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for a better future.**

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Our Vision

By 2010 Airtel will be the most admired brand in India:

- loved by more customers
- targeted by top talent
- benchmarked by more businesses

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Introduction



Innovation...it's what separates leaders from followers...Bharti Airtel from competition. Innovation that sets industry standards, raises the service bar, creates new paradigms, simplifies customers' lives and sets them free...free to express themselves.

From the very beginning of our existence, Bharti Airtel has been the leader of change in India's dynamic telecommunication space. This would not have been possible without a passion for innovation. Our products, services, processes - all are guided by a desire to do things differently and better, as is evidenced by our customer Self Care and single billing platform. Our innovations aim at enriching every aspect of our customers' lives - to educate, entertain, inform, update and stimulate. State of the art services like Lifetime Prepaid, RC 200, Easy Music, Airtel Live Stock Ticker - to name just a few, have distinguished us from competition while ensuring a better and exciting future for our customers and for our country. Change is the only constant. One can either be part of it or lead it. We are committed to leading change through constant innovation.

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Chairman's message

Dear fellow shareholders,

I look back at 2005-2006 with a sense of pride and satisfaction. Our country indelibly established its presence on the global economic map. The Indian economy today is growing at a GDP of over 8%. There was an upswing in incomes, exploding consumer choice and spending driven by an emerging and fast growing middle class. The average Indian drove and participated in the growth and the world noticed. Telecommunications was one of the key drivers of the growth.

India has been amongst the world's fastest growing telecom markets. The sector attracted a record high Foreign Direct Investment (FDI) of US\$ 2.5 bn in 2005. The mobile industry grew from 52 mn subscribers, with a mobile penetration of approximately 5% in March 2005, to 90 mn in March 2006, reaching a mobile penetration of 8%, thus exhibiting a growth of 73%.

Mobile communication is touching and changing lives across all segments of the Indian community and you would be happy to note that your Company, Bharti Airtel, is playing an important role in making this happen. The positive regulatory changes, like reduction in license fee for long distance services and rationalization of ADC charges, coupled with declining costs of mobile phone handsets, lower denomination Recharge Coupons and Bharti Airtel pioneered innovations like Lifetime Validity schemes have provided for a rapid drop in barriers to using telecommunication services. These factors have translated in hyper-growth for the entire industry.

This has been your Company's first year as a true nationwide player. We are adding more than 1 mn customers every month and continue to be the

leading integrated private service provider in the telecommunications industry in terms of customers. Despite huge growth we continue to be a leaner, faster and a more competitive company, well positioned for further growth.

Building strong partnerships has long been our strength. Vodafone, the world's largest telecommunications company, invested US\$ 1.5 bn in Bharti Airtel. This was the single largest foreign investment in India and an excellent proof of the stature that your Company has attained in the international business community. The strategy to outsource non-core activities by partnering with world-class entities has also begun to yield results in terms of quality and cost.

Your Company's new vision "To be the most admired brand in India by 2010; loved by more customers, targeted by top talent and benchmarked by more businesses", aims to further the leadership position and enhance customer delight. "Think Fresh, Deliver More", our new brand essence, highlights the commitment to customer delight. We firmly believe that focus on the customer would be the sole differentiating factor in the race for leadership.

It is your Company's belief that an integrated approach will lead to greater synergy and efficiencies and build a business with a truly national character. One of the pillars to support the vision was the putting in place of an integrated organization structure, world class systems and staffing it with the 'best in class' leadership team under "One Airtel". This integrated approach across product, function and customer verticals will allow us to better address our customers' needs for bundled service offerings and provide a single interface for customer care and billing.

Innovation is the hallmark of a leader. Your Company has pioneered the world's largest mobile retail initiative, Easy Charge II, which provides retailers the opportunity to up-sell ringtones to customers. It was simultaneously made available in 100,000 retail outlets across India with a choice of 18,000 songs in over 20 languages. We were also at the forefront of the revolution in interactive TV. Our partnerships with KBC II and Indian Idol, allowing viewers to participate via their mobile phones, were highly successful. These innovative services clearly prove that convergence is no longer a concept but a real-life experience.

It is my pleasure to report your Company's robust performance for the year ended March 31, 2006 in the face of an extremely competitive environment. We closed the year with a consolidated customer base of over 20 mn, a growth of 77% from a year ago, generated gross revenues of Rs.117.3 bn, thereby crossing the Rs.100 bn mark representing a healthy annual growth of 44%. Our EBITDA has grown to Rs.42.3 bn, an annual growth of 38% and PAT of Rs.20.3 bn, an annual growth of 67%.

Your Company is strongly committed to being a responsible corporate citizen. Providing a platform to leverage the potential of the citizens of tomorrow and concern for the environment are our top priorities. Bharti Foundation is committed to setting up educational institutions across the country and currently reaches out to more than 75,000 underprivileged children, a number that is set to increase many-fold in the near future.

Further, Shri Manmohan Singh, the honorable Prime Minister, inaugurated the Bharti School for Telecommunication Technology and Management, established in conjunction with the Indian Institute of Technology (IIT), Delhi. The quality of the school's programs will ensure a steady supply of young telecom leaders who will make significant contributions to a better future. We have also embarked on a 'Green Shelter' campaign to house the telecom equipment at our cell sites. These cell sites are more ecologically friendly as they reduce the need for air-conditioning and thus consume less electricity.

Your Company has had tremendous success over the years and given the abounding opportunities and a growing economy, is well positioned to scale greater heights. The accomplishments are a result of the dedication and commitment of our employees, partners, customers and suppliers. Our people are inspired by what lies ahead, the future is full of opportunities and we are striving hard to take advantage of these opportunities to reach the goal of becoming the world's most admired telecommunications company.

Best Regards,



Sunil Bharti Mittal
Chairman and Managing Director

About the Company

Bharti Airtel Limited ("Bharti Airtel" or "the Company") is a leading Indian telecom services provider, with 20,925,948 million customers as on March 31, 2006.

The Company has three strategic business units:

- Mobile Services
- Broadband & Telephone Services
- Enterprise Services

MOBILE SERVICES

This business unit constitutes the largest portion of our business, both in terms of total customers and total revenues. Bharti Airtel offers mobile services in all 23 telecom circles of India and is, therefore, the first private mobile services operator to have an all-India presence.

Bharti Airtel's mobile customer base accounts for a 21.8% share of the overall wireless (GSM + CDMA) market as on March 31, 2006. The Company has a presence in 3,778 census towns and in 80,687 non-census towns and villages, covering an addressable population of 40% of the total population.

BROADBAND & TELEPHONE SERVICES (B&TS)

Bharti Airtel provides broadband (DSL) and telephone services in 90 cities across India. As on March 31, 2006, we had 1,346,740 B&TS customers, of whom 315,729 (~23.4%) were also subscribing to DSL services.

ENTERPRISE SERVICES

The Enterprise Services business unit has two sub-units:

- Carriers (long distance services)
- Corporates

Enterprise Services - Carriers

Bharti Airtel complements its mobile, broadband and telephone services with national and international long distance services. The Company has over 32,900 route kilometers of fibre on its national long distance network. For international connectivity to the East, it has a

submarine cable landing station at Chennai, which connects the submarine cable (owned by an associate Company) that provides a direct link from Chennai to Singapore. For international connectivity to the West, Bharti Airtel is, jointly with 15 other global telecom operators, a founding member of the South East Asia-Middle East-Western Europe-4 (SEA-ME-WE-4) consortium, that has commissioned the fourth generation cable system. SEA-ME-WE-4 supports telephony, Internet, multimedia and various other broadband and data services.

Enterprise Services - Corporates

This business unit provides secure, scalable, seamless, reliable and customized integrated voice and data communications solutions to corporate customers and to small and medium size enterprises through a single window and dedicated relationship management.

Growth

The Company has grown from being a single-circle mobile services entity in 1995, to one of the largest integrated private telecom players with an all-India mobile footprint, through a combination of organic and inorganic growth. The strong and sustained growth demonstrated over the years is testimony to the Company's commitment to being a customer focused, long-term telecom player.

Bharti Airtel continues to capitalize on the growth opportunities in the Indian telecommunications sector to achieve its vision:

To be the most admired brand in India by 2010:

- Loved by more customers
- Targeted by top talent
- Benchmarked by more businesses

Company history

The Company has an eventful history. Each year of its existence was marked by a number of major events that have helped shape the Company as we know it today.

1995-1996 †

- launches mobile services brand Airtel in Delhi and Himachal Pradesh
- British Telecom Plc (BT) acquires a stake in the Company

1997-1998 †

- becomes the first private telecom operator to obtain a license to provide basic telephone services in the state of Madhya Pradesh
- forms Bharti BT VSAT Ltd., focused on providing VSAT solutions across India and Bharti BT Internet Ltd.

1999-2000 †

- acquires JT mobiles, cellular services operator in Punjab, Karnataka and Andhra Pradesh and becomes the largest private sector telecom operator in India
- expands its South Indian footprint by acquiring Skycell, Chennai
- Singapore Telecommunications Ltd (SingTel) acquires Telecom Italia's equity stake in the Company

2001-2002 †

- launches India's first private sector national and international long distance service
- becomes the largest cellular operator in the country by entry in the East at Kolkata through acquisition and obtaining licenses for 8 new circles
- incorporates India's first private submarine cable landing station in a joint venture with SingTel

- Punjab cellular license restored by Department of Telecommunications (DoT)
- Initial Public Offering (IPO) through India's first 100% book-building issue
- becomes the first private operator to offer basic telephone services in Haryana, Delhi, Tamil Nadu and Karnataka
- introduces the new Airtel brand campaign, featuring the signature A.R. Rahman melody, that has meanwhile set a world record with over 4 million single ringtone downloads
- acquires BT's equity interest in the Company's cellular operations

2003-2004 †

- joins the US\$ 1bn revenue club
- enters into historic strategic partnerships with IBM and Ericsson for the outsourcing of the Company's core IT and network activities
- launches BlackBerry® wireless solution in India, as a result of an exclusive tie-up with Research In Motion (RIM)
- acquires a controlling stake in Hexacom, the leading mobile operator in Rajasthan
- becomes part of the owners' consortium of SEA-ME-WE-4, a 20,000 km next generation cable system connecting India with South East Asia, the Middle East and Europe
- is the first private operator to launch mobile services in Jammu & Kashmir
- becomes a founding member of the Bridge Mobile Alliance, a consortium of seven leading mobile operators in the region

2005-2006 †

- acquires an all-India footprint with the launch of mobile services in Assam
- Vodafone, the world's largest mobile service provider, acquires 10% economic interest in the Company
- becomes India's largest integrated private operator based on the total customer base

† The years shown above represent two full calendar years.