Moderator: Good morning, ladies and gentlemen. I am Kathy, the moderator for the conference. Bharti Tele-Ventures and Morgan Stanley welcomes you to the Bharti Tele-Ventures conference call on the un-audited results for the quarter and year ended March 31, 2002. For the duration of the presentation, all participants’ lines will be in a listen-only mode. They will be followed by the question and answer session. The 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. We have Mark Shuper and Gokul Laroia from Morgan Stanley. I would now like to hand the call over to Mr. Mark Shuper from Morgan Stanley. Thank you Sir you may begin.

Mark: Thank you very much. Ladies and Gentlemen, good morning. It is pleasure to have on board this morning. It is my pleasure first, I welcome you to the first results announcement and conference call for Bharti Tele-Ventures since its listing very recently. We have the honor today of having with us the senior management team from Bharti Tele-Ventures lead by Mr. Sunil Bharti Mittal. I would like to take this opportunity to congratulate the team for a good set of results, and in fact we have seen the last few months mark a very exciting period for the company with the launch of several services in several new circles. On their and our behalf I would like to hand it over to Sunil Goyal, Investor Relations Officer for the company to introduce his team and to carry on with the results presentation.

Sunil Goyal: Thanks Mark. Good morning ladies and gentlemen. Thank you for joining us in the first result announcement conference call of Bharti. I am Sunil Kumar Goyal, better known as SKG. I handle investor relations and business analysis for Bharti Tele-Ventures. We have with us today in Delhi, Mr. Sunil Bharti Mittal, Chairman and Group Managing Director, Mr. Akhil Gupta, Joint Managing Director. We will start with a brief overview from Mr. Sunil Bharti Mittal followed by a summary of financial and operational results by Mr. Akhil Gupta. This will result in opening the house 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 and thanks for taking the time to join us. Before I speak about the business and the detailed performance, let me take a couple of minutes to give an overview of the Indian telecom market and some recent trends. The Indian telecom market has been growing rapidly in the last decade. The total size in terms of revenue of the Indian telecom market is now about $8.5 billion, of which the long distance pie takes about $3.3 billion and the international pie takes about $1.4 billion. The fixed line which is now at about 38 million lines still represents an under penetrated market considering the population of India at a billion gives a 3.8 tele density. The fixed line has been increasing at about 6 million a year for the last few year and we hope that in the next 5 years the 38 odd million lines will move to something like 65 to 70 million lines. But the real growth story is being witnessed in the mobile telephony, where from 1999 when India had about 1.9 million phones, the market has been doubling practically every year moving to 3.6 million in year 2000 to 6.5 million as we close the March 31st this year. The additions in March itself was just under 400,000 and thereby giving a very strong indication of the growth that we are likely to witness in the current financial. There are various research reports, which are being done, and estimates, which have been conducted by various agencies in India, and it is expected that by March 2006, the number of mobile phone connection in India would be in the region of 35 to 55 million phones. In fact, in percentage terms, we are now mirroring China’s growth as it was in 1995-1996. Some of you would have noticed China has
been connecting about 5 million phones every month for the last year, year and a half now. While India is still nowhere closer, the trends that we have been witnessing, including the surge in March, is an indication that India is on the same trajectory of growth that China was in 1996.

Let me briefly touch upon Bharti. We are now the largest private sector telecom company in India having presence in the mobile, fixed line, long distance and the broadband segment. In fact, we represent perhaps the only private sector play as an integrated telecom player in the country. We have closed March with about 1.6 million customers, and we are witnessing a rapid growth, which has really come in the last few years after the telecom reforms have been put into place. From operations in just 2 mobile circles we are now operating in 15 circles. We are licensed for covering about 600 million people out of the billion population in India. On the fixed line side, from one fixed line we have moved to 5 fixed line operations. The strategy of the company has been to go in for better revenue yielding areas, higher growth areas in the country, and we have now coverage of 56% of the landmark, the geographical territory of India with a 92% coverage of the mobile penetration in the country. Clearly, we have left out at least in this phase, some of the low economic segments of the countries geographical territory. Of the total 1.6 million customers we have 1.35 million mobile customers, which translates into a growth of 127% over last year. The growth in numbers is equally matched by growth in financial results, in terms of revenue, in terms of EBITDA, and cash profits. For instance, the revenue over 3 years has grown by 5 times. The EBITDA has, over 3 year period, grown from Rs. 35 million to Rs. 4 billion, and a growth in cash profit over 3 year period have translated from a cash loss of Rs. 135 million in 1999 to a cash profit of nearly Rs. 3 billion in 2002.

We have had the distinction of partnering with the best in the world. We have had in the past partners like British Telecom, Telecom Italia, Vivendi of France, and we have over a period of time bought back these minority stakes from these companies, and now we have some very significant partners with us in Bharti Tele-Ventures, principally lead by Singtel, which has made a very significant investment in to our company. Warburg Pincus, IFC Washington, New York Life, AIF, and AMP Australia. These entities between them have invested over $1 billion in the last 18 difficult months of the telecom sector around the world, and have made Bharti the recipient of the largest foreign direct investment in the country cutting across sectors.

The year 2001-2002 has been particularly very exciting at Bharti. We have achieved some significant milestones and let me list out some of these major achievements.

We won 8 new mobile licenses covering the western region, some southern regions, which were left out, and a few key north states. In addition to that we revived our license in Punjab, which came to us through an acquisition of a company in southern India. We have acquired a running cellular operation in Kolkata by buying the 100% equity of that company. More importantly, during this period, we have been acquiring the minority stakes of a number of shareholders and partners from the world. We have bought back stakes of British Telecom, Bellsouth, Millicom, and of late, very recently, we have tied up with Telia of Sweden to buy their 26% stake in one of the companies under Bharti Tele-Ventures. In fact Bharti is really the only company, which has an absolute clean structure where by it owns all its operations on a 100% ownership basis excepting one small operation in Chennai, where 4.7% is still held by an Indian company, which we are negotiating to buy as well.

While the licensing successes have been very good, I think what is important is that Bharti has been able to convert its licenses into useful opportunities very quickly. We have already launched our long distance operations for the domestic side. Punjab mobile project has been launched. All the four new fixed line services have been launched. The international long distance telephony is ready to launch now. We are awaiting certain security clearances and we
are hopeful that in the next couple of weeks, we would launch and be a part of this phenomenal opportunity that is available after the break down of monopoly on 1st of April this year. In addition, a landing station at Chennai has been set up. The cable connecting Chennai to Singapore was launched by the two Prime Ministers of the Singapore and India couple of weeks back, thereby giving us a head start above many other international operators having enough capacity today to rival VSNLs traffic handling capabilities.

We have been at the forefront of rationalizing long distance tariffs, which were artificially kept higher in this country to subsidize the local calls, as has been the case with many other countries in the past. What is very important is that the 8 mobile operations, which are yet to be launched, are in great state of readiness. We expect to launch each one of those 8 circles within the next 6 to 8 weeks. So you will be witnessing launches coming up every week or two, signing off with Mumbai some time towards the end of June.

The next quarter, we expect the key developments, which will be worthy of note, are, besides the launch of these operations, interconnect with the incumbent operators to deliver our ILD international long distance and domestic long distance traffic. This is something, which has been a matter of great frustration. For the last 4 to 5 months, we have been wanting to sign up an interconnect with VSNL. The good news is we have received an offer last week, which is being negotiated, and we hope to sign up these agreements in the coming week, in the next week, and wherever we will not be able to agree with the incumbent operators, we have agreed between us that the same will be referred to the regulator, and the regulators decision will be effective on both parties with retrospective effect. So, I think we have finally made a big breakthrough on the interconnect side as well.

Another important discussion, which has been going on within the government circles, is to allow higher foreign investment in the telecom sector. As some of you may be aware, there is a cap of foreign investment in the Indian telecom sector at 49%. We are hoping that there will be some relaxation, especially with regard to investments on the stock markets from foreign institutional investors.

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 31st March 2002.

Akhil Gupta: Thank you very much all of you for joining us on this call. The year ended 31st March 2002 was a very important year for us. We have witnessed a very strong growth in every important parameter for a telecom company of our size and in our stage of development, be it the customer count, revenue, EBITDA, or cash profits. The un-audited results which we circulated today and are available on our website as well as the quarterly report which contains many other details on the operating matters, the industry view, the developments on the industry, they are all available on the website, but what I would try to do is in the next few minutes let me take you through some of the important features of the financial performance and the operations performance.

As Mr. Mittal pointed out we are now at 1.635 million overall customers up from 843,000 last year, and overall growth of 94%. Within this, cellular which is our main part of the business saw a very robust growth. We now have had 1.35 million cellular customers against 595,000 last year, showing a good growth of 127%.

In terms of revenues, the revenues for the full year increased to Rs. 15 billion versus Rs. 8.48 billion in the last year, an increase of 77%. The EBITDA is increased to Rs. 4.06 billion versus Rs.
1.93 billion, an increase of 111%. But the biggest jump came in the cash profits, which increased to Rs. 2.95 billion from Rs. 971 million last year, an increase of 204% from last year.

The loss for the year was somewhat lower at Rs. 1.13 billion versus Rs. 1.21 billion last year, but what is significant and I would like to point this out is that as per the accounting policy adopted by us, all the preoperative expenses of the new projects whether launched or yet to be launched are written off in the year in which we incur those expenses. This is in line with the requirement of the international accounting standards, the standard with which these accounts have been consolidated and the best practice in the world.

The preoperative expenditure for the year amounted to Rs. 936 million. The second feature, which is also of a non-recurring nature, would be an amount of about Rs. 220 million, which represents the minority interest charged off to the P&L account. This would be non-recurring because the company as Mr. Mittal pointed out has already acquired these stakes in the current year. So, the loss at Rs. 1.13 billion comprises and is after accounting for these two non-recurring items. This also is a little higher on account of a net EBITDA loss of about Rs. 110 million which is attributable to the new projects, solely because we were able to actually start them off before what was the anticipated date some time in April. So that loss has also pushed up this figure a little bit.

In terms of the balance sheet as on 31st March, our total equity stood at Rs. 48.8 billion. The total net debt against this was Rs. 14.02 billion, thereby giving a very healthy debt to net worth ratio 0.29. We would be raising some more debts in this particular year, but that would not increase the debt to equity ratio to be on 0.8 at any point of time that is what we hope.

On a quarter-to-quarter basis, the revenues jumped only by 10%, and we saw an EBITDA minus growth of 8%. I think it is important to point out that as far as the last quarter was concerned, the revenues being increased by 10% was a good achievement to our mind because this quarter witnessed 3 major drops in tariffs. The first one was on the prepaid, where the introduction of MTNL in Delhi saw the prepaid rates dropping by roughly about 38% to 40%. The second big drop was on the STD, that is the national long distance charges, where these rates came down by about 66%, mainly because Bharti entered the long distance segment in this period. And the last one was a drop in the roaming rates, which were at Rs. 10 earlier, but which came down to Rs. 3, and also from 15% to 8% in terms of surcharge. Despite these drops we were able to maintain the same levels of revenues, I think for a simple reason that the growth in the customers has been very strong. In terms of the cash profits for this quarter, it was lower by 30% or roughly about Rs. 220 odd million. This comprised of two things, one was the EBITDA on the new projects, as I mentioned about Rs 110 million. And the second was, a higher interest charge of about Rs. 150 million since we have now started drawing loans, some portion of debts for the new projects, which are becoming operational.

Coming to the segment wise, I would skip most of the details which are there, but just want to point a little bit on the cellular operations, which is our own operation, and that contributed about 83% of the revenue last year. Going forward while this percentage would come down, we still expect cellular to be the predominant part contributing to the revenues and the profits. In this year, the total turnover from cellular business was about Rs. 12.5 billion up from Rs. 7.4 billion last year, an increase of 68%. The EBITDA from this business was Rs. 4.4 billion against Rs. 1.9 billion, an increase of 122%.

One of the other segments which I would like to point out is national long distance which we launched in this quarter. Of course, in this quarter it had a revenue of only Rs. 324 million since we launched national long distance services only on 26th of January, but what is noteworthy is
that this has been achieved despite the fact that we still do not have an interconnection with MTNL and BSNL that is incumbent operators. We are only carrying cellular to cellular calls as we have connected most of the cellular operators within the country. And very clearly, once we have the interconnect with the incumbent, this segment would see to our mind a big jump in performance.

I must also point out that as far as the long distance is concerned this is already showing a slight EBITDA positive of Rs. 10 million for this period.

Let me now turn to some of the operational highlights. I have already talked about the overall customers. The cellular customers during the quarter to quarter between fourth and third quarter increased by 22%, and the fixed lines increased by 18% on a quarter to quarter basis, and 53% on an annual basis. In terms of net additions, on a year-to-year basis corresponding to the quarters in 2002 and 2001, we added 241,000 cellular customers this year versus 130,000 in 2001, a growth of 86%. In terms of the quarter four versus quarter three, we added 241,000 versus 126,000, a growth of 92%. On an overall annual basis, the cellular subscribers jumped by 675,000 versus 312,000, an addition of 117%. The overall cellular market share of our subscribers has very steadily risen. As on 31st March 2001, we had 17% of the overall subscribers in the country. This increased to 20% on 31st December 2001. And as on 31st March, it stood at 21%. That is 1.35 million out of an all India subscriber base of 6.43 million. In our markets, we have been able to maintain it, and there has been only a slight drop from 53% to 52% over last year, but the significant point here is that the Punjab cellular which we launched only in February has already gained a 12% overall market share in this period.

In terms of the ARPUs, our postpaid ARPU for the quarter ended 31st March was Rs. 1653 as against Rs. 1662 in the previous quarter, a very minor change of just 1%. The prepaid ARPU for this quarter was at Rs. 440 as against Rs. 499. And the blended ARPU was Rs. 910 as against Rs. 998. The average monthly minutes of use were 378 for postpaid, 76 for prepaid in the last quarter, and blended usage of 193 minutes. In terms of the churn, we had a postpaid voluntary churn of 0.9%, which remained constant between this quarter and last quarter. However, we do follow a very stringent credit policy and that saw the company initiated churn for defaulters at 3.4% in this quarter. The prepaid churn in line with the industry practice and the industry trends has remained at 4.7% down from 6.2% in the last quarter.

I would not take your time to go through the other things but would like to inform you that our quarterly report on the web includes other sections which include of course the MD&A for this period but also the key industry developments that happened in this period. The main things on the competition side. The detailed accounts and the reconciliation between Indian and IS accounts as also some of the key accounting policies which we follow.

With this I would like to hand it back so that we can commence the question and answer session.

Moderator: Thank you. If you would like to ask a question at this time, you may press *1 on your touchtone phone, you may press *2 to withdraw your question. Again, if you do have a question, please press *1 and you will be taken in order. Thank you.

At this time Sir we have no questions.

Okay Sir we did have two participant queue up. We have Vinay Jaisingh, you may ask your question.
Vinay Jaisingh:  Hello Sir this is Vinay Jaisingh from Morgan Stanley, Bombay.  Firstly, congratulations on the impressive results.  I was wondering if you could focus something on the national long distance business.  Two questions there, your EBITDA was positive in the first 3 months or the first quarter of operations, is it because most of your revenues are coming from your own business of cellular.  Secondly, what kind of termination arrangements are you looking at, which I believe are going to be completed this week itself with BSNL or MTNL Sir.

Sunil Mittal:  We are very delighted with the start of the national long distance operations within just a clear 2 month of operation, it has shown a positive result, and this is not only on account our own traffic which constitutes about 33% of the overall traffic being carried by the long distance operations, the rest coming from other cellular operators.  And it is sharing the revenue with all the cellular operators on the same basis as it does with in-house mobile operations.  The reason is that the long distance rates still offer a very good opportunity for making early gains because the tariffs are still high.  And secondly, the operating expenditure in this business is extremely low.  This is a carrier’s carrier business.  This is a wholesale carriage of long distance traffic and therefore we are not surprised that the outcome that even with such a short period and small amount of sales turnover we have been able to make an EBITDA positive situation.  On the part of termination with BSNL and MTNL, there have been delays and one excuse or the other to delay this to this point of time, but I think there is enough pressure from the regulator and the government to go ahead and sign off.  The current offers from the incumbent operator are little stiff, still leaves enough margin for us to make reasonable return, but we are still negotiating and I think the negotiations are likely to complete within the next few days, and we are hopeful by Friday we should be signing off some kind of an MOU.  The good news is that both of us have agreed that we will do this as an interim measure and take our agreement to the regulator for him to decide with retrospective effect what the final revenue share should be.  So, we are very hopeful and I think there will be a significant jump in the sales of long distance traffic once the interconnection is put through in the coming weeks.

Vinay Jaisingh:  Thank you Sir.

Moderator:  Thank you.  _______ you may ask your question.

Male participant:  Good evening.  I just want to get a sense within your operational trend for whether you are seeing SMS usage increase yet all within your customer base.

Akhil Gupta:  Yeah, SMS is clearly picking up, but we will give you the exact trend here.  The SMS, of course the volume is increasing quite rapidly, but even in terms of revenue as a percentage of the total cellular revenue, the third and the fourth quarter it has seen a big jump.  In the fourth quarter 2.3% of our total revenue came from SMS.  In third quarter, the corresponding figure was 1.7%.  We believe we still have a long way to go.  There is a big growth in this sector.  This is already becoming a very popular service and we expect good growth on this.

Male participant:  Thank you.

Moderator:  Thank you.  Once again, if you do have a question, please press *1 on your touchtone phone.

At this moment there are no further questions from the participants.  We did have one party queue, one moment.

Mario:  you may ask your question.
Male participant: Good morning. Can you give us a sense of what your Capex would be for this year.

Akhil Gupta: Could you repeat that please.

Male participant: Can you give us a sense of what you Capex will be for this year, your Capex expenditure.

Akhil Gupta: Let me first tell you what we have spent during the year, it is about Rs. 21 billion. Now, in terms of our Capex requirement for this year, I would like to tell you about what our overall Capex plan is and then tell you about the current year. For all our new projects, which we listed out, that is, 9 cellular, 4 fixed line, national long distance, and international long distance, and also the acquisition of Telia’s stake and the other stake of one remaining partner. We estimate that the peak funding requirements will be about $1.2 billion. Out of this we have already spent about $600 million, and the balance amount of $600 million is to be met by three sources, the first is the cash in hand. I would like to remind that we raised about $172 million in February. Most of that amount is with us at this moment and available for expenditures on the Capex. The second is the strong cash generation as we have seen in this year, about Rs. 2,950 million were generated as cash profit this year. We expect that trend to continue. And finally, whatever is the gap, we would like to plug in with raising the debts this year and part of it next year. In this current year, we expect to raise additional debts of about $300 to 350 million followed by another debt of about maximum $100 million in the next year.

Male participant: Thank you.

Moderator: Thank you. Vinay Jaisingh you may ask your question.

Vinay Jaisingh: Sir, two questions, one on your cellular business quarter four, it is about 34% despite prepaid ARPU's being flashed by all in the month of January-February, and it is much higher than last year, 27%. Sir, could you throw some light how that is higher. And the second question on your fixed line business. The contribution of your fixed line business both of your existing and new circle seem to have reduced both on the revenue front and the operating front, could you throw some light on that too please.

Akhil Gupta: Let me take up the cellular part first. Well, obviously it is not surprising that the cellular business, the EBITDA margins increased from 27% to 34% to actually 36% in the third quarter and then came down marginally to 34%. I must also remind that this is the percentage to the gross revenue, for most of the part of the year we have not got any interconnect revenue portion as our charges, but we have calculated it on gross revenues. Now, the reason for that is that these businesses once they attain a certain level, most of the expenditure is primarily fixed in nature, and that is why as the customers have increased and the revenues have increased, we have seen that the 77% growth in revenues has translated into 111% growth in EBITDAs. I expect that for all the existing project, that is the project which started before 1st January 2002 and are relatively better established, we would see the same growth continuing. However, as far as new projects are concerned which either have been started recently or would be starting some times in this year, in the initial periods, there would be naturally some losses.

As far as the fixed line is concerned, the revenue, the percentage of EBITDA was actually 16% last year. It increased to 23% in the quarter of December, but saw a sharp decline to 5% in the fourth quarter. The reason for that was purely a very sharp drop in the STD rates that the national long distance charges. As far as our fixed line business is concerned, well, we are very selective in that approach, both in terms of the circles and within circles we concentrate on the
business users and the high ARPU customers. Quite clearly the high ARPU customers are the users of the national long distance and therefore any abrupt drop in that, which actually dropped by about 66% would lead to a similar kind of thing, but the heartening thing is that we are clearly seeing the usage pattern going up and we expect that in the coming quarter there should be good improvement in this margin.

New access operations, I would not like to comment in this quarter. It is not representative at all. These are a few days kind of operations. I think we will give you more details on these by the next quarter.

Vinay Jaisingh: Sure, thank you Sir.

Moderator: At this moment there are no further questions. I would now like to hand over the floor back to Mr. Gokul Laroia for final comments.

Golkul Laroia: Thank you very much. Sunil and Akhil thank you very much for that very detailed and extremely illustrative presentation, and we look forward to hearing from you at the end of the next quarter. Thank you very much for all attending the call.

Sunil Mittal: Thank you very much for your participation.

Akhil Gupta: Thank you.