

Earnings Call Transcript

**Event: Bharti Tele-Ventures Limited Earnings Conference Call for
the Fourth Quarter and Full year Ended March 31, 2005.**

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CORPORATE PARTICIPANTS

Akhil Gupta

Bharti Tele-Ventures Limited - Joint MD

Badri Agarwal

Bharti Tele-Ventures Limited - President Infotel

Manoj Kohli

Bharti Tele-Ventures Limited - President Mobility

Rajan Bharti Mittal

Bharti Tele-Ventures Limited - Joint MD

Sonal Kapasi

Bharti Tele-Ventures Limited – Head, Investor Relations

Sunil Bharti Mittal

Bharti Tele-Ventures Limited - Chairman and Group MD

Susanta Mazumdar

UBS Securities India Private Limited – Executive Director

CONFERENCE CALL PARTICIPANTS

Tien Doe

Alliance Capital – Singapore

Anand Ramachandran

Citigroup – Hong Kong

M. Singh

BNP

Alistair Scott

Merrill Lynch – Hong Kong

Henry Cobbe

Thames River Capital – London

Ashish Kumar

Tiedemann- Singapore

Manish Srivastava

Inside Capital Partners – Hong Kong

Suresh Mahadevan

Lehman Brothers – Hong Kong

Piush Mubayi

Deutsche Bank – Hong Kong

Priya

Refco-Sify - Mumbai

Raj Mohan

Private Investor – Chennai

Vishal

Equity Master- Mumbai

Sheriar Irani

IL&FS Investsmart – Mumbai

Priyanko

Edelweiss Capital – Mumbai

Mugdh Rajit

IDC India Limited- Gurgaon

Rahul Singh

SSKI Securities – Mumbai

Ronie

J P Morgan – Mumbai

Ashish

IDFC – Mumbai

Chander Prakash

UTI Mutual Funds – Mumbai

Sanjay Chawla

Kotak - Mumbai

PRESENTATION

Swati – Moderator

Good afternoon ladies and gentlemen. I am Swati, the moderator, for this conference. Welcome to the Bharti Tele-Ventures' fourth quarter and full year ended March 31, 2005 earnings call hosted by UBS Securities India Private Limited. Mr. Susanta Mazumdar, Executive Director – UBS Securities India Private Limited, is your call leader today. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the Question and Answer session will be conducted for the 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. Susanta Mazumdar of UBS Securities India Private Limited.

Thank you.

Susanta Mazumdar – UBS Securities India Private Limited – Executive Director

Thank you Swati. Good afternoon ladies and gentleman. We at UBS Securities India Private Limited are pleased to host this call and welcome you all to this analyst briefing on Bharti's fourth quarter and full year March 31, 2005 results. 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 UBS Securities India Private Limited, I would like to thank the senior management of Bharti for taking this time to be with us on the call today, and I would now hand over the call to Ms. Sonal Kapasi, the head of Investor Relations of Bharti Tele-Ventures to initiate the proceedings.

Over to you, Sonal.

Sonal Kapasi - Bharti Tele-Ventures Limited - Head, Investor Relations

Thank you, Susanta. A very warm welcome to all of you. We hope each one of you is in receipt of the results for the fourth quarter and full year ended March 31, 2005. The results are also available on our website www.bhartiteleventures.com. Today, we have with us the entire senior management on the call. Mr. Sunil Bharti Mittal, Chairman and Group Managing Director; Mr. Rajan Bharti Mittal, Joint Managing Director; Mr. Akhil Gupta, Joint Managing Director; Mr. Manoj Kohli, President of the Mobile Operations; and Mr. Badri Agarwal, President of the Infotel Operations, are with us on the call today. Before I hand over the call to Mr. Sunil Bharti Mittal, I must remind you that the overview and the discussions 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. Sunil Bharti Mittal.

Thank you.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Thank you Sonal, and welcome to all of you who have joined us on this conference call. It has indeed been a great quarter and a very exciting year. Let me briefly present an overview on some of the key developments that took place in the quarter and of course the company's performance in a nutshell, after which Akhil will cover the financial and operational performance of the company in detail. The last quarter saw the presentation of the budget. I believe, the budget was well balanced with a very clear thrust on the infrastructure, rural development, growth, and employment generation. Cuts in custom duties across many segments will boost infrastructure investments; Reduction of duties on imports of certain telecom infrastructure, like optic fiber and fiber cables augurs well for the industry. One of the significant development was removal of the mobile ownership from the 1/6 criteria under the Income Tax Act. I am sure this will encourage more and more people to join the mobile net. The government has made some very encouraging statements of further opening up the economy and making a commitment to see the economy grow up 7-7.5% in the current financial year. With regard to industry developments, let me quote from the Merrill Lynch report, "India has the highest revenue growth amongst the top ten countries with a larger subscriber base." India as you know has now crossed 100 million subscribers both in mobile and fixed line, the mobile subscriber now crossing the mark of 50 million making it one of the 10 largest mobile markets in the world; India is replicating the global model where approximately 80% of mobile users are on GSM networks. Closely watching the latest developments on the technological front; with 3G already deployed in many countries, we believe India is now ready to start looking at 3G in a more serious manner, and hope to launch 3G services in the next 15 to 18 months. The government approved the much-awaited FDI cap in telecom to move from 49% to 74%. However, the guidelines have still not come into effect, which, I understand should happen in the coming weeks. This was a longstanding demand of the industry, and I am pleased that this got through in the

quarter. Security concerns have led to stronger regulation on customer verification. This is good for the industry in the long term. As a matter of fact, this is being replicated in many countries around the world, Thailand being one of those such countries. This sector still remains highly taxed. We have appealed to the government to remove the huge taxation that this sector has to burden, and we are hopeful that on a go forward basis, the government will release some of these penal levies on this sector. We are happy with the service tax which has been there for some years now, but we are strongly appealing against the license fee in the form of revenue sharing and associated levies like ADC. Some of you may be aware I sit on the GSMA board now. I spent some time in the GSM conference in Cannes. The key takeaways there were the handset prices need to be brought down. Under a program of GSMA, Emerging Market Handset has been launched with a price point at now around Rs. 1700 in the hands of customers in India. The first lot has gone to Motorola which has brought a sub-\$40 handset, and if we meet certain milestone, it could be as close to \$32. We are very hopeful, with the cheap and high quality phones available in the market, more and more customers will join the mobile club. In the regulatory environment, we saw the new ADC regime implemented from February 01, 2005. However, certain key issues are still under review, one of them being further taking down ADC or converting it into the form of revenue share. There is a consultation paper already out on that. We are awaiting the outcome of that. The government's policy on unified licensing with a reduced license fee at 6% is still awaited. Papers on the interconnection usage charge and as I mentioned the ADC are under review. We are also awaiting the policy on the spectrum allocation to start preparing for 3G, more importantly to have more spectrum in some of our key markets to relieve the networks from the huge traffic that we are seeing being built up. We became the No. 1 mobile service company with a 21.2% market share, and this is across all technologies, be that GSM or CDMA. We are very pleased that Bharti has now become the first company to have an all India footprint having launched in North East and Assam just a couple of weeks back. We have commenced mobile operations in the last round in Bihar, Assam, and North East circle. This happened in the last quarter. As you are aware, we launched the other unserved areas like Jammu & Kashmir earlier. We also launched our prepaid services in Jammu & Kashmir, which was earlier not allowed and have now been allowed. We launched mobile services also in the Andaman & Nicobar Islands to fulfill our commitment to help faster rehabilitation of the tsunami stricken island and provide robust communication for any future need. We also had an acquisition of C-Max and Comsat as a strategic move to further expand and develop the Enterprise Service business which is growing very well. We ended the full year with Rs. 80 billion revenue. We had Rs. 30 billion of EBITDA and a net profit of Rs. 14.4 billion. The revenues for the quarter were Rs. 23.2 billion, EBITDA of Rs. 9 billion, and net profit of Rs. 4.4 billion. Airtel has always been the first to bring unique and innovative services to our customers. This quarter, too, we introduced the Airtel portfolio manager in association with the Bombay Stock Exchange. This is a very unique product and perhaps is being done anywhere in the world for the first time. We have had a very-very heartening response to this service. Warburg Pincus stake which was released in the last quarter, some percentage was sold in the last quarter, validates the growing depth and maturity of the Indian

markets with Warburg selling on a single day a volume which set the new historic benchmark in the country. We all at Bharti are very pleased and proud to be a part of this historic development. Bharti Tele-Ventures' scrip was introduced in the Futures and Options segment in this month, on April 19, 2005.

Before I hand over the floor to Akhil, I must point out that we have come a long way establishing an all India mobile footprint, realizing a dream that began 10 years ago. The real challenge is now to harness the growth potential offered by the Indian telecom industry, an endeavor to take a disproportionate share from the market in favor of Airtel. Clear emphasis remains on providing value to our customers. Focus will stay on ensuring very high customer satisfaction, widen our coverage across the country, and continue to be the first to bring innovative technology, products and services to our customers. We are committed to achieve our vision of "To be globally admired for telecom services that delight customers", and we will keep on doing everything possible within the capabilities of the management team sitting in Bharti to deliver that.

I will now hand over the call to Akhil who will take you through the detailed financial and operational performance of the company for the quarter and the full year ended March 31, 2005.

Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thank you Sunil. Good afternoon ladies and gentlemen. I am delighted to present the results for yet another extremely satisfying quarter and for the full year ended March 31, 2005 I would like to, at the outset, point out that we traditionally present audited Indian GAAP results every quarter; however, for this quarter, we are presenting unaudited results which is as a result of the fact that the company is awaiting the Delhi High Court's judgment or the approval order for the merger of Bharti Cellular and Bharti Infotel into Bharti Tele-Ventures, which would be with effect from April 01, 2004. Awaiting that, we decided to present unaudited results because the audited results would be as per the merged entity. Consequent to this approval order, although there would be no significant change in the IFRS results, However, as far as the IGAAP accounts are concerned, there would be some positive impact on the P&L account on account of some write off of goodwill against retained earnings. Before I discuss the financial and operating results, I would like to highlight a few additions that we have made in this quarter, very significant additions, to the quarterly report. Those of you who have tracked our quarterly reports would recognize this as a continuing effort, to which we are committed, to improve the information content and the transparency level in this quarterly report. This quarter we have added the following:

We have now included non-voice revenue for the company as a percentage of total revenues in section III. The non-voice revenue includes all value added data and messaging service revenue across all businesses, primarily from mobile and enterprise services segments.

The two more sections that have been added in the annexures are pertaining to the one new section on operational trends for the last five quarters wherein we have provided key indicators like number of customers, customer mix, ARPUs, churn rates, employee numbers, amongst others. I would like to remind that similar trend data on financials have already been introduced earlier, and they do continue in the quarterly report. I would also like to point out that at various conferences and at personal meetings you would have heard us discuss the way we look at our business, popularly known as the three-line graph which tracks revenue growth, operating efficiencies, and capital productivity over the last five quarters, which we believe are the essence of our business. For greater transparency, we have now included this graph in the quarterly report itself, and I am certain that you all would find this as useful as the management at Bharti does.

I may also point out that we have now consolidated Comsat Max that we had acquired last quarter, although of course immaterial in the current context because of the small period involved. The annualized revenues from this operation would be approximately Rs. 500 million as of date.

Let me now discuss the company's performance for the full year and the fourth quarter.

We always believe that it is a good idea to benchmark ourselves against some of the best companies not only in the telecom sector but in the entire ICE sector including the information technology companies. I am very pleased to note and inform all of you that Bharti Tele-Ventures in the last year has recorded the highest growth amongst all ICE companies including the companies we have always admired like Wipro, Infosys, and TCS. This growth is the highest in terms of not only revenues but also EBITDA, cash profit, as well as net profit. Further based on the quarter IV declared results for each of these companies, our company ranked third in terms of revenue, first in terms of operating profit and cash profit, and third in terms of net profit amongst this very coveted club.

Let me start with the full year performance.

Please note that the comparison during my discussions will be with the corresponding period in the prior year. The consolidated revenues and EBITDA for the full year were Rs. 80.3 billion and Rs. 30.1 billion, showing a growth of 61% and 80% respectively. The EBITDA margin for the year was 37.4%, up sharply from 33.4% last year. This increase in EBITDA margin has come from economies of scale. The benefits that you are seeing are from the integrated operations and the operating efficiencies that we have derived. Our cash profit from the operations almost doubled from Rs. 14.3 billion last year to Rs. 27.8 billion this year. The net finance cost for the full year was Rs. 2.2 billion, which is slightly lower than Rs. 2.4 billion in the last year. This is despite the fact that we have invested \$900 million this year. The cost reduction was due to the net debt, which came down from Rs. 40 billion to Rs. 38.2 billion. This reduction had been made possible due to replacing certain old borrowings by new borrowings at lower finance cost and on significant cash flow benefits that have arisen to us out of the capex contract that we have entered. The earning before taxation was Rs. 16.4 billion, an increase of 167%, and the reported net profit for the full year was Rs 14.4 billion, a rise

of 132%. This amounts to an earning per share for the full year of Rs. 7.77. During the year, as I mentioned, we incurred a capital expenditure of Rs. 39.3 billion that is roughly \$900 million which is in line with the estimates I had given earlier. Of this Rs. 39 billion, we have spent almost Rs. 30 billion on mobile services and the remaining on the Infotel business. We have ended this year with a net debt of Rs. 38.2 billion versus Rs. 40 billion last year, and the net debt to EBITDA has improved significantly from 2.39 times earlier to 1.27 times. The interest coverage ratio correspondingly has improved from 7.07 times last time to 14.7 times now. The return on the shareholders equity has risen sharply from 13% last year to 24%. For the fourth quarter's performance, the company earned revenue of Rs. 23.2 billion and EBITDA of Rs. 9.1 billion which is a year-on-year increase of 49% and 70% respectively. It is very important to note that on the basis of the quarter four revenues on an annualized basis, we have now entered the very coveted and very exclusive US \$2 billion turnover club. The EBITDA margin for the quarter rose to 39.1% versus 34.3% last year and from 36.2% in the immediately preceding quarter. The net finance cost was Rs. 860 million. This includes the interest on borrowing of Rs. 612 million and a finance income of Rs. 246 million. The balance amount relates to other finance costs and mainly the effect of exchange fluctuation because of depreciation of the rupee in this quarter. The cash profit from operations for the quarter was Rs. 8.2 billion, an improvement of 64%, and the earning before tax was Rs. 4.8 billion, an increase of 76%. During this quarter, we had an income tax expense of Rs. 384 million. The current tax expense was Rs. 428 million while the deferred tax income recognized was Rs. 44 million. The income arising on account of deferred tax is as a result of the recent amendment of the income tax rules wherein the lower depreciation rates and lower tax rates have been provided for future years. As you would know, depreciation and tax rates are the major items, which contribute to the provision of either deferred tax income or expense. Due to these reductions, the quantum of timing differences have been reversed and that has led to a reduction in the deferred tax liability and has contributed to a small Rs. 44 million income on account of deferred tax for the quarter. The net profit for the quarter was Rs. 4.4 billion, a growth of 44%, and this has led to an earning of Rs. 2.36 for the quarter on an annualized basis that amounts to Rs. 9.44. The non-voice segment contributed to approximately 16.3% of the total revenues, up from about 12% in the previous year. On the three-line graph, which I have mentioned earlier, the quarterly gross revenues had gone up from Rs. 15.5 billion to Rs. 23.2 billion. The operating expenses to net revenue i.e., the operating efficiency, has improved from 41% to 39%, and the capital productivity has improved from 60% to 65%. These results are truly satisfying because these come in the wake of the company starting seven brand new projects during the year, which entailed significant initial expenses and significant capital expenditure.

Let me have a look on the segment-wise performance now.

Mobile Segment: At the end of the year, we had close to about 11 million GSM mobile customers, and this accounted for a market share of 26.8% of All India GSM market and 21.2% of the overall wireless market. The performance for the full year, the mobile services earned revenue of Rs. 54.4 billion and EBITDA of Rs. 18.5 billion which reflects a growth of 67% and 76% respectively. The revenue from this

segment contributed to 68% of our total revenue. The EBITDA margin in this segment improved from 32.1% last year to 34%. The earning before interest and tax also rose from Rs. 5.9 billion to Rs. 10.9 billion for this year. During the year, we incurred a capital expenditure of almost Rs. 30 billion, which included Rs. 23.6 billion in the existing circles and Rs. 6.2 billion in the new circles. In terms of the quarterly performance, the consolidated revenue and EBITDA in the mobility segment was Rs. 16.1 billion and Rs. 5.6 billion which showed a year on year increase of 63% and 77%. The EBITDA margin improved from 32.2% to 34.8%. The earning before interest and tax was Rs. 3.3 billion, and the monthly churn for the quarter was 4.3% for postpaid and 6.7% for the prepaid segment. The blended monthly usage per customer increased by 4% from the last quarter to 357 minutes. The non-voice revenue, which Sunil had mentioned we have been adding new applications, has increased very smartly. It now contributes 9.4% of the total revenue, up sharply from 8.5% in the previous quarter. The Short Messaging Service or the SMS revenue, which is a part of this non-voice revenue, now accounts for 6.3% of the revenue versus 5.8% in the previous quarter. I must point out that we are very pleased with the results of the new mobile operations which have been very recently started but have shown such tremendous performance that for the quarter the negative EBITDA from these was virtually negligible, just Rs. 45 million, and we do expect that in the coming quarter, we should turn EBITDA positive.

Broadband and Telephone Services: The total revenue for the full year from this segment was Rs. 11.3 billion, a growth of 45% over last year, and these contributed to 14% of the total revenues. EBITDA was Rs. 3.3 billion, a rise of 92%. EBITDA margin increased significantly to 29% up from 22%, and the EBIT was Rs. 1.5 billion as compared to just Rs. 453 million. During the quarter, the Broadband and Telephone Services added 53,600 customers on our networks, which has taken our customer base to 8,57,000 as on March 31, 2005. Out of these, we had approximately 1,18,000 customers who had subscribed to DSL broadband services. During this period, the revenue from our operations grew 39% on a year-on-year basis to Rs. 3.1 billion. The EBITDA margin for this segment for the quarter was up at 29.5%, and in this business, since the emphasis is on ARPUs unlike the mobile business, the ARPU for this quarter was Rs. 1,231, which is slightly higher than the ARPU of Rs. 1,225 a year ago.

Long Distance Services: For this year, the revenues and EBITDA from the long distance services were at Rs. 18.6 billion and Rs. 6 billion respectively which accounted for increase of 54% and 72%, and the margin improved from 28.9% to 32.3%. During this quarter, the revenues and EBITDA were Rs. 5.1 billion and Rs. 1.9 billion, an increase of 27% and 61%.

Enterprise Services: The Enterprise Services continues to show very significant growth. On a full year basis, these revenues have grown by 105% to Rs. 5.4 billion and the margin improved from 42.5% to 47.3%. For the last quarter's performance, the revenues for this segment were Rs. 1.5 billion, which was a growth of almost 60% year-on-year, and the EBITDA margin was 47.8% as compared to 47.5% in the corresponding period last year.

Before we open the floor for questions and answers, I would like to summarize by saying that we are very happy with the robust growth in this sector, the results of our expansion and integrated strategy, and the role that Bharti is playing in the telecom revolution. We look forward to continuing our participation in this growth for which we are very well prepared in every respect.

I would like to hand over the call now to Swati.

Swati – Moderator

Thank you very much sir. I now hand over the proceedings 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, Swati. At this time, international participants may press zero one (01) if they would like to ask a question. On pressing zero one (01), participants will get a chance to present their questions on a first-in-line basis. One moment please for the first question.

Mr. Tien Doe from Alliance Capital, please go ahead.

Tien Doe – Alliance Capital – Singapore

Hi. Thank you very much for the call. I have got a few questions. The first question is just on your EBITDA margin in the long distance business that has gone up quarter-on-quarter from about 31% to 38%. Is that all due to the changes in the ADC regime or were there other contributory factors to that very sharp rise in the long distance business and I guess an allied question there is on your overall group interconnection cost that was down from 21% to 19%. Would you expect that level to be maintained going forward or do you think that is going to decline even more?

The second question is just on your dividend policy going forward. You are fairly comfortably geared on your balance sheet, your net debt equity ratios or your net debt EBITDA coverage. Are we likely to see a dividend payment some time in financial year '06?

And just a final question on IDEA. I believe that there was a story saying that the Indian government would only approve the acquisition of IDEA by ST Telemedia and Telecom Malaysia if Bharti gave a no-objection notice to ST Telemedia taking a stake in IDEA. Would you be willing to give that no-objection or not?

Thank you.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Akhil, I will take this. This is Sunil. I will take the last two first. On the IDEA stake, we have only read it in the newspapers. We have neither been approached by the government or by any party in this connection. So, I think, we will have to leave it so far as a media speculation because we have not been approached in this regard.

On to the dividend policy, very clearly, this is not something that has not been discussed at the board level. I was always, you know, very keen to check the investors' viewpoint on dividend not only today but when we started this business, and everybody who had put in money with Bharti was with one message, "please invest this money into growing your business" and which we did in the last 10 years, very ably.

Now going forward, very clearly, we are coming to a point where, you are right, the gearing is very comfortable. The internal generation based on last year and particularly the last quarter is very robust, but I think we are still rolling out a lot of networks; we would end up doing approximately 10,000 base stations this year, which is what we have done in the last 10 years. So, I think, there is still a lot of momentum left in terms of both growth in customers and minutes and more importantly need to roll out into newer areas to keep our leadership intact. We do not give any forward looking statements for whether we will give dividends in the current financial year or not; that will be a situation which will be dealt with at the end of the financial year, but I would say that we will be speaking to a number of investors, especially as we are coming closer to free cash flow situation in the future, and based on the feedback that we get, we will take a decision. Uppermost in our mind would be not to put out cash if the business needs it more and that will really be the fundamental driving decision for the dividend policy.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the first two questions, let me take up the long distance one first. First of all, let me start by saying that 31% to 38% increase is truly extraordinary, and I do not want this to be in anybody's mind a precedence. This is obviously not sustainable, at this kind of growth. Let me give you the reasons why this happened. Primarily, this happened for two reasons. One as you know, in this quarter, the ADC charges were cut which meant that there is a reduction in the gross revenue and a reduction in the interconnect which does not mean that the net revenue has not grown. So what you would find from the results is that the gross revenue has only grown by Rs. 17 crores; however, the net revenue has grown by Rs. 44 crores, which is in line with our growth, which has been taking place quarter-on-quarter. Against this, the EBITDA has grown by Rs. 43 crores and part of that is because we have a very stringent policy on bad debt provision, where for long distance business anything outstanding for 120 days is provided as doubtful. In this quarter, we had a reversal of about Rs. 13 crores on that account. So, quite clearly, 31% to 38% is a combination of some of these factors, but this kind of a growth would not necessarily be there in the margin subsequently.

On the interconnect percentage coming down from 21% to 19%, I would say unless there is another round of ADC cut, which I do not know when it would happen, of course the

regulator has indicated that he would like to do it over a period of time, but at the present ADC levels, the 19% looks fairly stable.

Tien Doe – Alliance Capital – Singapore

Okay. Thank you very much.

Lucy - Moderator

Mr. Anand Ramachandran from Citigroup, please go ahead.

Anand Ramachandran – Citigroup – Hong Kong

Yes, Hi! Good evening gentlemen. Congratulations on an excellent set of numbers. I just had, I guess, four questions.

Firstly, if I look at the ARPU trend quarter-on-quarter and also revenue per minute roughly derived as ARPU derived by MOUs, you do see a decline. I just wanted to see how much of this would probably be attributable to the ADC cut and how much of it would probably be, in the organic mass market, subscriber increase decline.

Second question is on capex. Again, the cash flow number of Rs. 39 billion is slightly lesser than the gross investment that you have indicated on page 9, which is roughly Rs. 45 billion for the full year. Is this just the timing difference that you talked about earlier?

And third and last question, sorry not four questions, any update on the ADR timing at all? Thanks

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the ARPU decline, which came down in this quarter to Rs. 504 versus Rs. 519, most of it is because of ADC, but marginally it may also be due to the general reduction because of the blend of the new customers coming on prepaid with slightly lower ARPUs, but as you know Anand, we have constantly maintained that the ARPUs necessarily do not have any correlation to the overall performance which is very clear from the fact that despite this 3% decline in ARPU on a quarter-to-quarter basis our margins have gone up. As far as capex is concerned, we have about \$900 million of capex. You had mentioned something about Rs. 45 billion. Right?

Anand Ramachandran – Citigroup – Hong Kong

Yes, but if you look at the gross investment side on page 9, and you know, just the fact that what the gross investment number was last year, the difference is approximately Rs. 45 billion, that is investments in projects 2.3.1 page 9, so that meant that difference is about Rs 45 billion.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

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I think that may be because of acquisition of Comsat Max and the capex related, of course capex will be counted here, but that might be related to some acquisition, but mainly it would be on account of the capex.

Anand Ramachandran – Citigroup – Hong Kong

Would there be a timing difference at all here?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

No, this is the actual expenditure on capex including the work in progress.

Anand Ramachandran – Citigroup – Hong Kong

Okay, and on the ADR issuance, sir.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

On the ADR issue, we were all waiting for a heads up from our accounts side. Then, now the quarterly results have been closed and unaudited annual results have been closed. So we will be, in the coming days, getting a sense from our auditors, PWC, as to how ready are we now to roll the ADR process, and once I have that, I will be taking the issue with the principal shareholders as to what all shares they would like to put in the sponsored ADR, and once I have these two things then the final timing and filing of documents, wherever they have to be filed, will be taken up. So, I think we are still a few weeks away from a final decision on this.

Anand Ramachandran – Citigroup – Hong Kong

Great. Thank you so much, and congratulations once again.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thank you.

Lucy - Moderator

Mr. M. Singh from BNP, please go ahead.

M. Singh - BNP

Sorry, my questions were answered. Thanks.

Lucy - Moderator

Thank you.

Mr. Alistair Scott from Merrill Lynch, please go ahead.

Alistair Scott - Merrill Lynch – Hong Kong

Thank you very much. As always, it is a pleasure. Just two or three smaller ones please. Just to double check following up with Anand's question. So from your perspective, the ADR issue is a question of when rather than and if, just wanted to double-check that.

Secondly, in terms of the 3G spectrum, you were obviously asking the regulators for more spectrum. Could you just give us a sense as to how squeezed you feel on the capacity there at this point or when do you expect that to become an issue and what are the solutions that are available to you apart from throwing more capex at the problem if they do not come through with that and Sir, how much have you asked for and when would you need it by?

Finally, Akhil, you made the intriguing comment about the cash flow benefits from the capex contracts that you are telling becoming quite material. Could you just give us a sense of the scale of that and what you are seeing in terms of the cash flow benefits there?

Thank you very much.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Well, on the ADR, as I mentioned, my feeling is that in the next couple of weeks we will get our final position from our auditor, after which I will be personally writing to all the shareholders, the big shareholders, we will not go through the process of writing to the smaller ones, and get some commitment on what they are going to pool in terms of the shares, and it is very clear that Bharti is not putting in any shares and if I have to go through this process to ask other shareholders, and I think that will also take probably a few more weeks work, then we will have a full position on the number of shares available. Then time line program will be announced. So, it is still up in the air, I mean, from our point of view the board's approval and shareholders' approval is in place but clearly, it is a sponsored ADR, and we are dependent on the shares that are going to be tendered. So, I think we will be much more clear by the end of next month, I guess.

Alistair Scott - Merrill Lynch – Hong Kong

Interesting! Okay thank you sir. Can I just follow-up? Obviously, there was a certain amount of press speculation

recently about yours and the family's personal position on this. Could I just clarify that none of the family interest would be expected to put stock into the ADR?

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Yes, we can confirm that.

Alistair Scott - Merrill Lynch – Hong Kong

That is very helpful. Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the cash flow, Alistair, very clearly if you would note two three things, one is our net debt for the year has actually reduced somewhat. It has come down from Rs. 39.987 billion as on March 31, 2004 to Rs. 38.175 billion. This is despite the fact that we have spent Rs. 39,330 million on capex whereas the cash generation from operations is Rs. 27.819 billion, that is a gap of Rs. 11.511 billion. So, quite clearly, a very significant improvement in cash flows has happened because of the capex contracts of roughly about Rs. 12 billion.

Alistair Scott - Merrill Lynch – Hong Kong

Okay. So that cash flow benefit will also benefit contracts. Okay. That is very helpful.

Lucy - Moderator

Mr. Henry Cobbe from London, please go ahead.

Henry Cobbe - Thames River Capital — UK

Hi, this is Henry Cobbe from Thames River Capital. Thanks for the conference call. I just have two questions, just on the outlook for the effective tax rate now that these provisions have been reversed for this financial year and also the capex budget.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well the effective tax rate, if I remember correctly, was brought down to 30% plus surcharge from 35% plus surcharge earlier and that is the effective tax rate which has been assumed for the current calculation of deferred tax.

Henry Cobbe - Thames River Capital — UK

Do you say it would remain stable?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I mean, this is, I can only take the rates, which are given today. But, this should be stable. I think, this is at a reasonable level.

Henry Cobbe - Thames River Capital — UK

Okay, and on the capex budget, I am missing a number; I heard \$850 million for this year on the news, can you confirm that?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

For the current year, that is '05-'06, we do expect it again to be in the vicinity of \$900 million to a billion dollars and I think we will get a little more clear about it as this quarter goes by.

Henry Cobbe - Thames River Capital — UK

OK, thank you very much indeed. Thank you and well done.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thank you.

Lucy - Moderator

Mr. Ashish Kumar from Tiedemann. Please go ahead.

Ashish Kumar – Tiedemann- Singapore

Thank you. Sir, my first question is you know clearly in the financial year March '05, the industry had a significant number of subscribers, but if you look at the number, it is just about the same as in March '04 financial year. As an industry captain and not necessarily for your company when you look at this and analyze this and when if you were to estimate and just a broad number for March '06 financial year, what type of net subscriber add do you think India will do for biome and yes, for the industry?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well I think that would be too much of a forward-looking statement. The industry estimates are well known, and it would be wrong on our part to give any specific projections as to what would it be in March '06. I think what is more important is the fact we have already given the growth in the revenue as a percentage and that you can clearly see is very-very significant on a year-to-year basis, but it would not

be possible for us to give any projection or guidance in such specific terms.

Ashish Kumar – Tiedemann- Singapore

I am sorry. I am not in the office. Maybe you did release something. You said that you gave some growth numbers for revenue.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

This is the previous year numbers which I just read out.

Ashish Kumar – Tiedemann- Singapore

Okay.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

As a matter of principle, we do not give any guidance for future.

Ashish Kumar – Tiedemann- Singapore

Okay, and Sir, could you elaborate your \$900 million to \$1 billion capex, how does it split business wise, and it seems to be a sort of higher than what you have spent in the financial year that just ended. Why is the capex moving up?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

First the growth is very strong. I think with the same kind of capex, we will be looking at much higher growth and roughly it has been traditionally roughly about two-thirds in mobile, the balance in the other businesses, and we do expect that to continue.

Ashish Kumar – Tiedemann- Singapore

So perhaps, you know, the capital intensity of mobile business is not increasing. You see, if you are spending more you are expecting more subscribers to be added.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I think that is where the three-line graph which we gave and which we will be giving is very important. We have to look at the capital productivity rather than intensity and that is what we would request you to watch out as the quarters go by.

Ashish Kumar – Tiedemann- Singapore

Okay Sir. Thank you very much.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thank you.

Lucy - Moderator

Mr. Manish Srivastava, please go ahead sir.

Manish Srivastava – Inside Capital Partners – Hong Kong

Hi. Well congratulations on a great set of numbers. I just wanted to inquire on two specific issues. First, related to free cash flow. I would have thought, this quarter you would actually achieve free cash flow. I was surprised by the fact that you actually ended up using almost Rs. 2.5 billion in working capital; that is not typical of a company like you. Could you actually explain that? In fact, elaborating further on that, I am surprised that your Un-earned revenue actually dropped even though your prepaid subscriber base increased. I can understand the VSNL side of it, some drop coming from that, but the increase in overall prepaid base should have driven that unearned revenue number up. The other issue I wanted to check on was your gross additions. This is like the first time in last six quarters that actually your gross additions during the quarter dropped sequentially by about 3%, any view on that, how would you explain that. How would you see that going forward? Thanks.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thanks Manish, I think first on the free cash flow, this is principle of working capital. Anything which goes up has to come down at some point, so if we have had an accretion of the liabilities, at some stage they will come down. So that is just a very natural phenomena, but overall, we are very happy with our cash flows. As far as the Un-earned revenue, which I assume you are referring to the revenue in advance, well as you move more and more towards Easy Recharge, I think there is an efficiency coming into this system. We are able to pass on the benefit of this working capital also to our trade and that is making their businesses also better and more profitable, and I think, this is more a rationalization of that logistic nightmare which was there more with the paper coupons. I think as we go along this is an efficiency, which we will want to come in. As far as gross additions are concerned, well I think the real test here is increase in net additions because it is not a very happy situation that you have huge gross additions and low net additions. We will rather have a situation where we have big net additions, not necessarily very-very huge gross additions, and I think on that score we have done again better as compared to the previous quarters.

Manish Srivastava – Inside Capital Partners – Hong Kong

Obviously, your prepaid churn has come down. So, that is a help on the net addition side, but I guess real efficiency in terms of grabbing, I would, in the market in terms of efficiency of your sales people would get reflected on your gross add side. Anyway, obviously it is great that your markets have actually improved in the quarter. Thanks.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

That is because the net addition as you note have gone up as compared to the previous quarter.

Manish Srivastava – Inside Capital Partners – Hong Kong

Yes, Yes.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thanks.

Manish Srivastava – Inside Capital Partners – Hong Kong

Thanks Akhil.

Lucy - Moderator

Mr. Suresh Mahadevan from Lehman Brothers, please go ahead.

Suresh Mahadevan – Lehman Brothers — Hong Kong

Yes. Thank you for the call and congratulations on a very good set of numbers, yet again. I have three quick questions. One is, there was a pretty good pickup in the mobile EBITDA margin, which expanded by more than 2%. Could you share some light in terms of what was the main contributor there? Second is, you were talking about reduction in the minimum ARPU commitment from Rs. 330. I just wanted an update on what Bharti's view on that is? Will that come down to levels like Rs. 200? Thirdly, can you provide an update on the Easy Recharge in terms of what is the value of recharges now done electronically as well as how many outlets is the Easy Recharge available today? Thank you.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Manoj, would you please take up the Easy Recharge one and I can come back to the other ones and also the lower coupon one.

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

Okay. Good afternoon. This is Manoj Kohli. Easy Recharge, as you know, we pioneered in the country and has picked up very well. Today 46% of our prepaid value is recharged electronically which not only displays and manifests power of the technology but also displays that all our retailers are getting trained every day and more retailers are joining this bandwagon. Also about 85,000 outlets are already active and more and more outlets are being trained. Our target is to really take this figure of 46% up in this financial year, and I am very happy to report that new circles, which we have launched, seven new circles, are already on a higher level than existing circles because they started on Easy Recharge rather than paper coupons. Well Akhil.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Yes, thanks Manoj. Manoj, I think if you could also talk about the Rs. 200 or the lower coupon, which is being introduced now.

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

No, I don't want to comment on any competitive offering, but I just want to say that we are dynamic to the market situation. We understand the market, and as and when we feel there is a need for a change in our offerings, whether they are postpaid or prepaid, we will definitely review it and then take a decision, but we will keep ourselves alive to the market needs.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

On the mobile EBITDA margin, it is correct, it has gone up from 32.6% in December quarter to 34.8%. That is as a result of two factors. One is that the new circles, the EBITDA negative margin has gone down from 66% to 6%. So, obviously on an overall basis that has resulted in betterment of the margin. On the existing operations, it has gone up from 35.5% to 36.8%, which is a result of the slight effect of the ADC reduction and also the operating efficiencies which we have recorded.

Suresh Mahadevan – Lehman Brothers — Hong Kong

Yes. A quick follow-up as to how many outlets is your service available because 85,000 is over-the-air recharge, you said. This is out of how many outlets overall?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Manoj.

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

Yes, our retail outlets are 2,10,000+, and we also have about 1,000 premium exclusive dealers. So, I will say that we already cover more than 40% of retail and more and more is being included in this family every month.

Suresh Mahadevan – Lehman Brothers — Hong Kong

Okay, thanks a lot.

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

Thank you.

Lucy - Moderator

Mr. Piush Mubayi from Deutsche Bank, please go ahead.

Piush Mubayi – Deutsche bank — Hong Kong

I just have one question on your spectrum usage. Would it be possible to give us a sense of how much, when do you run out of spectrum or when do you feel that pressure building up and related to that is if there is a need to throw more capex in light of the fact that the regulator does not offer you more spectrum, how would the agreement work out between yourselves and the network provider at this stage? Thank you.

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

You know, we are ourselves network providers, so I will answer just the last point.

Piush Mubayi – Deutsche bank — Hong Kong

I am sorry. You are vendors?

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Yes, we are vendors. Basically the spectrum as you know has been coming in increments in India. It never came with a policy where like many other countries, we got one big dollop of spectrum. It started with 4.4 MHz and has been rising slowly slowly. In Delhi, now we have a shy at 12 MHz, and that is the highest we have anywhere in the country. Other places have moved to 8, some will now come into 10. So

coming to the policy, every time you hit a particular customer mark, you get some more spectrum. So I would say we are comfortable, we can always do with more, and more spectrum would mean less cluttered towers, less number of base stations, so there is always a better efficiency. I think what we are demonstrating here is result of an acutely scarce release of spectrum given to the Indian industry and the results are in front of you that we have been able to manage a very squeezed spectrum that has been given out, which means more capex, more towers, but that is the life all operators have lived in India. I would say things can only get better with a very big move by the defense to release a lot of commercial spectrum in the 1800 band. We are also expecting some decision on the 3G. So, I think, all in all, life is comfortable, I would not say it is great, but it is not bad.

Piush Mubayi – Deutsche bank — Hong Kong

And could you give us some sort of guidance of when you think the government will act?

Sunil Bharti Mittal - Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Well, I think one policy is already there that every time we are hitting a customer base, we are getting an increment of 2 MHz. That has already happened in Delhi at 12 and other places, which are at 4, 6, or 8. We will automatically keep on moving to 12, so I would say Delhi in our sense leads the pace for us, and the policy is very clear up to 15 Meg, we will keep on getting it, and once we hit about 17.5 that will be the international level to handle very-very large number of customers, because you know frequency is also reused in various towns and cities and villages. So, I think at 15 we will start looking pretty okay.

Piush Mubayi – Deutsche bank — Hong Kong

Thank you.

Lucy - Moderator

At this moment there are no further questions from participants outside India. I would like to hand over the proceedings back to Swati.

Swati - Moderator

Thank you very much Lucy. We will now begin the question and answer interactive session for the Indian participants connected to Audio Conference Service from Airtel. Participants who wish to ask questions may please press star one (*1) on their touchtone enabled telephone keypad. On pressing star one (*1), participants will get a chance to present their questions on a first-in-line basis. To ask a question, please press star one (*1) now.

The first question comes from Ms. Priya from Refco Sify, Mumbai.

Ms. Priya you may ask your question now.

Priya – Refco Sify– Mumbai

Good afternoon gentlemen. Congratulations on a good set of numbers.

A couple of questions from my side. First, I just wanted to know what is the pay-back period with respect to, you know, recoupment of your selling and marketing expenses both with respect to prepaid and the postpaid subscribers and also if you could highlight, you know, does it differ in the new circles, which are penetrating compared to the existing circles where your Airtel brand has been, you know, penetrating very sharply.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well I think as far as the marketing and sales expense and all that is concerned, a lot of it is a fixed element. So, it will be wrong to think it in terms of the pay-back period because whether you are in 20 circles or 23 circles, it is not necessary that your marketing expense would increase sharply because you are already on air nationally. So, we do not really look at it on a pay-back basis. I think there are certain levels of expenditure, which you have to incur for brand saliency all across the country.

Priya – Refco-Sify– Mumbai

But would it imply that you know the recoupment in prepaid is much higher compared to postpaid because obviously you have certain fixed elements much higher in case of postpaid compared to prepaid.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Are you talking of the marketing expenditure or the overall?

Priya – Refco-Sify– Mumbai

Yes, both market selling and marketing, I would say.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

No, but that is exactly the same because we are incurring in one pot the total marketing and advertising expenditure, and then as far as the selling expenditure is concerned, on prepaid, it is a small percentage of the recharge coupon which you sell in the market. It is very variable.

Priya – Refco-Sify– Mumbai

Okay. Secondly, on the consolidated basis, your data revenue for this quarter was 16.3%. What is the comparable for the December 2004 quarter?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

December 2004 quarter was 15.4%.

Priya – Refco-Sify– Mumbai

If I am not wrong, the capex for FY '06, you mentioned in the region of \$900 million to \$1 billion odd.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

That is right.

Priya – Refco-Sify– Mumbai

But would it not imply that given that, you know, you are expanding in more than 2500 cities in the current year that the capex could be much higher because, the geographical distribution in the new areas, which you will penetrate, the density of population is much higher, so based on that, you know...

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Well in fact the density in those areas will be lower but the fact is we have done all that estimate and we do believe that \$900 million to a billion dollar should see us through.

Priya – Refco-Sify– Mumbai

Okay. Secondly, with respect to your balance sheet, there is a reduction in marketable securities from Rs. 7.5 billion in the last quarter to Rs. 4.7 billion. If you could just highlight on this?

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

That is not important. I think, what is important is the net debt which is grossed at less all these marketable securities which we have in hand. So, these marketable securities are a function of some liquid cash balance one has to carry. There is nothing significant in this reduction or an increase in this figure.

Priya – Refco-Sify– Mumbai

And what would be the composition of the revenues coming from a captive subscriber base in the long distance segment.

In the last quarter, if I am not wrong, it was around two-thirds.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I think, it remains around that. Badri, would you want to elaborate on that.

Badri Agarwal - Bharti Tele-Ventures Limited - President Infotel

Sorry, I missed the question.

Priya – Refco-Sify– Mumbai

The composition of revenues from captive subscribers in the long distance segment.

Badri Agarwal - Bharti Tele-Ventures Limited - President Infotel

Well, our internal traffic is about two-thirds of the total traffic.

Priya – Refco-Sify– Mumbai

Okay, and you know for the past three months, rather you know, Bharti has definitely outperformed with respect to the industry growth rate in terms of subscriber additions, while it is known it is largely on account of you know prepaid subscription, but what is the observation, you know, are we seeing one or two more months with, you know, lull subscriber additions for the industry or is it largely that April is coming back to the normalcy.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

I agree on this. The best is, you know, we get these figures month after month. So, I think let's watch them carefully. It is very difficult for us to say which subscriber would reduce the number of customers, and it is very difficult for us to comment on this.

Priya – Refco-Sify– Mumbai

No, what I mean to say, is the industry level, you know, normal or monthly run rate of 1.6 to 1.7 is likely to return or, you know, yet one or two more months.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

We believe that it should accelerate over a period of time and we would hope that some of these steps about lower coupon and all should accelerate that now.

Priya – Refco-Sify– Mumbai

Okay. Thank you very much and wish you all the best.

Akhil Gupta – Bharti Tele-Ventures Limited - Joint Managing Director

Thank you.

Swati - Moderator

Thank you very much madam.

The next question comes from Mr. Raj Mohan from Chennai.

Mr. Mohan, you may ask your question now.

Raj Mohan – Private Investor - Chennai

Yes. Thanks for taking my call. Congratulations to the management on a wonderful performance.

My question has been answered, thank you.

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Vishal from Equity Master, Mumbai.

Mr. Vishal, you may ask your question now.

Vishal– Equity Master- Mumbai

Hi. Congratulations on a very good set of numbers. My first question is that apart from the metro cities, how many towns in India do you cover at present and what is the target for 2005?

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Manoj.

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

Today, we cover close to 2500 towns, and in this financial year, we should be doing more than 2000 towns beyond the present coverage.

Vishal– Equity Master- Mumbai

Okay, so increasing your penetration to these A and B class cities, does that mean that your overall ARPUs will take a fall because affordability will play a major role in these smaller towns.

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

No, we do not comment about ARPU. Anyway, in our company, we feel our effective rate from usage is more important. Then, if we are able to sustain and even enhance our effective rate that will be more important than ARPU.

Vishal– Equity Master- Mumbai

Okay thanks, thanks.

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Irani from IL&FS Investsmart, Mumbai.

Mr. Irani, you may ask your question now.

Sheriar Irani– IL&FS Investsmart – Mumbai

Yes, Hi! Sheriar Irani here from IL&FS Investsmart. Firstly, congratulations on the results. Secondly, my question was pertaining to the roaming tariffs that have just been cut by the TRAI. How much of an impact do you see of that, possible impact, and how do you expect to mitigate this? Thank you.

Sunil Bharti Mittal – Bharti Tele-Ventures Limited - Chairman and Group Managing Director

This has not been cut by TRAI. They have been cut by us. So, that is the first point that this not a mandate of TRAI. We have actually ourselves looked at the elasticity of this market and you know, the surveys that we have done, there is a lot of community of interest which roams around into states which are around their home market, and we have generally seen people are hesitant in using their mobile phones once they are outside the home base, so our view is that this deduction which we have done of about 33% to 34% will be recouped pretty quickly, because we expect more customers to move into the roaming category and those who are in that will improve on their minutes of usage. In any case, the total deduction is quite marginal.

Sheriar Irani– IL&FS Investsmart – Mumbai

Okay, thank you and all the best.

Sunil Bharti Mittal – Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Thank you

Swati - Moderator

Thank you very much sir.

The next question comes from Ms. Devyani from Edelweiss Capital.

Ms. Devyani, you may ask your question now.

Priyanko - Edelweiss Capital - Mumbai

Yes, this is Priyanko from Edelweiss. Mr. Mittal I would like to seek your comment on what is the outlook on the other businesses, the non-telecom businesses that we are looking at, what sort of money are we looking at committing and what sort of revenues and returns that we are looking at?

Sunil Bharti Mittal – Bharti Tele-Ventures Limited - Chairman and Group Managing Director

I think what I can suggest is we can take this separately in the next day or two.

Priyanko - Edelweiss Capital - Mumbai

Perfect Sir, and one more question to Mr. Gupta, I was looking at some more color on the capex side, if two-thirds of \$900 million to a billion dollars is what we are looking at, and we are looking at not rebuilding the capex as such, and sort of a steady state, I mean, this year's subscriber additions in FY '06 then we are looking at substantially very-high in terms of dollar per subscriber capex. I was just like trying to figure out is that anything that I am missing out on this account?

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Yes, I think the right way to look at it as I have said earlier is we need to track the capital productivity on this because capex per subscriber is a very-very misleading notion in our business. The capex is not only used for new subscribers, the capex is also being used for the existing subscribers and the new services and that is the reason why we have introduced this three-line graph very transparently into the quarterly report. You would be able to see that new dosage of capital, which is injected, what are the revenue impacts from that. So, I think the capital productivity ratio is the ultimate test there.

Priyanko - Edelweiss Capital - Mumbai

Okay fine. Thank you so much.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Thank you.

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Mugdh Rajit from IDC India Limited. Mr. Rajit you may ask your question now.

Mugdh Rajit – IDC India Limited- Gurgaon

Good afternoon sir. My question is like your SMS revenues are 6.3% of the total revenue and your non-voice revenues are 9.4% of the total revenue; the difference of 3.1%. So, I want to ask the composition of that 3.1%, like what would be the revenue from MMS and voice-based value added services?

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

I am afraid, for competitive reasons, we would not like to give any further details on this one.

Mugdh Rajit – IDC India Limited- Gurgaon

Okay, one more thing. Your SMS revenues of 6.3%, is it peer-to-peer or peer-to-application based?

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Mainly peer-to-peer.

Mugdh Rajit – IDC India Limited- Gurgaon

Mainly peer-to-peer. That means it includes P2A as well.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

P2A, A2A what is that?

Mugdh Rajit – IDC India Limited- Gurgaon

P2P is peer-to-peer, and the other one is peer-to-application.

Sunil Bharti Mittal – Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Yes, application I said is very low. It is mainly peer-to-peer.

Mugdh Rajit – IDC India Limited- Gurgaon

Okay, and the other question is like you have given the blended ARPU, I am looking at your prepaid and postpaid ARPU.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

We do not give that information, please.

Mugdh Rajit – IDC India Limited- Gurgaon

Because you were giving these information last year.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Last year yes, but for the past several quarters, we believe we would not like to disclose the specific components of these.

Mugdh Rajit – IDC India Limited- Gurgaon

Okay, and the last question is, out of your total mobile services' revenue, what percentage would be received from other operators for interconnect and roaming?

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Well, it would not really matter because mostly it is from our normal customers.

Mugdh Rajit – IDC India Limited- Gurgaon

I am just looking at the percentage, if you can give me the estimate?

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

I do not have that percentage with me, I am sorry.

Mugdh Rajit – IDC India Limited- Gurgaon

Okay, can I just mail it to you, if you can reply it.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

I do not think we would want to give out such intricate detail because to our mind that would be quite meaningless.

Mugdh Rajit – IDC India Limited- Gurgaon

Okay, fine.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Thank you.

Mugdh Rajit – IDC India Limited- Gurgaon

Thank you.

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Rahul Singh from SSKI, Mumbai.

Mr. Singh, you may ask your question now.

Rahul Singh – SSKI Securities - Mumbai

Yes Good Afternoon everyone. If one looks at your difference in equipment supply payables from March 04 to March 05 and divided by your total capex in the mobile business of Rs. 3000 crore, one gets a figure of 35%. So would it be fair to assume that the capacity utilization on the new capex which you have done is 65%, that is number one, and number two, are you assuming any similar capacity utilization figure in the next year's figure which you have given of \$900 to \$1000 million, and the last on this is, what is the design capacity utilization you are looking at, a most sustainable design capacity utilization you are looking at, and the other question was on the fixed-line business, you seem to have added about 300 to 400 employees judging by your customers per employee figure, is it reflective of what is to come in terms of expansion? If you can just outline the expansion plans in fixed-line business also? Thanks.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Let me take up the capacity utilization. Typically on a robust or a very sound mobile network, one would look at 70% or so utilization, not more than that, and therefore, if you look at 65% on additional by your analysis, Rahul, I think that would be fairly correct. Now how it would continue, we would certainly not want to go beyond 70% at any point of time, so depending on what is the additional incremental expenditure, you could look at the credit levels which would be available to us, but in nutshell, I would say capacity utilization at something around a level of 70% is what is most desired internationally and that is an international benchmark. Badri, could you take up the one on the fixed-line please.

Badri Agarwal – Bharti Tele-Ventures Limited – President Infotel

As far as the plans for the fixed-line are concerned, currently we are present in about 50 cities, and we are rolling out our network just now in 12 more cities, and by the end of first quarter, the commercial launch will take place in these 12 new cities, and after that we will take up another 12 to 15 cities, and our plan is that by the end of this financial year, we should be present in all 50 top towns in the country throughout India. Thank you.

Rahul Singh – SSKI Securities - Mumbai

Akhil, just a follow-up on the capacity utilization. Does it mean that your surplus capacity utilization of the new network capacity created is just 5% or a related question is how are your payments to the equipment provider fixed at? Is it fixed at the design capacity or is it fixed at the overall capacity? I mean, if you can just give me some kind of a qualitative feedback on that. That will be helpful.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Rahul, for obviously competitive reason, I cannot go into too many details on this. I would like to just reiterate what we have given earlier. Our new capex arrangements provide that we have to pay on the basis of the utilization of the capacity and beyond that I think I would like to be excused, I would not be able to give any further details on this arrangement.

Rahul Singh – SSKI Securities – Mumbai

Okay one more question on the leased line rate cuts on the domestic as well as international front. How does it impact your domestic long distance and leased line business negatively, and whether it has any positive impact on your international long distance profitability?

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Well, I think the reductions in the international and the domestic in some segment like the E1s are more or less in line with what is prevailing in the market. Some of the other reductions on DS3 is something which we feel is a little more steep than what the industry should be seeing today, but we also believe that on the other hand, definitely there is a big elasticity waiting there, and the next couple of quarters would prove as to how elastic this segment is, but on an overall basis, we do not expect any material adverse effect on this account.

Rahul Singh – SSKI Securities - Mumbai

Okay, thanks, thanks a lot.

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Ronie from JP Morgan, Mumbai.

Mr. Ronie, you may ask your question now.

Ronie- JP Morgan – Mumbai

Hi! Thanks for the conference call. Just a couple of questions. Firstly on this alliance with the six other mobile operators for the region, the Bridge Mobile which was in November 2004, it was supposed to be operational by the first quarter of 2005 and some suits of services. Could you tell us any update on that, anything that is happening on that front? Secondly, on the contract for the handsets to Motorola for the sub-\$40 that you are talking about, is there any change in the company's plan as to how and will the company take on any of the selling of the handsets on their books or will it continue to be on the books of Motorola. Could you just tell us something more about that?

Sunil Bharti Mittal – Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Manoj.

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

Okay. Starting with the Bridge plan, I am happy to inform that there has been good progress on the Bridge Mobile front. We have new partners joining the Bridge Mobile, and the plans for launch of three to four services are ready, and we should see launches taking place in the coming few months.

On the Motorola handset, we have already bundled it in many markets of India. We do not buy handsets from any handset vendor, and the handsets are directly billed by the handset vendors to our distributors and dealers, so we never take it on our books.

Ronie- JP Morgan – Mumbai

Right, but as we were talking that you know that there is some volume commitment beyond which the prices will come down below \$40 to \$32, so is that some sort of commitment to you. I mean, how does this thing work out if you do not take it on your books?

Manoj Kohli – Bharti Tele-Ventures Limited – President Mobility

No, our volume commitments are not to be purchased by us. Those commitments are based on market responses, and if the response from the market is good then I am sure we will strike a lower rate.

Ronie- JP Morgan – Mumbai

Thanks a lot for your time.

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Ashish from IDSC, Mumbai.

Mr. Ashish, you may ask your question now.

Ashish- IDFC – Mumbai

Good Afternoon to all. Heartiest congratulations on the brilliant set of numbers that you have brought out. I have a couple of questions. One is on the capex, if I have not heard it wrongly, 10,000 BTS is what we are planning to put up this year. Until now we have put up 10,000 BTS. If that is the target, 10,000 BTS, then the \$900 million or a billion dollar of capex that we are looking at, are we in sync in those two numbers. The second one is on the tax front. If I look at the tax, which is for the FY '05 vis-à-vis FY '04, we have about Rs. 200 crore impact on the taxation front. Going forward, I understand that as and when you get in to more profitability, there will be higher taxation, which would keep on accruing or happening on the profitability. What would be the profit margins or the tax rates going forward that the company would have to bear? It will also be coming out of the ATIA benefits and all, that was on the taxation front. The third one is on the long distance operations, sir. If, as and when going forward, the other cellular operators who are demanding for the carriage of the long distance calls to be allowed by the cellular operators in the inter circles, the impact of the same on our long distance operations?

Sunil Bharti Mittal – Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Well, let me take the two points, one was on the capex and one was on the long distances. On the capex front, we are planning for nearly 10,000 base stations, and these have been factored into account when we talk about \$900 million to a billion dollars of capex. Clearly, we are getting very good deals with our vendors, and this allows us to get the full benefit of lowered capex going forward. This has been assumed that there is no mismatch because you should see this as an enhanced buying power of Bharti and therefore resulting in better capex rate going forward. So, it is not that we are estimating any difference in terms of a match between our spends and the wastage. We did fully cater for. On the issue of long distance, currently we carry about one-third of traffic from other operators and there has been some demand of some smaller operators to do inter-circle connectivity. The issue is not only about license, the issue is way beyond that because people like Hutchinson and all can certainly go and pay Rs. 100 crores to be a long distance player, the issue is of the network. Bharti has put up a 30,000 km fiber network across the country and so have

some other large operators. So, the issue is not only just an inter circle connectivity **per se**, but the issue really is where do you get the network, and as you are aware, we have sold in the past some of our networks to TATAs making handsome gains for the company. So, the situation is that should there be any desire by any other operator to go into inter circle connectivity, we will be more than pleased to discuss sale of raw or dark bandwidth.

Ashish- IDSC – Mumbai

OK, and on the tax front sir.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Yes, on the tax front, as you know the provision for tax consists of two items, one is the current tax which in our case currently is only the minimum alternate tax which is roughly 7.84% or so percent of the book profit. So that is the one tax which is the actual tax payable by us. The rest is the deferred tax which is a very intricate calculation which changes with the future depreciation rate, the future tax rates, and therefore while as far as the minimum alternate tax is concerned, it is fairly straightforward. As far as the deferred tax is concerned, it is very difficult to say what would be happening subsequently; it depends on a lot of factors.

Ashish- IDSC – Mumbai

Sir, how long the MAT window continues, in the sense that the moment you come out of MAT that is when you get into the 33.66% taxation.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

I think nothing to worry about that for the immediate future. For the next year, it should continue.

Ashish- IDSC – Mumbai

Okay.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Thanks.

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Chander Prakash from UTI Mutual, Mumbai.

Mr. Prakash, you may ask your question now.

Ajay Tyagi – UTI Mutual Funds - Mumbai

Yes. Hi, this is Ajay Tyagi from UTI. Congratulations on surprising the market on the positive side. I just have one question which is related to your EBITDA margins. You have shown a smart uptake in the margins which is of course reflective of the operating leverage that is there in the business. I just want to understand, you know, till what point can we expect this operating leverage to handsomely add to the operating side as in the operating margins, and a question related to that is that in your mature circles like Delhi, do you think that you have reached the stage where the operating margins are now stable and have entered in a saturated phase.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Well, I think as far as the EBITDA margin is concerned, at 39% overall margin, it is a fairly decent margin and you are right, it is not possible to keep on increasing this percentage very- very rapidly.

Ajay Tyagi – UTI Mutual Funds - Mumbai

Right.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

I think it depends on how we are able to take advantage of the operating efficiencies which we will be disclosing on a very transparent basis, but yes, I think sudden jumps in these operating margins is not something which would happen as a matter of course. As far as specific margins or specific circles are concerned, well as a policy we do not disclose information about any individual circle.

Ajay Tyagi – UTI Mutual Funds - Mumbai

Okay, thanks, all the best.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Thank you

Swati - Moderator

Thank you very much sir.

The next question comes from Mr. Sanjay Chawla from Kotak, Mumbai.

Mr. Chawla, you may ask your question now.

Sanjay Chawla – Kotak - Mumbai

Good Afternoon everybody. Congratulations on an excellent set of results. I just had two or three questions. Your G&A expenses have declined in absolute term on a quarter on quarter basis in absolute rupee term. Now apart from the Rs. 130 million reversal which happened in the long distance segment, what are the other contributing factors which have led to this decline. My second question is, I just wanted to get some feedback on the mobility side, what is Bharti's perception of the risks of migration in your prepaid subscribers who are using a higher prepaid refill to the lower price refill whenever that is introduced, and on the fixed-line side, I just wanted to ask if the Bombay launch is included in the 12 cities that you want to roll your network out by the end of first quarter of 2006.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

On the third one, yes Bombay would be included in that. The G&A expenses, nothing really significant which on an individual basis I will be able to point out. Yes, Rs. 130 million on account of that reversal of bad debts would be a significant one in that, and on the prepaid, while the Rs. 200 one is there, we do not expect a large scale migration downwards because the processing fee is high on that and it is only a Rs. 50 talk-time. So, we do not expect that anybody who was having a Rs. 150 talk-time will be able to manage within Rs. 50 talk-time on the outgoing, but it could be a very small percentage which would be immaterial.

Sanjay Chawla – Kotak - Mumbai

Do you really expect like all the operators to kind of come out with, you know, substitutable products in terms of the talk-time available within that Rs. 200.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

It normally happens like that in our industry.

Sanjay Chawla – Kotak - Mumbai

Okay, thank you very much.

Akhil Gupta– Bharti Tele-Ventures Limited- Joint Managing Director

Thank you.

Swati - Moderator

Thank you very much sir. At this moment, there are no further questions from participants. I would now hand over the floor back to Mr. Sunil Bharti Mittal for the final remarks.

Sunil Bharti Mittal – Bharti Tele-Ventures Limited - Chairman and Group Managing Director

Thank you, thank you very much for being with us on this call. This has been a very important quarter and even more important year for all of us at Bharti. We hope, we have been able to clarify most of your queries. We have issued out, and of course, you will find on the site all the financial details in the intricate manner, and if there will be any more questions, our IR department is always there to answer them.

Once again thank you very much for joining us on this wonderful quarter and a year that has passed by.

Swati - Moderator

Ladies and gentlemen, this concludes the earnings call, you may now disconnect your lines.

Thank you for connecting to Audio Conference Service from Airtel and have a nice evening.

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