



**Together good
things happen...**

Bharti Airtel Annual Report 2009-10



Airtel centre

The Airtel Centre – Inaugurated on November 13, 2009

Centre of excellence that houses more than 3,000 employees, 13 offices and spread over 600,000 sq.ft.



Table of contents

1 Corporate information	2
2 Corporate history and Top 30 shareholders	3
3 Performance at a glance	4
4 Awards & honours	5
5 Chairman's message	6
6 Board of directors	8
7 CEO (International) & JMD's message	12
8 CEO (India & South Asia)'s message	14
9 Together good things happen	18
10 Corporate social responsibility	24
11 Directors' report	32
12 Management discussion & analysis	40
13 Report on corporate governance	46
14 Secretarial audit report	63
15 Standalone financial statements with Auditors' report	64
16 Consolidated financial statements with Auditors' report	115
17 Notice of annual general meeting	159

Corporate information

Board of directors

Sunil Bharti Mittal

Chairman and Managing Director

Manoj Kohli

CEO (International) & Joint Managing Director

Non-executive directors

Ajay Lal

Akhil Gupta

Arun Bharat Ram

Chua Sock Koong

Craig Edward Ehrlich

Lim Chuan Poh

N. Kumar

Nikesh Arora

Pulak Chandan Prasad

Rajan Bharti Mittal

Rakesh Bharti Mittal

Tan Yong Choo

CEO (India & South Asia)

Sanjay Kapoor

Group General Counsel & Company Secretary

Vijaya Sampath

Statutory Auditors

S.R. Batliboi & Associates,

Chartered Accountants

Auditors – US GAAP

Ernst & Young

Internal Auditors

PricewaterhouseCoopers Private Limited

Registered & Corporate Office

Bharti Airtel Limited,

Bharti Crescent,

1, Nelson Mandela Road,

Vasant Kunj, Phase – II,

New Delhi – 110 070,

India

Website

<http://www.airtel.in>



Corporate history and Top 30 shareholders

Corporate history

- 1995-2000**
- Mobile services under the brand name 'Airtel' launched for the first time in Delhi and Himachal Pradesh
 - British Telecom Plc (BT) acquired stake in the Company
 - India's largest private sector telecom operator post acquisitions of JT mobile and Skycell
 - Singapore Telecommunications (SingTel) acquired Telecom Italia's stake in the Company
- 2001-2005**
- Initial Public Offering (IPO) through India's first 100% book-building issue
 - India's first private sector national and international long distance service
 - India's first private operator to offer basic telephone services in Haryana, Delhi, Tamil Nadu & Karnataka
 - Joined the USD 1 bn revenue club
 - Strategic partnerships with IBM and Ericsson for outsourcing of the Company's core IT and network activities
 - Vodafone acquired 10% economic interest in the Company
 - India's largest integrated private operator with Pan India footprint in mobile services
- 2006-2010**
- Launched mobile services in Sri Lanka and crossed 1 mn customers mark within six months of operations
 - Received USD 1.275 bn funding in Bharti Infratel from leading institutional investors
 - Launched DTH services, followed it with the launch of Triple Play services
 - Crossed 100 mn customers mark
 - Became 3rd largest single country mobile services operator and 6th largest in-country integrated telecom operator in the world
 - Launched the 'Global Wholesale Service Portfolio' with a reach to 50 countries across the continents of Europe, North America, Africa, Asia and Australia
 - Started telecom operations in Bangladesh with the acquisition of 70% stake in Warid Telecom, Bangladesh
 - Entered into definitive agreements with the Zain Group to acquire Zain Africa B.V.
 - Launched digital media & teleport businesses for media customers

Top 30 shareholders

	Holders*	%		Holders*	%
1	Bharti Telecom Limited	45.44	16	CLSA (Mauritius) Limited	0.57
2	Pastel Limited	15.57	17	Bajaj Allianz Life Insurance Company Ltd	0.51
3	Indian Continent Investment Limited	6.82	18	Capital International	0.48
4	Life Insurance Corporation of India	4.77	19	Merrill Lynch	0.45
5	Europacific Growth Fund	0.91	20	Comgest Growth PLC	0.38
6	ICICI Prudential Life Insurance Company Ltd	0.87	21	Morgan Stanley	0.36
7	Skagen	0.84	22	HDFC Standard Life Insurance Company Ltd	0.35
8	The Royal Bank of Scotland	0.82	23	Norges Bank A/C Government Petroleum Fund	0.35
9	Aberdeen	0.79	24	SBI Mutual Fund	0.31
10	Emerging Markets	0.76	25	HDFC Mutual Fund	0.31
11	Comgest SA S/C	0.75	26	PCA India	0.29
12	ICICI Prudential	0.70	27	Credit Suisse (Singapore) Limited	0.26
13	HSBC Global Investment Funds	0.70	28	Reliance Life Insurance Company Limited	0.26
14	J.P.Morgan	0.68	29	First State Investments	0.24
15	Franklin Templeton	0.67	30	Reliance Capital Mutual Fund	0.22
				Total	86.43

* Data as on April 23, 2010

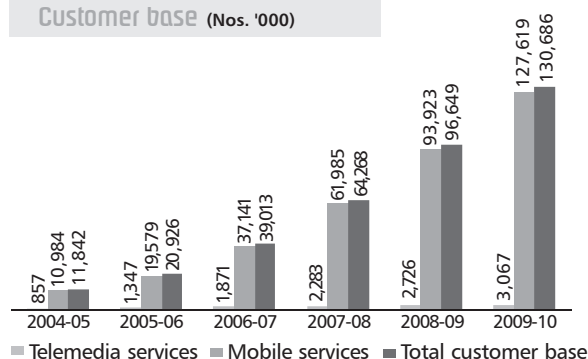
Performance at a glance

I GAAP consolidated figures

Particulars	Units	Financial Year Ended March 31,					
		2005	2006	2007	2008	2009	2010
Total customer base	000's	11,842	20,926	39,013	64,268	96,649	130,686
Mobile services	000's	10,984	19,579	37,141	61,985	93,923	127,619
Telemedia services	000's	857	1,347	1,871	2,283	2,726	3,067
Based on statement of operations							
Revenue	Rs mn	81,558	116,641	184,202	270,122	373,521	418,295
EBITDA	Rs mn	30,658	41,636	74,407	114,018	152,858	168,473
Cash profit from operations	Rs mn	28,219	40,006	73,037	111,535	135,769	174,728
Earnings before tax	Rs mn	15,832	23,455	46,784	73,115	85,910	108,954
Profit after tax	Rs mn	12,116	20,279	40,621	63,954	78,590	91,631
Based on balance sheet							
Stockholders' equity	Rs mn	53,200	73,624	114,884	217,244	291,279	398,789
Net debt	Rs mn	41,171	41,738	42,867	40,886	84,022	25,474
Capital employed	Rs mn	94,371	115,362	157,750	258,130	375,301	424,264
Key ratios							
EBITDA margin	%	37.59	35.70	40.39	42.21	40.92	40.28
Net profit margin	%	14.86	17.39	22.05	23.68	21.04	21.91
Return on stockholders' equity	%	23.68	31.98	43.10	38.51	30.91	26.56
Return on capital employed	%	15.67	21.48	31.57	33.29	30.69	21.66
Net debt to EBITDA	Times	1.34	1.00	0.58	0.36	0.55	0.15
Interest coverage ratio	Times	9.65	17.45	26.47	29.51	30.38	26.46
Book value per equity share *	Rs	14.35	19.44	30.30	57.23	76.72	105.01
Net debt to stockholders' equity	Times	0.77	0.57	0.37	0.19	0.29	0.06
Earnings per share (basic) *	Rs	3.26	5.39	10.72	17.12	20.70	24.13

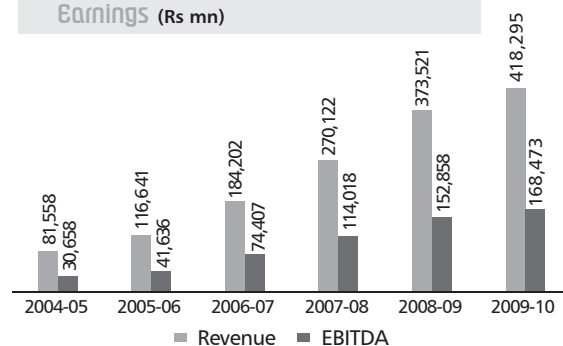
*During the financial year 2009-10, the Company has sub-divided (share split) its 1 equity share of Rs 10 each into 2 equity shares of Rs 5 each. Thus, previous year's figures have been restated accordingly

Customer base (Nos. '000)



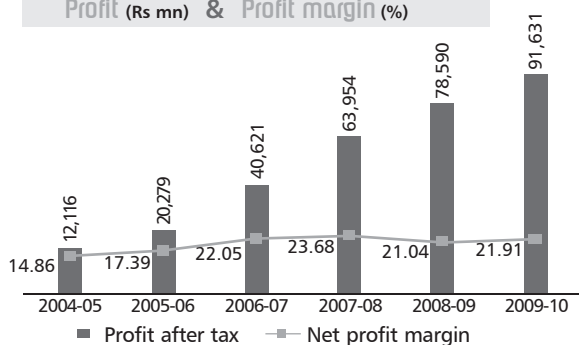
■ Telemedia services ■ Mobile services ■ Total customer base

Earnings (Rs mn)



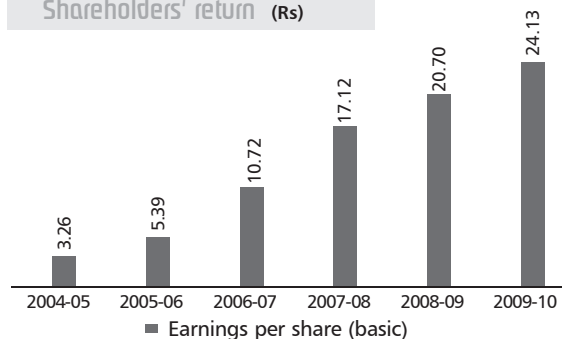
■ Revenue ■ EBITDA

Profit (Rs mn) & Profit margin (%)



■ Profit after tax ■ Net profit margin

Shareholders' return (Rs)



■ Earnings per share (basic)

Awards & honours

With a belief that there is more to learn and achieve, Bharti Airtel endeavours to enhance its offerings to diverse pool of stakeholders; customers, employees, partners, community, investors and all. Awards and recognitions prove second to none, when it comes to motivate Bharti Airtel as an organisation.

Bharti Airtel received several awards and recognitions during the year. Some of them were:

- Rated as the 'Strongest Brand' in the Economic Times- Brand Finance 'Brand Power Rating'. Airtel was the only corporate brand to be awarded the AAA rating. It improved its rating from the previous AA+. Airtel was also rated as the 7th Most Valuable Brand in India with a brand value of USD 2.5 bn and Bharti Airtel was the only telecom player to feature amongst the top 10 most valuable brands
- Featured in Forbes Asia's "Fabulous 50" companies of Asia Pacific. The coveted list includes Asia Pacific's biggest listed companies with revenues or market capitalisation of at least USD 3 bn and picked by Forbes's editors on the basis of the best aggregate scores for long-term profitability, sales and earnings growth as well as projected earnings and stock-price gains
- Recognised as the 'Best Global Wholesale Carrier for 2009' at the Telecoms World Awards Middle East. Telecoms World is one of the flagship annual awards by Terrapin, one of the leading business media organisations for international telecom carriers and service providers
- Rated as India's 'Best Enterprise Connectivity Provider for 2009' at the Annual Users' Choice Awards instituted by PC Quest. This recognition came based on an IDC survey spread over top eight Indian cities across four zones
- Bharti Airtel's low cost computing device Airtel Net PC was recognised by Hindustan Times as one of the 'Top 9 Best Tech Products of 2009'
- Awarded the 'Most Preferred Cellular Service Provider Award' at the CNBC Awaaz Consumer Awards 2009
- Awarded the 'NDTV Profit Business Leadership Award 2009' in the telecom sector. Instituted to award organisational excellence, these awards promise to acknowledge the best, the brightest and the most dynamic of Indian organisations that have emerged leaders in their respective verticals
- Bagged top honours in the Voice & Data 100 survey, winning five of the Voice & Data Telecom Awards 2009. Bharti Airtel was named the 'Top Telecom Services Provider of the Year 2009'. Manoj Kohli, CEO & Joint Managing Director was named the 'Voice & Data Telecom Person of the Year 2009'. The awards also named Bharti Airtel as the 'Top VSAT Player 2009', 'Top NLD Player 2009' and 'Top Cellular Services Provider 2009'
- Bharti Airtel has recently won multiple recognitions in the field of Information Technology including Spamhaus Group 'Whitehat Network Star'; 'Security Strategist Award' and 'Intelligent Enterprise Award' at the Technology Senate 2009 and 'CIO Hall of Fame'
- Selected amongst the top 10 winners of the IDC Enterprise Innovation IT Awards 2009 across APAC region for the BSS Transformation Project which integrates 15 major applications and automates over 200 processes. These awards are presented to companies that demonstrate best practices, use IT in innovative ways to deliver competitive advantages to the organisation and enable growth
- Sunil Bharti Mittal, Chairman and Managing Director, was awarded the 'Global Economy Prize' by The Kiel Institute (Germany). The Global Economy Prize is awarded annually to an economist, a politician, and a businessperson who have made outstanding contribution in establishing a just and protective society based on individual initiative and responsibility
- Bharti Airtel was declared as the 'Service Provider of the Year' and 'Wireless Service Provider of the Year' by Frost & Sullivan Asia Pacific ICT Awards for its outstanding performance in the South Asian region



Dear Shareholders,

The past one year has been a truly momentous one for your Company. Not only have we excelled in reiterating our leadership in the domestic market but also embarked upon an exciting journey into the global telecom space. After fifteen years of successful operation and an impressive presence across the South Asian region, Bharti Airtel is truly on the cusp of a huge transformation, and ready to move to the next level.

As a conscious strategy, we have decided to focus on the emerging markets of Asia and Africa. We believe these markets will continue to be the growth engines of the telecom world.

With its billion plus population, vast natural resources and a tele-density of less than 30%, I firmly believe, Africa is going to be a market for the future and the next growth engine of the global economy. As a first step, we have successfully completed the acquisition of Zain Africa BV's operations in 15 countries having 42 mn customers for an enterprise value of USD 10.7 bn. In view of the tremendous future potential of these markets and Zain's leadership position therein, we consider this a game changing acquisition. This has catapulted us to the league of leading mobile operators in the world. With a total customer base of more than 185 mn, we are within striking distance to be among the top three operators in the world by 2015.

Chairman's message

Closer home, we have further strengthened our presence in the South Asian region. After our successful foray into Sri Lanka last year, we entered the Bangladesh market during the year by acquiring a majority stake in Warid Telecom. Brand Airtel has been well received in Sri Lanka, where the Company became the fastest growing telecom operator to cross one million customer mark within the first six months of operation. We will soon be launching the Airtel brand in Bangladesh and Africa.

In the Indian market, 2009-10 was an unusual year for telecom industry. Despite buoyant customer additions, revenues failed to show corresponding growth. Several new operators have entered the market. With 12-13 operators per circle, competition has reached a new peak. This is clearly an unviable situation and unlikely to continue for long and we expect some consolidation to happen in the industry. Despite the unfavourable competitive scenario, our consistent focus on rural penetration and affordability continued to deliver encouraging results in the domestic market.

With the completion of the auction for 3G and BWA spectrum, telecom services in India are ready to take a big leap forward. Amidst stiff competition, your Company has won 3G spectrum in 13 circles for a total consideration of Rs 12,295.46 cr. Though we would have loved to have a pan India 3G footprint, under the present circumstances we have done well to secure presence in key circles to drive our long-term growth plans. In the broadband wireless auction too we have secured a strategic presence across select circles to experiment with new technologies.

People and Partners will continue to play a central role in our future endeavours. Their role will be particularly critical in Africa. Key to our success there will lie in our ability to drive seamless knowledge and best practice sharing between Africa and South Asia. I am confident the Airtel Africa Leadership Team will be able to transport the successful business model to the new environment. We are also keen on replicating our phenomenally successful relationships with our partners in the new markets.

As a sincere corporate citizen, we strongly subscribe to the principle of inclusive growth and strive to impact lives around us in a positive way. Bharti Foundation continued to drive our social agenda of imparting quality education to underprivileged children in rural India purposefully through the year. Currently catering to approximately 30,000 students with 1,200 teachers in 236 schools across six states, we are on course to reach out to 100,000 students within a targeted timeframe. We have come across increasing participation from our employees in this mission by way of financial contributions and volunteering acts. I expect this spirit to bloom further during the coming years.

After extremely productive stints, Paul O'Sullivan, Quah Kung Yang, Bashir Currimjee and Mauro Sentinell have retired from the Bharti Airtel Board. I extend my sincere thanks to all of them for their valuable contributions during their tenure. I also welcome on board our new members Tan Yong Choo and Lim Chuan Poh. I am pleased to inform you that Manoj Kohli is now spearheading the International Business Group as CEO (International) & Joint Managing Director. Sanjay Kapoor has been elevated to the position of CEO (India & South Asia). I am confident that both Manoj and Sanjay will continue to drive our growth agenda with passion and commitment.

Your Company is taking a giant step forward to become a true global telecom powerhouse. It's a challenge of a different nature. But it is also an opportunity of a lifetime. We are eager to make the most of it. Like each one of you I too am looking forward to another exciting year ahead.



Sunil Bharti Mittal
Chairman and Managing Director

Board of directors



Sunil Bharti Mittal

Sunil Bharti Mittal, Chairman and Managing Director of Bharti Airtel is the Founder, Chairman and CEO of Bharti Enterprises. Sunil has been awarded the Padma Bhushan, one of India's highest civilian awards. He is a member of the Board of Trustees of the Carnegie Endowment for International Peace. Sunil is also on the Indian Prime Minister's Council on Trade & Industry and the Telecom board of International Telecommunication Union (ITU), a leading UN Agency. He was the President of the Confederation of Indian Industry in 2007-08 and was Co-chairman of the World Economic Forum in 2007 at Davos.

He is a member of several premier international bodies – Leadership Council of The Climate Group, Advisory Committee of NYSE Euronext Board of Directors, International Business Advisory Council for London as well as Rome.

An Honorary Fellow of the Institution of Electronics and Telecommunication Engineers, Sunil has been conferred with the degree of Doctor of Laws (Honoris Causa) by the University of Leeds, UK and the degree of Doctor of Science (Honoris Causa) by the GB Pant University.



Manoj Kohli

Manoj Kohli is the CEO (International) & Joint Managing Director of Bharti Airtel heading the newly formed International Business Group. Prior to joining Bharti, he worked with the Shriram Group (where he started his career in 1979), Allied Signal/Honeywell and Escotel in senior leadership positions. Manoj was the Chairman – Confederation of Indian Industry (CII) National Committee on Telecom & Broadband.

He was a member of the Board of GSM Association (GSMA) in 2008. He was the Chairman of the Cellular Operators Association of India (2001-02). Manoj is a member of the Academic Council of the Faculty of Management Studies (FMS) and Shri Ram College of Commerce, Delhi University. He is a Commerce and Law Graduate from Delhi University and holds an MBA degree from FMS. Manoj also attended the Executive Business Program at the Michigan Business School and the Advanced Management Program at the Wharton Business School. He was adjudged "Telecom Man of the Year" and "Telecom Person of the Year" by Media Transasia and Voice & Data respectively.



Ajay Lal

Ajay Lal is an independent director and a member of the Board Audit Committee of Bharti Airtel. He is a Senior Partner and Managing Director of AIF Capital and has over 20 years experience in private equity, project finance and corporate banking. Prior to joining AIF Capital in 1997, Ajay worked with AIG Investment Corporation and Bank of America respectively.

Ajay has represented AIF Capital on the boards of a number of large corporations across Asia and in this capacity enforces strict standards of corporate governance, as well as provides management teams with strategic guidance.

He is an Engineer from IIT Delhi and an AMP graduate from Harvard Business School. He also holds an MBA from IIM Calcutta.