



airtel

Bharti Airtel Limited Annual Report 2010-11

Board of directors



Sunil Bharti Mittal



Akhil Gupta



Chua Sock Koong



N. Kumar



Ajay Lal



Craig Ehrlich



Pulak Prasad



Rakesh Bharti Mittal



Tan Yong Choo



Evan Mervyn Davies



Rajan Bharti Mittal



Hui Weng Cheong



Nikesh Arora



Salim Ahmed Salim



Tsun-yan Hsieh



Manoj Kohli

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Corporate information

Board of directors

Mr. Sunil Bharti Mittal
Chairman & Managing Director

Mr. Manoj Kohli
CEO (International) & Joint Managing Director

Non-executive directors

Mr. Ajay Lal
Mr. Akhil Gupta
Ms. Chua Sock Koong
Mr. Craig Ehrlich
Lord Evan Mervyn Davies
Mr. Hui Weng Cheong
Mr. N. Kumar
Mr. Nikesh Arora
Mr. Pulak Prasad
Mr. Rajan Bharti Mittal
Mr. Rakesh Bharti Mittal
H.E. Dr. Salim Ahmed Salim
Ms. Tan Yong Choo
Mr. Tsun-yan Hsieh

CEO (India & South Asia)

Mr. Sanjay Kapoor

Group General Counsel & Company Secretary

Ms. Vijaya Sampath

Statutory Auditors

M/s. S. R. Batliboi & Associates,
Chartered Accountants

Internal Auditors

M/s. PricewaterhouseCoopers Private Limited
M/s. ANB Consulting Private Limited

Registered & Corporate Office

Bharti Airtel Limited,
Bharti Crescent,
1, Nelson Mandela Road,
Vasant Kunj, Phase – II,
New Delhi – 110 070,
India

Website

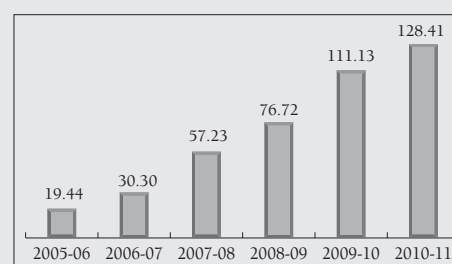
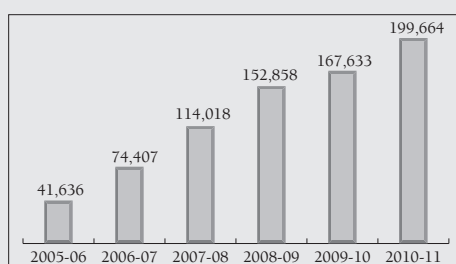
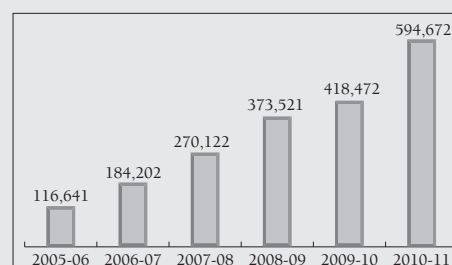
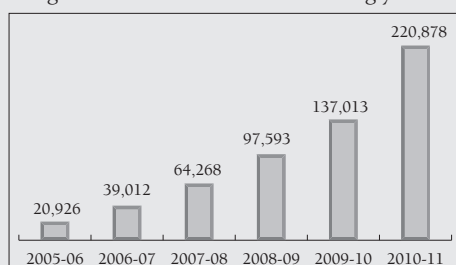
<http://www.airtel.com>

Performance at a glance

Particulars	Units	Financial Year Ended March 31,					
		2006	2007	2008	2009	2010	2011
Total customer base	000's	20,926	39,012	64,268	97,593	137,013	220,878
Mobile services	000's	19,579	37,141	61,985	94,462	131,349	211,919
Telemedia services	000's	1,347	1,871	2,283	2,726	3,067	3,296
Digital TV services	000's	-	-	-	405	2,597	5,663
Based on statement of operations							
Revenue	₹ Mn	116,641	184,202	270,122	373,521	418,472	594,672
EBITDA	₹ Mn	41,636	74,407	114,018	152,858	167,633	199,664
Cash profit from operations	₹ Mn	40,006	73,037	111,535	135,769	167,455	177,851
Earnings before taxation	₹ Mn	23,455	46,784	73,115	85,910	105,091	76,782
Profit after tax	₹ Mn	20,279	40,621	63,954	78,590	89,768	60,467
Based on balance sheet							
Stockholders' equity	₹ Mn	73,624	114,884	217,244	291,279	421,940	487,668
Net debt	₹ Mn	41,738	42,867	40,886	84,022	23,920	599,512
Capital employed	₹ Mn	115,362	157,750	258,130	375,301	445,860	1,087,180
Key ratios							
EBITDA margin	%	35.70	40.39	42.21	40.92	40.06	33.58
Net profit margin	%	17.39	22.05	23.68	21.04	21.45	10.17
Return on stockholders' equity	%	31.98	43.10	38.51	30.91	24.50	13.30
Return on capital employed	%	21.48	31.57	33.29	30.69	24.39	10.79
Net debt to EBITDA	Times	1.00	0.58	0.36	0.55	0.14	3.00
Interest coverage ratio	Times	17.45	26.47	29.51	30.38	30.56	11.14
Book value per equity share*	₹	19.44	30.30	57.23	76.72	111.13	128.41
Net debt to stockholders' equity	Times	0.57	0.37	0.19	0.29	0.06	1.23
Earnings per share (basic)*	₹	5.39	10.72	17.12	20.70	23.67	15.93

Financial information for years ending till March 31, 2009 is based on Indian GAAP and for years ending March 31, 2010 & 2011 is based on IFRS.

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



Chairman's message



The bigger challenge for the Company, however, is in building a unified global character embodying the highest standards of corporate governance that Airtel is so proud of. In the last ten months, we have initiated synchronised action on multiple fronts – people leadership, brand presence and the business eco-system.

Sunil Bharti Mittal

Dear Shareholders,

Last June, we turned a new chapter in the history of our Company, when we set foot in Africa, widely referred to as the 'last frontier of growth'. In one sweeping move, we extended our mobile network across 15 new countries in the continent. The move truly heralded the arrival of Bharti Airtel on the global telecom map. Although we already had a multi-country presence in South Asia, entry into Africa introduced a paradigm shift in how we looked at the world and how the world looked at us.

Our entry into Africa is perfectly aligned with the emerging global reality, where future growth is increasingly going to be rooted in emerging and developing economies. In fact, Africa and India are predicted to be the fastest growing regions in the global economy with average annual real GDP growth estimated at 7 percent and 8 percent, respectively, between 2010 and 2050.

Entry into Africa has changed our lives enormously. Our global expansion is anchored in our strategy of transplanting our successful business model and blending it with local needs. The challenge of operating in multiple socio-cultural, political and regulatory environments is obviously there. The bigger challenge for the Company, however, is in building a unified global character embodying the highest standards of corporate governance that Airtel is so proud of. In the last ten months, we have initiated synchronised action on multiple fronts – people leadership, brand presence and the business eco-system.

People continue to be a strategic driver of our business; more so after our extended global presence. It has always been our endeavour to promote local talent in overseas markets. We also try to complement them with selective induction of expat talent as part of our larger global talent management plan. As part of our cross-pollination strategy, a talent exchange programme is already underway between India and Africa.

In November, we launched our new brand identity the 'Wave' – across 19 markets. After one of the fastest global brand rollouts, the new youthful identity is today reaching out to a quarter of the world's population – capturing the imagination of different markets, cultures and customer preferences.

We have been fairly successful in replicating structures and processes and recreating our partner ecosystems across the 16 African markets despite the challenges of the new environment. We have entered into outsourcing deals with world-class partners, many of whom happen to be our partners in India and South Asia as well. Through our philosophy of symbiotic partnerships, we hope to bring to Africa new technology, new practices and new opportunities for growth. We truly believe that real prosperity is shared prosperity.

India will continue to be the leading market in our portfolio. Its inherent growth and our continued leadership will keep contributing substantially to our global stature in the years to come. Hyper competition in the market with 12-13 players, many of whom

happened to be new entrants, is clearly abating. Some semblance of sanity is being restored and consolidation is imminent. Tariffs have stabilised ensuring return of reasonable growth for us. Although a fair amount of regulatory uncertainty still pervades the air with regard to allocation and pricing of 2G spectrum, the principal stakeholders appear to be heading towards some sort of a consensus on key issues. It is our profound hope that the next round of policy making will ensure a sustainable growth path and a fair regulatory regime.

Introduction of 3G was a big event for Indian telecom during the year. Life for the Indian consumer is set to change substantially as the data revolution takes root. We intend to have a pan-India 3G footprint, in strategic collaboration with other operators, creating enriching customer experience.

We have also introduced some path-breaking initiatives in the area of mobile banking and commerce. Our partnership with State Bank of India has enormous potential both in terms of revenue and social inclusion.

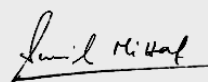
Being a responsible corporate citizen is something very dear to Airtel. Our flagship initiative, the Bharti Foundation's school education programme, grew from strength to strength during the year. The programme followed Airtel into Africa, where we adopted 19 schools in the 16 countries that we are present in. In India, the programme saw a year of consolidation. Over and above increasing the number of Satya Bharti schools to 242, reaching out to over 30,000 students, Bharti Foundation initiated upgradation of 50 primary schools to middle/elementary level during the coming years. Importantly, the Foundation's flagship programme found traction amongst benefactors, with organisations and eminent individuals coming forth to support this ambitious, yet much-needed, endeavour.

Preserving our planet for our future generation is something that Airtel is deeply committed to. This was the genesis of our pioneering and game-changing introduction of shared passive services almost a

decade ago. More recently, our group tower company, Bharti Infratel, pioneered a comprehensive energy management programme, the 'P7 Green Towers project'. In recognition of the leadership we continue to provide to our peers globally, Bharti Infratel received the 'Green Mobile Award' at the 2011 GSMA Annual Global Mobile Awards for the Best Green Product/Service or Performance category for this pioneering project.

The Board of directors is the cornerstone of Airtel. After a very successful association, Arun Bharat Ram and Lim Chuan Poh have retired from the Bharti Airtel Board. I extend my sincere thanks to both of them for their valuable counsel and guidance during their tenure. I also welcome on Board four new members – Hui Weng Cheong, Lord Evan Mervyn Davies, Dr. Salim Ahmed Salim and Tsun-yan Hsieh. Congratulations to both Manoj and Sanjay for their stellar contributions towards driving our growth agenda in Africa and South Asia, respectively. I am sure that they will continue to scale new heights in the days to come.

Overall, 2010-11 has been a year of consolidation for us in the new geographies. Back home in India, it has meant a reiteration of our market leadership. I have every reason to believe that the best is yet to come.



Sunil Bharti Mittal
Chairman & Managing Director

CEO (International) & JMD's message



“Better part of the last financial year was spent preparing the continental operation for the long journey ahead. With the early teething period over, Airtel Africa is clearly poised for the Big Leap.”

Manoj Kohli

Dear Shareholders,

Bharti Airtel made global telecom history on the 8th of June 2010 when it connected with Africa. The event did not just change the scale of our operations significantly but altered the contours of the global telecom space substantively. It transformed Bharti Airtel into a true global corporation making it the 5th largest telecom company in the world, covering over 1.8 billion people across South Asia and Africa. Subsequently, Telecom Seychelles, was also seamlessly integrated as part of the Africa operations making it our 16th Opco in the continent.

Africa presents an immense opportunity. In fact, the Economist has listed six African economies among the 10 fastest growing economies of the world during the last decade. Increasing investor confidence is also borne out by the rising trend in Foreign Direct Investment (FDI) into the continent. New FDI projects into Africa are forecast to reach \$150 Bn by 2015. GDP growth too is expected to average around 5% through 2015.

Prospects notwithstanding, Africa presents its own set of challenges as a market. The last year has given us a clear view of the challenges of doing business in Africa. Unlike India, which is one country with several states, in Africa we have 16 different countries – all with different legal, regulatory, financial, economic and social frameworks. Managing operations in such a scenario has been an

arduous task. Making it further complex are other challenges such as high operating costs, lack of infrastructure and low availability of certain resources. We are dealing with each of these challenges in a proactive manner with positive results.

We began our exciting journey in Africa in Kampala, Uganda with our first Leadership Meet, which set out the 2015 Vision for Airtel Africa – “By 2015 Airtel will be the most loved brand in the daily lives of African people”. This was followed by the 16 country trip of the leadership team across Africa, which was not only enriching but also extremely revealing. It was a fantastic opportunity to experience the socio-economic and market diversity from close quarters.

We entered Africa with a clear intent and strategy – to implant our successful Indian business model across 16 countries. Replication of business structures and processes and recreation of the partner ecosystems have so far been smooth and by and large on track despite the challenges of the new environment.

We have put in place partnership deals – first of its kind in Africa – with the world’s top global corporations including IBM, Ericsson, NSN, Huawei, Spanco, Avaya and Tech Mahindra. Consequent to the deals, our employees were presented with an opportunity to work for the top global corporations. We have successfully transitioned our IT employees to IBM across the 16 countries of operation. In addition, our employees have also transitioned to some of our other global partners in a seamless manner.

Brand Airtel made its formal entry into the African continent with its new global identity in November 2010. The new identity received a remarkably warm welcome from the African customers across different markets. Despite the challenge of multiple market environments the changeover to the new identity was remarkably swift. With this, 42 million customers in Africa started experiencing the power of the new global brand as part of the larger Airtel family.

On the marketing front, two of Africa's biggest passions – Music and Football have been a key focus area for us. We are driving and leveraging music with the one8 anthem, which brings together eight African music superstars with the American R & B superstar R Kelly. Similarly, Airtel's association with football is being driven by the theme commercial "Kabutu", its partnership with English Premier League leader Manchester United and launch of "airtel Rising Stars" programme for under 17 boys and girls in 15 countries. Both the initiatives have struck an instant chord with customers across the 16 markets.

Product innovation remains a key driver of our market penetration strategy in Africa. We have successfully launched attractive propositions such as 2Good in Nigeria, Magic number in all the OpCos, Loba Nayo in DRC, MNP in Kenya to just mention a few. Besides working as smart penetration tools, the initiatives have helped us to keep our existing consumers excited and glued to our networks.

As part of our innovative model we have also successfully set up the Tower Co, which will run as a separate business in our countries of operation and will be responsible for managing the end to end process and operations of our sites. This is another great opportunity, which will not only enable us roll out our network with great speed but also provide potential cost efficiencies arising from site sharing.

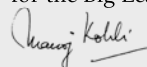
Looking forward to 2011-12, we shall of course be focusing on strengthening our business model across the 16 OpCos. We would

also be looking at leveraging the big opportunities that 3G, data, MNP and airtel money present to us. Exploited fully, they have the potential to make us truly unique to both our current and prospective customers in the market.

One year is perhaps not long enough to judge how well we have adapted to the new environs. But the recognitions that we received at the GSMA in Barcelona in February this year speak eloquently about it. Airtel Africa received two Global Mobile awards – "Best Mobile Money Product or solution" and "Best Customer Care & Customer Relationship Management (CRM)". Infact, Airtel Africa was the only mobile operator in the world to receive more than one award at this prestigious event. It's a clear testimony of the rising global stature of the group.

Any discussion about our journey in Africa would not be complete without a mention of the 'social connect' that we have managed to build during this short period. Alongside replication of the successful business model, Bharti Airtel has also managed to extend its Corporate Social Responsibility programme into the continent. Like in India, the programme is focused primarily on promotion of primary education in different countries we are present in. We have already adopted 19 primary schools in the continent. Not only building and other infrastructures of the schools been renovated and upgraded, the students too have been provided with uniforms and text books and teaching aids as recommended by the respective Ministries of Education in different countries. We intend to scale up the programme substantially over time.

Personally for me, making an instantaneous entry into 16 new markets was an experience of a lifetime – exhilarating and daunting at the same time. Better part of the last financial year was spent preparing the continental operation for the long journey ahead. With the early teething period over, Airtel Africa is clearly poised for the Big Leap.



Manoj Kohli

CEO (International) & Joint Managing Director

CEO (India & South Asia)'s message



Our new brand identity along with the new vision will help us to serve our customers in the best possible manner, living our brand values of being Alive, Inclusive and Respectful.

Sanjay Kapoor

Dear Shareholders,

“Year 2010-11 was truly a historic year in the journey of your Company, as we refreshed our Brand Identity in India, Sri Lanka and launched brand ‘airtel’ in Bangladesh and Africa; ascribed an inspiring Vision 2015 enlightening all our stakeholders about the next transformation of *enriching lives of millions*. While doing so, we cherished few of our many achievements of crossing USD 10 Bn revenues from India and South Asia, 150 Mn mobile and 5 Mn digital TV happy and satisfied customers”.

Our new brand identity represents the new face of emerging airtel, which is youthful, international, yet inclusive and dynamic. This branding exercise was perhaps, one of the largest of its kind, carried out in 19 countries representing nearly one fourth of the world population. In India alone over 4 lac signages across multi-brand mobile outlets, Airtel Relationship Centres, Service Centres, DTH outlets were installed simultaneously on the day of launch, a mammoth exercise indeed! The brand change has been very well embraced by all our stakeholders across geographies with an overwhelming response from the ever growing online population to our new airtel signature jingle.

Bidding adieu to Vision 2010, Airtel launched its New Vision ‘By 2015, Airtel will be the most loved brand, enriching the lives of millions’. Our new brand identity along with the new vision will help us to serve our customers in the best possible manner, living our brand values of being *Alive, Inclusive and Respectful*.

Fiscal 2010-11 was an eventful year for the Indian Telecom Industry. The country witnessed the maiden launch of 3G services, marking

the beginning of the next phase of India's telecom growth story and Mobile Number Portability (MNP); with some semblance of rationalisation in the competitive intensity visible through the decelerated drop in tariffs. While globally MNP has not been a *game changer*, I must mention that the launch of MNP has been a big win for all the mobile customers as it allows them to choose an operator of their choice on the basis of better products and services. We are well positioned to leverage this opportunity based on our wide network presence and robust customer service delivery mechanism.

In the 3G and BWA auctions closed last year, Airtel won 13 circles in 3G and 4 circles in BWA - with a right mix of Urban and Rural markets, complementing our strategy of focusing on markets with high revenue and high growth potential. We are committed to give a pan India 3G experience to our customer base in collaboration with leading telecom operators. **We firmly believe that ‘data’ would be the growth driver for India in the next decade as ‘voice’ was in the last.** While 3G will aid in ushering in the data revolution, where the first internet experience for masses will be through the mobile devices; 4G will add another dimension to data communication by further enriching the customer experience.

With the launch of 3G services and impending launch of BWA services, Value Added Services in India has reached an inflexion point. **Airtel App Central, launched in March 10 has now over 100,000 applications, making it the largest Operator - Driven App Store Globally.** We are witnessing a healthy growth in non-voice revenues evident with the growing share of non-voice in the total mobile revenues to nearly 15 percent as we exited last fiscal with