the tele density of 10 per 100 compared to other developing countries around the world. Most of these 38 million fixed lines belong to the incumbent operator BSNL, and it is only now that the private sector is coming in the fixed line operation to some degree. The main story of growth and private sector participation really has been the mobile sector, which has been showing a very robust growth starting with 1.9 million total connection 2 years back to 3.6 million, and closing this March at about 6.5 million. In fact,

the March itself has started giving strong indications of very strong growth coming in the future when the entire country connected about 380000 new mobile customers. As per various estimates and research done by agencies outside and the cellular operators association, it is expected that India by March 2006, could be anywhere between 35 to 50 million subscribers. We believe that in percentage terms, we are now mirroring China's growth as was being experienced by China in the year 1996. We clearly believe that the growth that have been projected in these reports are sustainable.

Let me briefly touch upon Bharti for some of those who may be looking at Bharti afresh. We are now the largest private sector telecom company in the country. Clearly, we are creating a dominant position for ourselves in every segment of the telecom place, more importantly, the mobile telephony where we have taken a position of being a pan Indian mobile player. Bharti has experienced a rapid growth in the last few years. Between 1999 and now, from 2 mobile operations to 15 mobile operations, from one fixed line operations to 5, and more importantly covering 93% of the mobile potential all across the country. The roll out plan or the licensing wins by Bharti have been very smart. We are only covering 58% of the land mass, and thereby providing 92% of the potential in our mobile coverage area. The total subscriber base of Bharti is now at 1.6 million, of which 1.34 million are on the mobile side, showing a growth of about 127% over last year. The growth in numbers is equally matched by growth in financial results, in terms of revenue, EBITDA, and cash profit. For instance, the revenue growth over 3 years has been from Rs. 2.4 billion to about Rs. 15 billion, showing a growth of 5 times. Similarly, the EBITDA over the last 3 years has moved from Rs. 35 million to over Rs. 4 billion in the same timeframe. The growth in cash profit over 3 years has been from a cash loss of Rs. 135 million in 1999 to a cash profit of over Rs. 2 billion in year 2002 that we closed just now. One of the significant features of Bharti is our partnerships, of which we have been very proud of. In the past, we have had partners like British Telecom, Telecom Italia, Vivendi, stakes of whom we have brought over a period of time in amicable departures. But what is important is that we now have very high quality, dedicated, and committed partners in Bharti Tele-Ventures lead by Singtel, which has a significant stake in Bharti Tele-Ventures, followed by Warburg Pincus, which has invested over \$300 million, and other the investors are IFC Washington, New York Life, AIF, and AMP Australia. All these partners put together have invested over a billion dollars in the last difficult 2 years of the telecom sector worldwide, and this has made Bharti as one of the top recipient of foreign direct investment in the country cutting across sectors.

The year 2001-2002 has been particularly significant for Bharti. Some of the major achievements are:

We obtained 8 new mobile licenses and revived the Punjab license which was a part of the company we acquired, JT Mobiles, giving us 9 new operations.

We took 4 new fixed licenses, national and international long distance operation licenses.

During this period, we acquired a running a cellular operation in Kolkata, 100% stake of that company.

We also cleaned up our stable in terms of having a cleaner structure where all partners had their interest aligned in Bharti Tele-Ventures and in this process bought back the minority stakes of British Telecom in Delhi mobile, in the VSAT venture, and the internet service division.

We bought 49% stake from Bellsouth and Millicom to have the complete control of the Chennai operation.

Recently, we have now contracted to buy back Telia's 26% stake in Bharti Mobile Ltd, which operates in Andhra, Karnataka, and Punjab.

We now have all our operations, whether they are in mobile, fixed lines, long distance, and broad band, 100% owned by Bharti Tele-Ventures excepting a small minority stake of 4.7% in Chennai.

I am pleased to report that the new launches, the new licenses that we picked up are getting off the ground very quickly. The national long distance operation license was taken in November 2001, and the same was launched on 26<sup>th</sup> of January this year when we started our long distance operations of mobile to mobile calls, connecting almost 85% of the mobile operators.

The Punjab mobile license, which was revived in July, was put into operation in February 2002 within a period of 6 months. More importantly, the fixed line licenses, all 4 of them, have been launched within March this year. Some of the formal launches came up in the first week of April.

The international long distance, a license which was received very recently, we are in full readiness to launch, and in fact have put in media in place to be a parallel VSNL in this country, thereby having a capacity to carry nearly 90% of the Indian calls which come and go out of the country, and we are now awaiting some security clearances which would come in the next few weeks.

During this period, the submarine landing station at Chennai, linking Chennai to Singapore, was inaugurated by the two Prime Ministers of the country, the Singapore Prime Minister and the Indian Prime Minister during his visit to Singapore, and this has given us enough capacity to carry the entire traffic that is currently coming in and out of India.

We have rationalized the long distance tariffs, in a sense force we had of tariff rebalancing. As you may be aware, the local calls have been and are still being subsidized by the long distance tariffs, and this has been forced by our rationalization of tariffs. The tariffs have been brought down in line with international norms or at least the norms available around the Indian continent.

The other cellular operations which are left to be launched are in good shape and most of these projects are ready to be launched in the next few weeks. Without exception I would say, all being launched by end of June. So, we will be witnessing between now and end of June, launch of the final 8 mobile projects within the Bharti stable.

During next quarter, the key developments to note in relation to Bharti and the telecom sector in India would be really to witness the launch of the 8 cellular operations across the country. The interconnect that we have been struggling for with the incumbent operator, both for the international and domestic long distance. This is with both VSNL and MTNL. The regulator has floated a paper to decide the sharing of revenue between originator, carrier, and the terminator, and that process is currently under way and should be finalized within the quarter that we are operating in now.

We are awaiting the government's final decision on the FDI cap which is currently fixed at 49% in the telecom sector, meaning that foreign investments are limited to 49% in any company in India. The finance minister in his budget speech announced that the investments in the stock markets by FIIs will be exempt from the sectoral cap other than the specified sector. A committee has been set up which will be recommending which sectors are specified. We are quite hopeful that telecom will be the beneficiary of this change.

With these introductory remarks, let me now hand over the forum to my colleague Akhil Gupta, Joint Managing Director, to give you a summary of the financial and operational results for the quarter and the year ended 31<sup>st</sup> March 2002.

Akhil Gupta: Thank you. Good afternoon. A very warm welcome to all of you on our inaugural results. I am pleased to announce that for the year ended 31<sup>st</sup> March 2002, Bharti Tele-Ventures witnessed a very strong growth in every important parameter for a company of our size and in our stage of development, that is, the customer count, the revenue, EBITDA, and cash profits. The unaudited have already been posted on the website and I hope those are available with you.

Let me just take you first of all through some of the consolidated results, and just to remind you, we consolidate our results on international accounting standards. For the full year, as Mr. Mittal informed you first of all the customers increased to 1.6 million from 843,000 as on 31<sup>st</sup> March 2001, showing a year to year growth of 94%. Out of this, cellular customers increased from 595,000 to 1.35 million during the year, registering a very strong growth of 127%. As against this, the industry increased from 3.6 million as on 31<sup>st</sup> March 2001 to 6.5 million showing an increasing of about around 80%, so we beat the industry growth quite significantly. The net addition on the cellular side was 676,000 customers against 312,000 last year, again showing an increase of 117%.

Let me now turn to the key financials. The year witnessed the gross revenue of Rs. 15 billion approximately \$300 million. This was against total revenue of Rs 8.48 billion in the last year, showing a growth of about 77%. The EBITDA in this period increased from Rs. 1.93 billion to Rs. 4.07 billion, again registering a strong growth of 111%. But the cash profit jump from Rs 971 million last year Rs 2.95 billion this year, showing a jump of 204%.

The accounts show a net loss of Rs 1.13 billion, which is lower than Rs 1.21 billion last year, but I would like to point out that as per our accounting policy, we charge off the preoperative expenses for all new projects whether launched or un-launched in the year that they are incurred. This is in accordance with the international accounting standards and the best practices adopted in the world. The net loss of Rs. 1.13 billion includes Rs. 936 million on account of write off of such preoperative expenses prior to the launches, and also an amount of Rs. 220 million, which represent the minority interest in respect of the minority stake which has been taken over by us subsequently. So to that extent, these kind of expenses are non recurring in nature. The net loss was also somewhat higher because of an EBITDA loss of about Rs.110 million because we were able to launch two fixed line and one cellular project during this period, much before the anticipated timeframe of April that we had projected earlier.

As far as the balance sheet is concerned, as on 31<sup>st</sup> March, the total shareholders equity stood at about Rs. 49 billion, almost USD 1 billion, and the net debt only amounted to Rs. 14 billion. Therefore, we are in a good position, our leveraging is pretty low. We are only at about 0.29 as at this moment. As far as the quarter-to-quarter position is concerned, the last quarter was a somewhat unusual quarter because lot of revenue cuts took place and tariff cuts took place in this quarter. Our revenue growth in the last quarter was only 10%, the EBITDA moved marginally down by about Rs. 100 million, and the cash profit was down by Rs. 220 million. The revenue did not grow, but I think we were able to maintain the revenues from all our existing operations. We are pretty pleased about it because this particular quarter witnessed 3 very steep tariff cuts. The first was the cut on the prepaid rates, which drop by almost 38% to 40% on MTNL coming into the fray in January. We also saw a steep decline in the STD rates, which drop by about over 65%, and also the roaming charges were reduced from Rs. 10 per minute to Rs. 3 per minute by TRAI order and simultaneously the surcharge was reduced from 15% to 8%. I think, in light of these drops, the fact that our revenue marginally increased in this period clearly shows that the revenue drop on account of tariff drops gets made up very quickly in our line of business, and I

am glad that the strong customer growth which we have seen in the last quarter, which was about 22%, has made up for that loss. In terms of the cash loss, there was also, as I mentioned, Rs. 110 million as the loss coming from the new projects in EBITDA and also the interest was somewhat higher at about Rs. 150 million. This was on account of the fact that now we have drawn some loans for the new projects, which initially we had financed by way of equity. Let me give you a feel of our main in terms of the segment wise situation, our main business operation, which is cellular, which has accounted for about 83% of the overall turnover for the year. In terms of cellular, we have recorded total revenue of Rs. 14.6 billion up from Rs. 8.48 billion last year recording a growth of 72%. The EBITDA has increased, this is only consolidated. Sorry, on the cellular, the total revenue is Rs. 12.45 billion versus Rs. 7.39 billion last year recording a growth of 68%. EBITDA has grown from Rs. 1.98 billion to Rs. 4.41 billion showing an increase of 122%, and the earning before interest and tax increased by 211%. As I mentioned, the gross revenue increased in this segment despite all these big tariff cuts was only about 2% in this quarter. On the other businesses, I think the most noteworthy in this quarter had been the launch of long distance, which we launched on the 26<sup>th</sup> of January. And between 26<sup>th</sup> January and 31<sup>st</sup> March, we recorded revenue of Rs. 324 million and a very small but a sure EBITDA of Rs. 10 million. I think what is significant here is that this revenue has come about despite the fact that we still do not have an interconnection with the incumbents VSNL and MTNL. These revenues represent revenues coming from connecting cellular operators on cell-to-cell calls only and I think in times to come we expect a big rise in this segment of business.

Let me also now share with you some of the operating highlights, as I mentioned, the increase in the customers was 127% on the cellular side during the year and 22% during the quarter. The fixed line customers increased for the year by 53%, these stood at 164,000 against 107,000 as on 31<sup>st</sup> March. During the quarter these increased by 18%. In terms of net additions, the cellular additions for the quarter as compared to the last quarter last year increased by 86%. We added 242,000 new customers on cellular side during the 4<sup>th</sup> quarters versus 126,000 in 3<sup>rd</sup> quarter showing a growth of 92% over the immediately preceding quarter. In terms of fixed line, the growth between 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter in terms of net additions was 113%. We added 24,600 customers versus 11,600 in the 3<sup>rd</sup> quarter. On an annual basis, the cellular growth for the full year ended 31<sup>st</sup> March 2002, was 676,000 customers versus 312,000 showing a growth of 117% and fixed line on a full year basis at 41%. The number of customers on the Internet dial-up came down and that is in line with our stated policy that till such time that the internet tariffs stabilize and these businesses start making money, we will not go for more customers in these. One of the very important features has been our continuous growth in the overall market share in terms of the cellular customers. On 31<sup>st</sup> of March 2001, out of a total cellular subscriber base in the country of 3.6 million, we had 595,000 showing an overall share of 17%, this increased to 20% in December 2001, and as on 31<sup>st</sup> March 2001, this is already at 21%, that is 1.35 million out of 6.43 million all India. In our markets, in terms of our existing cellular operations, we have maintained the market share despite introduction of MTNL in Delhi and Mumbai, in Delhi in particular. We were at 53% on March 2001 and we are at 52%. But what is significant is in Punjab, which we launched in this year, which is a new project for us, are within almost 1½ months of our launching, we have already gained 12% market share on an overall basis as on 31<sup>st</sup> of March. The cellular customer mix today is about 63% on prepaid, but on the new ones we are adding about 80% on prepaid. In terms of the ARPUs, the postpaid ARPUs between the 2 quarters have more or less maintained, just registering a loss of 1%. Prepaid ARPUs did come down because of the big tariff cut. These were at Rs. 440 versus Rs. 499 in the last quarter. I think another important point is the churn. We have a postpaid voluntary churn at only 0.9%, but yet we follow a very stringent credit policy and as a result of that the company initiated churn on the postpaid side was 3.4%. On the prepaid side, the churn was 4.7% in this quarter, this is on a monthly basis and that is in line with the high churn, which is seen, in the prepaid segment.

I think with this I would like to hand it back so that there can be any questions that we will be very please to answer.

Moderator: Thank you very much. At this moment, I would like to hand over the proceedings to Diana to conduct the Q&A for international participants. After this we will have question and answer session for participants in India. Thank you and over to Diana.

Moderator: Thank You Mini. We will now begin the Q&A session for the participants connected to SingTel bridge. Please press \*0 or \$0 to ask the questions. The first question is coming from Anish Raman from SG Securities, Singapore.

Anish: Hi Mr. Gupta. I would just to like to ask you on the competitive landscape in Indian, especially with the WLL, which is going to be launched fairly soon, how do you expect that to impact Bharti.

Sunil Mittal: We have been tracking WLL for considerably long time, and in fact there has been an overhang for nearly 2 years, and you are aware that the policies with the government put into place is still being challenged from one forum to another and is finally now sitting in the supreme court. We believe that WLL in the form of full mobility may clearly be out of question considering the legal challenges that have taken place. So, I will confine my response to the WLL being a limited mobility as is envisaged currently in the government policy. Within the limited mobility also, there is another subset of a protocol called V5.2, which is something that the mobile industry is again insisting upon, and the government has been challenged on that in the lower court and there is a stay on that. Taking that away for a minute what does WLL mean for the industry? WLL is being based on CDMA technology, and the debate really on our side is not whether GSM is better our CDMA is better. The position here is does this allow an entry by the fixed-line operator into the area of mobile telephony. The answer to this on a sweeping basis would be, no, because a limited mobility is entirely different product and was conceived and envisaged at a point in time when there was a huge arbitrage between the tariffs of mobile telephony and fixed telephony, and more importantly it had a skew in its favor in terms of revenue share to be given to the government and the interconnect that was in place. All that has undergone a change. The mobile tariffs are down to a very low level, and that as has been already explained by Akhil has resulted in some lower revenue in the fourth quarter, which has only been offset by high customer growth. So net-net, we believe that today WLL being put in to place by CDMA operators cannot bring them the desired results because the growth cannot happen on account of GSM being positioned at a very aggressive play. A prepaid card and GSM is now available at USD 5-6 a month and the CDMA price point is already higher than that. Secondly, we believe roaming has become a very important issue because India is distributed amongst 25 states and you need to have roaming and that is where the GSM scores very strongly. Finally, we believe at the cost and not the price or tariffs which matters. GSM has a significantly superior price point than WLL, and we do expect that clearly WLL is not going to be a major threat to mobile telephony.

Moderator: Participants connected to SingTel bridge. Please press \*0 or \$0 to ask a question.

Alistair: Just looking at that fourth quarter performance, your EBITDA margin came down slightly to 32% versus sort of 34-35% for the full year. Do you expect those tariff cuts would have actually had a long-term impact on your sustainable margin or what sort of trend would you expect going forward here? Secondly, a question on what your ultimate capex was for the full year last year, and what your capex plans are for the next year or two, particularly compared with what you are talking about at the time of the IPO.

Akhil: I think EBITDA margins in our business very clearly would have to be seen in terms of existing businesses, which are the businesses that were in operation prior to 1st of January and the businesses, which we have freshly launched, that is after the 1<sup>st</sup> of January. In fact, in our quarterly report, which we have filed on the web and should be on the e-mails with all of you, we have given an analysis based on both these bifurcations. It is obviously..., this would be a fact that the new operation would have EBITDA losses to begin with. Therefore, on a consolidated basis, when you add the new ones and the old ones there would be a downtrend. But what is important is that the existing businesses would to our mind keep showing a better EBITDA margin over the period as has very clearly happened in case of our results. And, also as you can see there are not any significant changes in that, because if you see for the full year for our existing business, the EBITDA margin is 35%, this is on a gross revenue basis, versus 27% in the corresponding period last year for the full year. So, as far as the EBITDA is concerned, very clearly the existing businesses, we expect them to either improve or maintain them, and for the new businesses, surely there will be initial EBITDA losses but there would be coming up over a period of time. Now, what I would also like to bring your attention Alistair is to the fact that in the quarter of December, the EBITDA to revenue ratio was 36% but for the quarter ended 31<sup>st</sup> March 2002, that is the immediately next quarter when the big tariff cuts took place, it was only marginally lower at 34%. So I think we are holding on to the EBITDA lines and I think in times to come the existing operations will show better EBITDA. Coming to the second part of your question, the capex during the year was roughly about Rs. 21 billion. Going forward we expect that the overall cost of the project, that is, the overall peak funding requirement for all the new projects which are 9 cellular, 4 fixed line, national long distance, international long distance, as also the acquisition of the minority state from Telia and others would account for approximately \$1.2 billion. Out of these, we have already spent till date about \$600 million, and the balance will be met by a combination of the cash which we have with us today. If you remember, we raised about \$172 million in the IPO which concluded in February. We have, most of that left with us. There is a strong cash generation as you have seen this year itself, which we expect would improve in the next year pretty much on the same lines, and the balance, we hope to be able to plug in with the debt. We expect that in the current year, we would be raising anywhere between \$300-350 million as the overall debt, and a small portion may be about \$100 million at the most in the next year.

Alistair: Right, just a followup. What would you expect to be a sensible peak gearing number for yourselves or a peak debt to EBITDA type of ratio?

Akhil: Well, we have always been very conservative when it comes to borrowings, and as you see today, the debt equity ratio is only 0.29. We would never exceed 1, but I think we would like to aim at a maximum of 0.8 at any point of time.

Alistair: Thank you very much.

Moderator: Our next question comes from Kedar Regal of Citi Group Singapore.

Kedar: This is Kedar from Citi Group Asset Management. Thank you very much for having this call. My question was on the long distance side. You referred to the delays in interconnection, the interconnection procedure with MTNL and VSNL, what would your best guess to be at this point as to when you can start targeting traffic from those 2 operators. And secondly on the international side, my understanding was that as part of the divestment of VSNL, the government promised that for a period of 2 years VSNL and MTNL are obliged to route the international long distance traffic through VSNL as long as the pricing is the same. I just wanted to check whether that was right?

Sunil Mittal: On the domestic long distance, it has been a very very frustrating experience dealing with BSNL and MTNL. Having said that, all over the world this problem has always been there. Even in the Asian region, in place like Taiwan sometimes it has taken up to a year to crack through this one. You are aware that we have connected with most of the mobile operators and are carrying their calls on a 100% basis on our network on a daily basis. But obviously there is a limited cloud where only mobile-to-mobile calls can be made. I am pleased to report that we have made significant progress and we have written offers both BSNL and MTNL to move forward with termination of traffic into them. Origination is still an issue, and as far as the ILD is concerned, there again we have received the offer from MTNL and BSNL to interconnect for terminating traffic. Now, the offers that have been made to us are not something that we are delighted about. In fact, on the international long distance one small operator has expected those terms. Thankfully, we have been able to persuade both the operators to negotiate with us term, which is ad hoc, or an interim term, which will be subject to the final determination of the regulator, and the same will be effective with retrospective effect. I am pleased to report this point has been agreed and in fact as we talk our people are having meetings right from morning. We are hoping to make a final breakthrough latest by Friday this week. By which time, we would have signed an interconnect, which will predicate itself on the final determination of the regulator. So, while we are not entirely happy with what has happened in terms of the offer they have given us, but nevertheless a breakthrough, at least all mobile calls in the country can terminate into the fixed-line side. And on the international side, you should know that we have nearly 4 times traffic coming into India against the 1 time traffic that goes out, and if once you get the termination, which I must say that we will have definitely within this week, at least a substantial part of the \$1.4 billion of international traffic will start flowing through Bharti. In fact, that is being the big cause of worry to VSNL as well because they do not control the incoming line. On the origination, you are right, the Government of India has given a commitment to VSNL at the divestment stage that BSNL and MTNL should route their outgoing traffic through VSNL so long as the VSNL rates are preferred or market competitive rates to BSNL. The situation there is that we believe that BSNL and MTNL are both very keen to have alternate arrangements, notwithstanding the cabinet decision, and they are actually stroking the private sector companies like Bharti to give them better terms so they can route their traffic through us as well. But I would say we would have had a big victory this week once the termination is done and then we are going to spend the rest of May in working out on the origination side of traffic, which has other issues related to it like carrier access code, choice to the customers, default traffic, and those are very tedious in the time consuming matters, which will be engaging the attention of the regulator as well. So we will have our interconnect after having created a big storm here. The Minister, the Prime Minister's Office, the Regulator, all have come heavily on the operator. I am very confident that this week we will have physical interconnect and starts terminating calls into the public networks.

Kedar: Okay. Thank you very much.

Alistair: Sunil, could I just ask for.., on the origination on the DLD side what is the situation?

Sunil Mittal: The origination from mobile is already happening and flowing on our networks. The origination on the public networks that is VSNL and MTNL, they are assiduously guarding that under one pretext or the other. Basically, if you recall, the regulation says that the customers must have a choice and they must dial a prefix to the regular long distance codings. In our case of Bharti, we have a prefix of 50, but most of the DOT networks have not been enabled. I would say none of the DOT networks have been enabled to accept CSC, and we are insisting that proper origination revenue sharing must be put into place before they can enable their exchanges to accept CSC. So currently, it is all default traffic. VSNL as you know has their own network. They carry all the long distance, domestic long distance calls on their own network, and the

mobile operators are carrying it on the Bharti network. I would say on the origination side, we are still some time away from a settlement, but there is enough business available to us to justify our investment even if the termination starts happening.

Alistair: Thank you.

Moderator: At this moment there are no further questions from the participants at Singtel. I would like to hand over the proceedings back to Mini. Mini, over to you.

Moderator: Thank you Diana. We will now begin the Q&A interactive session for participants in India. Participants who wish to ask questions please press \*7 on our touchtone enabled telephone keypads. On pressing \*7, participants will get a chance to present their question on a first in line basis. To ask a question please press \*7 now. First in line we have Mr. Rahul Singh of SSKI.

Rahul Singh: Mr. Mittal and Mr Gupta, my first question is what would be your strategy in new circles in terms of the price points which you will choose vis-à-vis the existing operators. Second related question is, with 80%-90% of your incremental ads coming from prepaids, how do you see the relative profitability of your new circles vis-à-vis the existing circles which obviously would have much higher postpaid subscriber base.

Sunil Mittal: Well, our strategy really is different for different states depending on the penetration, the mix of prepaid and postpaid, and more importantly whether we are entering there as a second, third, or the fourth operator. In Punjab we entered as a second operator. In the first 2 months, we have got 50,000 customers, and they are all predominantly postpaid, 90% of them are postpaid, and the prepaid is being sort of promoted now in Punjab. In UP again we will be second operator, so we expect a similar response available there as well. I think the challenge will come into places like Mumbai where we are coming in as a fourth operator, and where the 2 operators have a reasonable dominance in the market place for the last 6-7 years. Having said that, the experience that we are seeing of MTNL in Mumbai is clearly suggesting that the postpaid customers are quite vulnerable to change, and they seem to be in a sense not very happy with the services or the network being provided by the existing 2 operators. If you know that MTNL has launched their prepaid very recently, but before that they could at least get 50,000 postpaid customers. So, we are very encouraged by that. Our strategy in a place by Mumbai is go with a very very superior network and that is what we have put into place and are planning to launch it my June, that will be the last one go to up on air. We are not going to be going and fighting on prices or tariffs because tariffs have already taken a huge dip and there is not much of a scope to play on tariffs. But I think Bharti will play on network where clearly the incumbents have a difficulty in scaling up, specially the weaker of the 2 competitors who is having difficulties. We believe that the long distance spikes that we have put into place and the footprint that we now have of 16 states across the country, will give superior benefits to customers who are coming in a place like Mumbai for roaming. Besides this, we believe that our customer care has a better proposition to give to the customers, discerning customers in Mumbai. Similarly in other places where we are going Maharashtra, Gujarat, Madhya Pradesh, Kerala, and Tamil Nadu, we believe there will be a combination of our footprint message and the roaming benefits, the long distance benefits and the network benefit. We do in a sense agree with your point that growth is mainly on prepaid; 80-85% of the customers are coming on prepaid, but the good news is that prepaid is as per our detailed analysis and job done on worksheets, is a hugely profitable customer looking at the amount of network utilization he has. I think I will just add to that. The fact is, last year also bulk of the additions were on prepaid but the results speak for themselves. From our existing operations, our EBITDA has increased 111%, cash profit increased 204%. So prepaid customer contrary to the popular belief is to our mind a very profitable customer.

Rahul Singh: Okay, thanks a lot.

Moderator: Thank you very much. Next in line is Mr. Mahesh Vaze of Motilal Oswal.

Mahesh Vaze: Hi. We keep on hearing about various estimates for gray market in the ILD calls, I was just interested in getting a comment from you as to what is your estimate of gray market.

Male speaker: Gray market is all we gonna estimate. It is hard to determine, but we go by some of the statements or comments made by VSNL. Their estimate is that India has about a billion minutes coming through the gray market, and the total market as you know is about 4 billion so that constitutes nearly upwards of 25%.

Mahesh Vaze: Secondly, when do you expect the access code infrastructure to be in place so that the consumer would have choice all throughout both for NLD and ILD.

Male speaker: The carrier access code is not so far hurting the customer. but it clearly denies operators like us to get the revenues from the other operators because the markets are forcing the price down. If you see on the national long distance, the rates are Rs. 9 regardless of whether you use the access code or not. That takes away the incentive for any customer to dial extra 3 or 4 digits. And as far as what is required or what needs to be done, I think the private factor is in 100% readiness and all the exchanges are programmed for the CSC. It is the BSNL and the MTNL which have to do it. MTNL can do it at a flick of a button. In both Delhi and Mumbai all their exchanges are ready to do it. And I think BSNL in most of the major towns and cities can again do it at the flick of a button. But I think there is reluctance on the part of both of them not to do it for fear of their customers making a choice and that being the right choice of using operators like Bharti. So I think, regulator and the ministry, will have to come very hard on them to start opening up their switches for CSC. And I think it should happen within the next few months and there is a lot of pressure from all including customers and consumer bodies to open this up. Mr. N. K. Singh made a statement just 2 days back that he is recommending that a special fund be put into place for BSNL to pick up money if they require to upgrade the switches. I think in the next few months, we should see some change in that.

Mahesh Vaze: Sir, my last question is, could you share some numbers on your performance in basic circles like Delhi, Karnataka, and Tamil Nadu, and what has been your target customers like, has it been \_\_\_\_\_ corporate or it has been retail.

Male speaker: In regarding to the new fixed-line circles, I think they are early days, they have just been launched 2 or 3 weeks back. What will be important will be to talk about our Madhya Pradesh operations, and I will ask Akhil to just mention how we have done on a fixed-line in Madhya Pradesh.

Akhil: On Madhya Pradesh, which is the existing circle which was in operation before the 1<sup>st</sup> of January, we have added in the last quarter 24,600 customers as mentioned, which is up 113% over the earlier quarter. Today, we have there 164,000 customers that was as on 31<sup>st</sup> March 2002, and the customers increased by 53% over the last year. In terms of the revenues, the full year witnessed an overall revenue of Rs. 1.6 billion there versus Rs. 1.09 billion over the last year, showing a growth of 47%. And the EBITDA for that operation was Rs. 300 million versus Rs. 180 million last year, showing a growth of 66%. In terms of the new operations, I think these have only been launched during the very fag end of this year, and in the next quarter of course we would be giving you all the details in respect of each of these circles.

Mahesh Vaze: Thank you very much.

Alistair: Akhil, I was just wondering, is it possible to give a sort of customer breakdown or characterization of how the market breaks down in Madhya Pradesh, sort of customer splits do you have?

Male speaker: On the fixed line, our overall strategy, and let me take you through the macro strategy first, has always been a very very selective approach and that is why when it came to the new licenses, we had taken only the four licenses, Delhi, Haryana, which Haryana is the part of the national capital territory in fact, so for us it is more or less like one circle, Karnataka and Tamil Nadu. Each one of these circles has been selected by us because of the massive data potential which exists here. As you know, Karnataka and Tamil Nadu are clearly the biggest software centers for us. As far as Delhi and Haryana are concerned, they are emerging as the biggest IT-enabled service centers. Now, within these circles again our approach is very selective. We are targeting the high ARPU customers, and therefore principally virtually all our customers are high ARPU customers whether they are **SOHOs** or whether they are large corporate customers. But just to give you a break up in terms of numbers, we have strictly corporates in that category about 25%, **SOHOs** and **PCOs** would account for 10%, and the others would be high revenue customers but could fall in the category of residential or self-employed professionals, which we do not have an exact breakup because we do not get all those details, they would account for the balance. But principally for us, we go only to areas of high revenue, high density, and we look at the revenues rather than the nature of these customers.

Alistair: Right. Thanks.

Moderator: Next in line we have Mr. Ganeshan Murugaiyan of DSP Merrill Lynch.

Ganeshan Murugaiyan: Hi Sunil and Akhil. In terms of the subscriber growth trends across the various circles, I think in the past few months we are again seeing a lot of additions in metros in category A. So, you know, what is your view on this trend and how do you see it going forward?

Male speaker: I think it is the fact that in the last couple of months, metros have again bounced back, but you must see in the last 2 months, there has been a massive decrease in the prepaid tariffs in Delhi and Mumbai with the introduction of MTNL. We are in fact a little glad about it because this clearly shows that places like Delhi and Mumbai have immense potential and I think the fall in tariffs there on the prepaid side is a precursor to the big potential which lies here. But on overall basis, I think where we are today in terms of cellular customers at just 6.5 million, each and every circle will witness a good solid growth.

Ganeshan Murugaiyan: Thank you.

Moderator: Thank you very much. Next in line is Mr. Sailini of Kotak Securities.

Sailini: Hi there. I have 2 questions. The first is of a few matrix on your cellular side. Could you tell us what the ARPU for your postpaid subscribers is and also the MOU for postpaid, prepaid, and average, and the EBITDA margins for the postpaid and prepaid?

Male speaker: On the cellular side our ARPU for the quarter of 31<sup>st</sup> March 2002 on the postpaid side is Rs. 1653. This was at Rs. 1662 for the earlier quarter that is quarter ended 31<sup>st</sup> December 2001. On the prepaid side, the ARPU was Rs. 440 for the fourth quarter versus Rs. 499 for the third quarters. And a blended ARPU of Rs. 910 versus Rs. 998. The average monthly minutes of use, post paid, we had 378 minutes versus 351 earlier. Prepaid of 76 minutes versus 70 minutes.

Blended MOU of 193 minutes in this quarter versus 191 minutes. I have already given you the overall EBIDTA margins but we do not have separate EBIDTA margins for postpaid and prepaid because we are not having any scientific method of allocating the operating expenditures between the 2 straight away.

Sailini: My other question is regarding market share on a revenue basis. Could you tell us what Bharti's market share in the cellular space is and in the fixed line space is?

Male speaker: As you know the numbers reported by the cellular operators to DOT and published by COAI are only the number of customers. Therefore, there is no published source by which we can be absolute certain about the market share in terms of revenues. However, there is an indication in terms of the license fee, which all of us pay on a quarterly basis, and on the basis of some information which is as I mentioned not something which is published anywhere, we believe that our market share in terms of revenue is some what better than the market share in terms of sheer numbers.

Sailini: Also, on the fixed line side would have any estimate over there or a range?

Male speaker: On the fixed line side, well, we are not definitely looking for market share in terms of number of customers, because as I mention, our approach there is very very selective. So, we don't even really bother about the market share in terms of number of customers, but just to give you the figures, we have 12% of the total customer base in Madhya Pradesh but in terms of revenues it is 16%.

Sailini: My last question really is the ARPU in your Madhya Pradesh circle on a per subscriber basis?

Male speaker: The ARPU there is Rs. 941 down from Rs. 1091 in the last quarter, which was mainly on account of a 66% - 65% reduction in the STD rates.

Sailini: Thank you so much.

Moderator: Thank you very much. Next in line is Mr. Prabhath Awasthi of JP Morgan.

I think we have lost Mr. Prabhath Awasthi.

Prabhath Awasthi: Congratulations on fairly good results. I have got a couple of questions, first on tariff cuts, my question was have the tariff cuts which have happened on roaming and on prepaids being fully reflected in Q1 results and Q4 results, or will there further impact in Q1 primarily because tariff cuts on prepaid happened in February and we have seen roaming cut happening in March. So, will we see more impact of this going forward in Q1 or it has been largely contained.

Male speaker: I would say, you know, one thing which is very clear in cellular business or in telecom business is, every time a tariff cut takes place, we have witnessed a strong growth both in terms of number of customers and usage. So that is something which is pretty universal. And since these cuts took place some times in this quarter, we believe that we would be now coming out of the rough, and I think the major impact of these cuts would have been already accounted for.

Prabhath Awasthi: Okay. The other thing was on cell to fix calls, I mean, what is your view on that? When can you start carrying that, because you said that you are probably going to sign

interconnection agreement with VSNL for terminating the calls. So, are you carrying any cell to fix call right now, or is that something that will happen pretty soon?

Male speaker: Currently the only cell to fix line are being carried on private operations on our own network which are the Madhya Pradesh and the four other fixed-line operations that we have. So, that is rather small. The big big bang comes in when you start terminating into at least MTNL, which is Delhi and Mumbai, which has a large traffic coming mobile and eventually into VSNL. We are actually just a few days away from trialing, and we are into deep negotiations. We do not want to sign something which is completely out of the ordinary, and then what ever we sign will go to the TRAI for the final determination. That will to my mind some rough estimates of would give us that, if you look at the population base between mobile, it is at about 7 million today, and will then be going up to 47 million, I mean, once you have termination going into all the fixed-line play. So, I think we should see a significant jump in the long distance traffic once we terminate our calls into MTNL and VSNL. My target date of signing this agreement is end of the week.

Prabhath Awasthi: Okay. Last question on Punjab circle. This Rs. 490 crores that you have paid up under protest, what is the status of that, I mean, has that been settled with DOT or when do you expect any settlement to happen on that?

Male speaker: Well, the arbitrator was appointed, Justice Jaganath Rao. He has been taking regular hearing on the case. They have broken for the summer vacation now and the next dates are 15<sup>th</sup> of July onwards. My feeling is, we will finish our part by end of July, then there will be DOT side of the pleadings coming in. We are looking something like August timeframe to get a final decision.

Prabhath Awasthi: Thank you.

Male speaker: Can we have the last question please.

Moderator: Sir, there are no more participants in the question queue. I would like to hand over the floor back to Mr. Alistair Scott of Merrill Lynch for final remarks.

Alistair Scott: I think that I need to say very much apart from to the management team, thank you very much publishing the results very quickly off the year end and also for hosting the call, which was very helpful indeed, and we look forward to future information \_\_\_\_\_ in the company and future contacts with management and indeed to all those who called in. Thank you very much indeed as well.

Male speaker: Thank you very much and thanks to each one of you for joining in on our call. We look forward to your feedback and your comments on the quarterly reports that we have posted on our web site and the e-mail to you. Thank you very much.

Moderator: Ladies and Gentlemen that concludes this conference call. Thank you for your participation. You may now disconnect your line. Thank you and have a nice evening.