

{ enriching lives }



Bharti Airtel Limited - Annual Report 2011-12



# Table of contents

<u>Corporate information</u>	<u>2</u>
<u>Board of directors</u>	<u>3</u>
<u>Performance at a glance</u>	<u>4</u>
<u>Chairman's message</u>	<u>6</u>
<u>CEO (International) &amp; JMD's message</u>	<u>8</u>
<u>CEO (India &amp; South Asia)'s message</u>	<u>10</u>
<u>Corporate social responsibility</u>	<u>12</u>
<u>Directors' report</u>	<u>27</u>
<u>Management discussion &amp; analysis</u>	<u>43</u>
<u>Report on corporate governance</u>	<u>56</u>
<u>Secretarial audit report</u>	<u>79</u>
<u>Standalone financial statements with Auditors' report</u>	<u>81</u>
<u>Consolidated financial statements with Auditors' report</u>	<u>147</u>
<u>Circle offices</u>	<u>235</u>

## Corporate information

Board of directors	<b>Mr. Sunil Bharti Mittal</b> Chairman & Managing Director <b>Mr. Akhil Gupta</b> <b>Mr. Craig Ehrlich</b> <b>Mr. Hui Weng Cheong</b> <b>Mr. Nikesh Arora</b> <b>Mr. Rajan Bharti Mittal</b> <b>H.E. Dr. Salim Ahmed Salim</b> <b>Mr. Tsun-yan Hsieh</b>	<b>Mr. Ajay Lal</b> <b>Ms. Chua Sock Koong</b> <b>Lord Evan Mervyn Davies</b> <b>Mr. N. Kumar</b> <b>Mr. Pulak Prasad</b> <b>Mr. Rakesh Bharti Mittal</b> <b>Ms. Tan Yong Choo</b> <b>Mr. Manoj Kohli</b> CEO (International) & Joint Managing Director
CEO (India & South Asia)	<b>Mr. Sanjay Kapoor</b>	
Group General Counsel & Company Secretary	<b>Mr. Mukesh Bhavnani</b>	
Statutory Auditors	<b>M/s. S. R. Batliboi &amp; Associates</b> Chartered Accountants	
Internal Auditors	<b>M/s. PricewaterhouseCoopers Private Limited</b> <b>M/s. ANB Consulting Private Limited</b>	
Registered & Corporate Office	<b>Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase – II, New Delhi – 110 070, India</b>	
Website	<b><a href="http://www.airtel.in">http://www.airtel.in</a></b>	

## 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

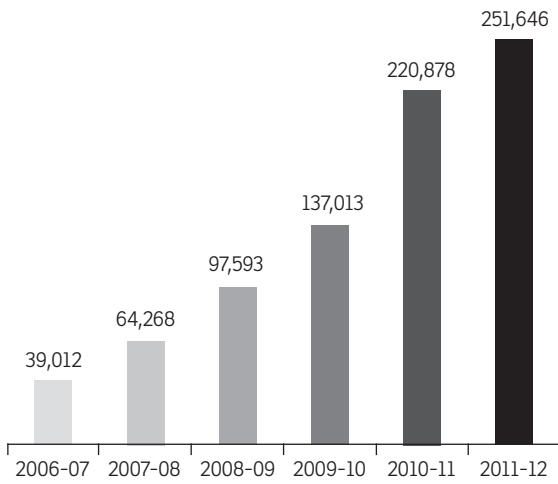
## Performance at a glance

Particulars	Units	Financial Year Ended March 31					
		2007	2008	2009	2010	2011	2012
Total customer base	000's	39,012	64,268	97,593	137,013	220,878	251,646
Mobile services	000's	37,141	61,985	94,462	131,349	211,919	241,148
Broadband & telephone services	000's	1,871	2,283	2,726	3,067	3,296	3,270
Digital TV services	000's	-	-	405	2,597	5,663	7,228
<b>Based on consolidated income statement</b>							
Revenue	₹ Mn	184,202	270,122	373,521	418,948	595,383	714,508
EBITDA	₹ Mn	74,407	114,018	152,858	168,149	200,718	237,123
Cash profit from operations	₹ Mn	73,037	111,535	135,769	167,971	178,905	198,939
Earnings before tax	₹ Mn	46,784	73,115	85,910	105,091	76,782	65,183
Profit after tax	₹ Mn	40,621	63,954	78,590	89,768	60,467	42,594
<b>Based on consolidated statement of financial position</b>							
Shareholder's equity	₹ Mn	114,884	217,244	291,279	421,940	487,668	506,113
Net debt	₹ Mn	42,867	40,886	84,022	23,920	599,512	650,394
Capital employed	₹ Mn	157,750	258,130	375,301	445,860	1,087,180	1,156,507
<b>Key ratios</b>							
EBITDA margin	%	40.39	42.21	40.92	40.14	33.71	33.19
Net profit margin	%	22.05	23.68	21.04	21.43	10.16	5.96
Return on shareholder's equity	%	43.10	38.51	30.91	24.52	13.30	8.57
Return on capital employed	%	31.57	33.29	30.69	20.65	10.79	7.20
Net debt to EBITDA	times	0.58	0.36	0.55	0.15	2.95	2.56
Interest coverage ratio	times	26.47	29.51	30.38	30.65	11.20	8.40
Book value per equity share *	₹	30.30	57.23	76.72	111.13	128.41	133.27
Net debt to shareholder's equity	times	0.37	0.19	0.29	0.06	1.23	1.29
Earnings per share (basic) *	₹	10.72	17.12	20.70	23.67	15.93	11.22

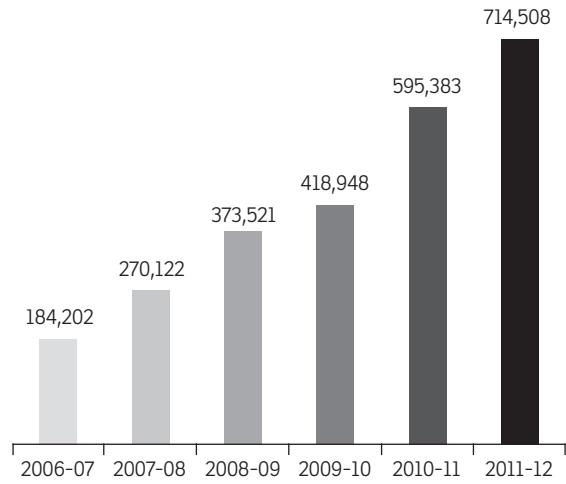
Financial information for years ending till March 31, 2009 is based on Indian GAAP and for years ending March 31, 2010, 2011 and 2012 is based on IFRS.

\*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. Previous year's figures have been restated accordingly.

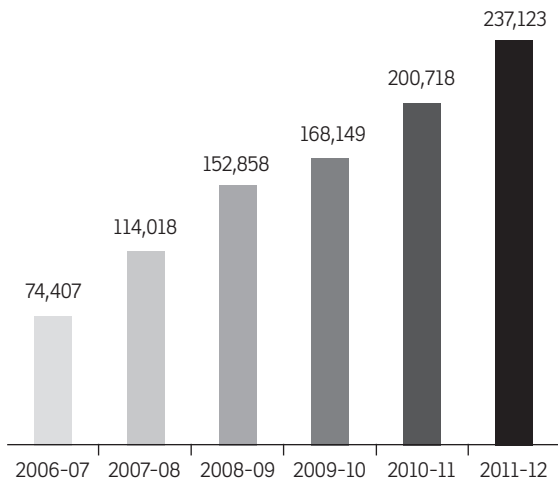
Customer base (Nos.'000)



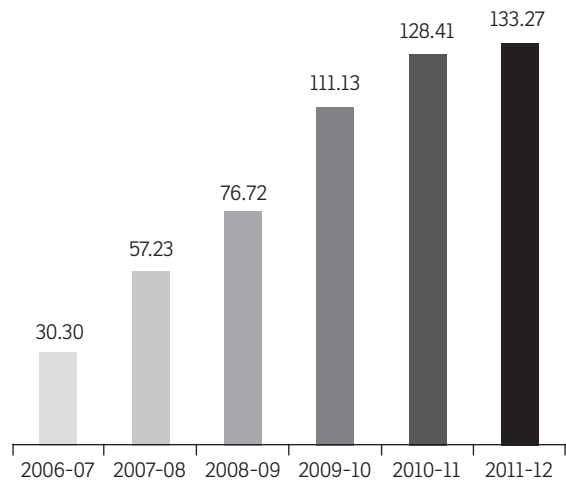
Revenues (₹ Millions)



EBITDA (₹ Millions)



Book value per equity share (₹)




## Message Chairman

Dear Shareholders,

2011-12 has been a challenging year for the global economy. Even as the US economy has registered a slow but steady recovery, the Euro Zone has plunged into one of the worst debt crises in global history. Commodity price volatility and sharp exchange rate fluctuations have also taken their toll on global growth.

At the industry level, telecom is in the midst of a tectonic shift. Data is clearly the future of mobile telecom and Airtel is gearing itself up for this. New generation mobile technologies with much faster data capabilities are steadily taking root, opening up mind-boggling possibilities in new service areas like healthcare, banking, commerce and education. Still at an early stage of this shift, as voice continues to be the mainstay of the telecom industry, Airtel has taken some defining early initiatives to reinforce our leadership in the emerging data centric environment, much the same way as we enabled the 'voice revolution' in India.

During the year, Bharti Airtel led from the front as we systematically rolled out our 3G network, across India, making Airtel the most robust network in the country. We also launched our 3G networks in seven African markets. Our launch of 4G services in April 2012 marked another watershed for the Indian telecom industry. This is the first technology platform that India has launched simultaneously with its global release, helping move the Indian telecom industry to a global standard.



At the industry level, telecom is in the midst of a tectonic shift. Data is clearly the future of mobile telecom and Airtel is gearing itself up for this.



Airtel Money was a distinctive service launch for us during the year in India and eight other African markets. Besides being the first of its kind, m-commerce service offered by an operator in India, it is also India's first mobile-based service to offer instant money transfer. The rapidly growing service is today available in 300+ key cities in India. The service is gaining rapid traction in the African market as well where penetration of banking services remains short.

The year also saw several significant changes in the regulatory landscape in India. These will have long term implications for the sector. Cancellation of several 2G licenses allotted to other telecom operators by the Hon'ble Supreme Court was one such significant event. The issue of pricing of 2G spectrum in India is however still hanging fire. We are hopeful that both the Regulator and the Government will finally come to a judicious auction-led pricing formula in the interest of the sector's financial health.

To align our businesses to the evolving dynamics of the marketplace in India & South Asia, we ushered in key structural changes in the organisation. We are now organized under two distinct verticals – B2C (Business to Customer) and B2B (Business to Business). The restructured business verticals are helping drive enhanced employee empowerment and business efficiency and helping strengthen the foundation for the needs of our most important stakeholder, our customer.

In Africa, the individual country operations stabilized considerably both in terms of customer addition rate, revenue growth and brand salience. Operating margins too strengthened significantly, as benefits of the low cost business model started to kick in. Overall, it has been a very steady, upwardly moving learning curve for us in the continent readying us for the next round of growth. Crossing the 50 million customer mark constituted a major milestone for us in the region during the year. Launch of mobile services in Rwanda was the other highpoint for us in the continent, marking the 20th country in our global footprint.

The past year witnessed Airtel reconnecting with its prime target audience – the youth – with a path breaking brand campaign in India – 'Har Friend Zaroori Hai'. The campaign had a universal appeal and resonated deeply among the target segment. The other major youth related theme that we developed across all our operations was that of sports. While we introduced Formula One in the Indian sub-continent, in Africa, we connected with youth through Airtel's Rising Stars programme for football enthusiasts. We are confident that these two properties will help augment the Airtel brand considerably.

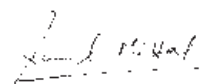
Relationships with business partners continue to be at the heart of our success. Setting up of a robust Global Delivery Model (GDM) and successful replication of partner ecosystems have contributed immensely to our success in Africa. In India too, we have renewed many of our managed network services contracts besides entering into relationships with new partners in emerging technology areas such as 3G and 4G.

People continue to be the most important driver of our strategic intent and initiatives. Our extended global presence makes it imperative to implement a global talent management plan that helps achieve a balance between promotion of local talent and expat induction. The 'Africa Leadership Initiative' is a step in this direction to complement our initiatives in India and South Asia to create a sustainable talent pipeline for our operations.

As a responsible corporate, we continue to stay focused on running our business in an environmentally sustainable and socially responsible manner. While we continued to find innovative ways to reduce our carbon footprint, our philanthropic arm, the Bharti Foundation focused its energies primarily on upgradation and consolidation of its operations in India. Of the 253 schools being run by the Foundation, we upgraded 62 to the Elementary level. The Foundation also added four more Senior Secondary Schools to its portfolio during the year, taking our student population to over 37,000 children across rural India. Airtel Africa continued to strengthen its primary school adoption programme. We currently have 20 schools adopted across the 17 markets in Africa and intend to take this count to 45 during the coming year.

Overall, 2011-12 turned out to be a year of stabilisation and growth in Africa, where the individual operations strengthened their market position vis-à-vis competition. In India, it was a year of reassertion of our connect with the customer and leadership through technology.

I would like to express my sincere gratitude to all our shareholders, partners and employees for their unwavering support during the year. As the Industry's regulatory landscape becomes clearer, I see an exciting journey ahead for Airtel – one of new approaches, new challenges, new opportunities and new horizons.



**Sunil Bharti Mittal**  
Chairman & Managing Director

## Message

# CEO (International) & JMD

Dear Shareholders,

By March 2012, we completed 21 months of Bharti Airtel's presence in Africa. While we face economic and business challenges, we continued to drive growth in our Brand preference, Revenue Market Share and superior margins.

The last financial year was a positive one for us despite major restructuring of Network, IT, Call Centre, Brand, Distribution as well as organization design. We recorded significant successes in our operations across Africa and successfully launched key initiatives such as Airtel Money, 3G network rollout, school adoption initiative and most importantly, launch of operations in Rwanda in a record time. The launch of operations in Rwanda thus expanded our footprint in Africa to 17 countries.

We also witnessed increased collaboration and team work across the OpCos, and this is evident in the way we are succeeding in the market place. The acquisition of our 50 millionth customer in Africa is testimony to this success. When we set out on our journey in June 2010 with 36



One of the key opportunities in Africa remains the low penetration levels in most of our countries of operation. We are fully exploiting this opportunity and driving deeper penetration through affordability based initiatives.