

Smart
Network.
Smarter
Experiences.



 **airtel**

Annual Report 2016-17

Board of Directors



Mr. Sunil Bharti Mittal
Chairman



Ms. Chua Sock Koong
Non-Executive Director



Sheikh Faisal Thani Al-Thani
Non-Executive Director



Mr. Ben Verwaayen
Independent Director



Mr. Rakesh Bharti Mittal
Non-Executive Director



Mr. V. K. Viswanathan
Independent Director



Mr. Craig Ehrlich
Independent Director



Mr. D. K. Mittal
Independent Director



Mr. Manish Kejriwal
Independent Director



Mr. Shishir Priyadarshi
Independent Director



Ms. Tan Yong Choo
Non-Executive Director



Mr. Gopal Vittal
MD & CEO (India & South Asia)



CHAIRMAN
MEMBER

Audit & Risk Management Committee
 HR & Nomination Committee
 Stakeholders' Relationship Committee
 Corporate Social Responsibility Committee
 Committee of Directors

Corporate Information

Board of Directors

Mr. Sunil Bharti Mittal
Chairman

Mr. Gopal Vittal
Managing Director & CEO (India & South Asia)

Non-Executive Directors

Mr. Ben Verwaayen
Ms. Chua Sock Koong
Mr. Craig Ehrlich
Mr. D.K. Mittal
Sheikh Faisal Thani Al-Thani
Mr. Manish Kejriwal
Mr. Rakesh Bharti Mittal
Mr. Shishir Priyadarshi
Ms. Tan Yong Choo
Mr. V.K. Viswanathan

Bharti Airtel International Netherlands B.V.

Mr. Raghunath Mandava
Managing Director & CEO (Africa)

Statutory Auditors

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

Internal Auditors

M/s. ANB & Co.
M/s. KPMG

Cost Auditors

M/s. R. J. Goel & Co.
Cost Accountants

Secretarial Auditors

M/s. Chandrasekaran Associates
Company Secretaries

Registered & Corporate Office

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

Website

www.airtel.com

Corporate Identification Number (CIN)

L74899DL1995PLC070609

Inside this Report

Corporate Overview

| | |
|-----------|---|
| 02 | Financial Highlights |
| 04 | Message from Chairman |
| 06 | Message from Managing Director & CEO (India & South Asia) |
| 07 | Message from Managing Director & CEO (Africa) |
| 08 | Corporate Social Responsibility & Sustainability |

Statutory Reports

| | |
|-----------|------------------------------------|
| 17 | Business Responsibility Report |
| 24 | Board's Report |
| 60 | Management Discussion and Analysis |
| 80 | Report on Corporate Governance |

Financial Statements

| | |
|------------|--|
| 101 | Standalone Financial Statements with Auditor's Report |
| 156 | Consolidated Financial Statements with Auditor's Report |
| 240 | Statement Pursuant to Section 129 of the Companies Act, 2013 |

Financial Highlights

| Operating Highlights | Units | Financial Year Ended March 31 | | | | |
|---|-------|-------------------------------|-----------|-----------|-----------|-----------|
| | | IFRS | | | Ind AS ** | |
| | | 2013 | 2014 | 2015 | 2016 | 2017 |
| Total Customer Base | 000's | 271,227 | 295,948 | 324,368 | 357,428 | 372,354 |
| Mobile Services | 000's | 259,844 | 283,580 | 310,884 | 342,040 | 355,673 |
| Homes Services* | 000's | 1,616 | 1,654 | 1,679 | 1,949 | 2,129 |
| Digital TV Services | 000's | 8,100 | 9,012 | 10,073 | 11,725 | 12,815 |
| Airtel Business* | 000's | 1,667 | 1,702 | 1,732 | 1,714 | 1,736 |
| Consolidated Financials (₹ Mn) | | | | | | |
| Total revenues | ₹ Mn | 769,045 | 857,461 | 920,394 | 965,321 | 954,683 |
| EBITDA (before exceptional items) | ₹ Mn | 233,340 | 278,430 | 314,517 | 341,682 | 356,206 |
| Cash Profit from Operations before Derivative and Exchange Fluctuation (before exceptional items) | ₹ Mn | 195,643 | 241,813 | 285,280 | 289,083 | 283,668 |
| Earnings Before Tax | ₹ Mn | 47,853 | 78,643 | 107,130 | 128,463 | 77,233 |
| Net Profit | ₹ Mn | 22,757 | 27,727 | 51,835 | 60,767 | 37,998 |
| Consolidated Financials (₹ Mn) | | | | | | |
| Shareholder's Equity | ₹ Mn | 503,217 | 597,560 | 619,564 | 667,693 | 674,563 |
| Net Debt | ₹ Mn | 583,567 | 605,416 | 668,417 | 835,106 | 913,999 |
| Capital Employed | ₹ Mn | 1,086,784 | 1,202,976 | 1,287,981 | 1,502,799 | 1,588,562 |
| Key Ratios | | | | | | |
| Capex Productivity | % | 69.12 | 72.91 | 77.40 | 69.89 | 65.34 |
| Opex Productivity | % | 45.43 | 45.20 | 43.79 | 42.90 | 41.87 |
| EBITDA Margin | % | 30.34 | 32.47 | 34.17 | 35.40 | 37.31 |
| EBIT Margin | % | 11.08 | 14.22 | 17.23 | 17.22 | 16.42 |
| Return on Shareholder's Equity | % | 4.51 | 5.04 | 8.52 | 9.44 | 5.66 |
| Return on Capital employed | % | 5.68 | 6.65 | 8.05 | 8.32 | 6.45 |
| Net Debt to EBITDA | Times | 2.51 | 2.19 | 2.08 | 2.46 | 2.66 |
| Interest Coverage ratio | Times | 6.79 | 7.58 | 8.43 | 7.06 | 5.20 |
| Book Value Per Equity Share | ₹ | 132.51 | 149.49 | 154.99 | 167.03 | 168.77 |
| Net Debt to Shareholders' Equity | Times | 1.16 | 1.01 | 1.08 | 1.25 | 1.35 |
| Earnings Per Share (Basic) | ₹ | 6.00 | 7.02 | 12.97 | 15.21 | 9.51 |
| Contribution to Exchequer (India) | | | | | | |
| Taxes, Duties, Fees and other Levies | ₹ Mn | 141,513 | 213,324 | 237,688 | 284,215 | 319,814 |

* Effective FY 2016-17, the Company has realigned the reporting of its Corporate fixed line voice and fixed line data business with Airtel Business and accordingly Telemedia Service renamed to Homes services. Hence, the customer base of 'Broadband and Telephone Services' is now represented as 'Homes' and 'Airtel Business'.

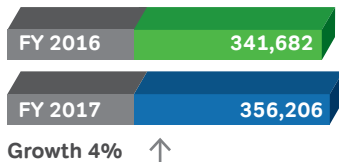
** With effect from April 01, 2016, the Company has applied Ind AS for the preparation of its financial statements. The transition is carried out from accounting principles generally accepted in India with the transition date being April 01, 2015.

All figures are based on Consolidated Financial Statements.

Growth Despite Challenges

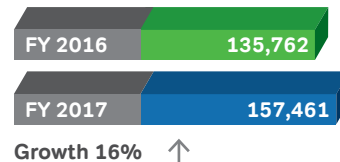
EBITDA Growth

₹ Mn



OFCF Growth (Operating Free Cash Flow)

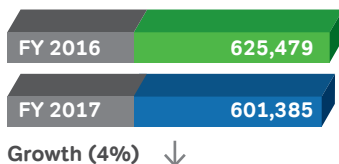
₹ Mn



Strip Out Waste

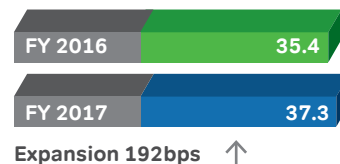
Reducing Costs

₹ Mn



EBITDA Margin

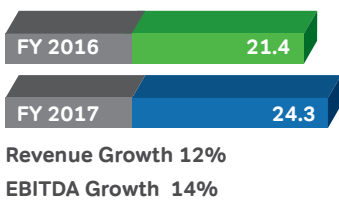
%



Accelerate Non-Mobile Businesses

Non-Wireless Revenue Share*

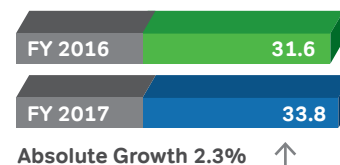
%



Strengthening Market Position

Increasing Revenue Market Share

%



Contributing to 56% incremental EBITDA between 2016-2017

*Non-Wireless includes DTH, Homes, Airtel Business and Tower Co; post eliminations

India and Africa churn under control.

Total customer base increased by 22.4 Mn in India.

Message from Chairman



“Telecommunications continued to be an exciting arena. Rapid rollout of 4G data networks, sharply increasing smartphone penetration and fast proliferating mobile applications enabled internet to enter customers’ everyday lives in newer ways. ”

Dear Shareholders,

The global economy regained some of the lost momentum during the year. While major economies benefitted from improving global demand, commodity exporting countries recovered on the back of a spike in commodity prices. Our Company experienced mixed outcomes in our key markets in Asia and Africa.

India, despite going through bold but disruptive demonetisation drive, experienced a reasonably good year with economy maintaining its growth momentum, outshining several of its emerging market peers. However, Africa continued to experience sluggishness in its growth rates, and adverse currency movements further aggravated the business performance across industry sectors.

Telecommunications continued to be an exciting arena. Rapid rollout of 4G data networks, sharply increasing smartphone penetration and fast proliferating mobile applications enabled internet to enter customers’ everyday lives in newer ways. The amazing pace of change was particularly visible in emerging markets like India that are currently in the middle of a giant leap towards 4G. This massive transformational change has catapulted customers’ mobile experience to a new high. The mobile phone has become the most powerful, empowering and transformational device. To be able to stay ahead of the curve during this fourth industrial revolution, your Company continues to digitise itself each day – its offerings, systems, processes, customer centricity.

India witnessed unprecedented market disruption following the entry of an extremely well-capitalised and aggressive new operator. Its prolonged free trial offers created massive pressure on industry revenues and margins.

180,000

Mobile sites rolled out in the past 2 years, this is one of the largest network rollouts globally

27,000+

Our flagship program in Africa, “Adopt-a-School” currently reaches out to over 27,000 children in 56 schools.

“The year witnessed considerable strengthening of our spectrum footprint both through buying at the latest round of auction and inorganic acquisitions.”

Airtel on its part navigated this extraordinary challenge with a well thought out strategic action plan and of course, sheer resilience. Amidst this massive industry shake-up, we managed to increase our revenue market share; to reach a lifetime high. Many small operators lost their bearings under the intense onslaught and consequently prepared to exit the market. The shake-up also triggered an industry wide consolidation process, which we believe could prove beneficial for the market in the long run.

The year witnessed considerable strengthening of our spectrum footprint both through buying at the latest round of auction and inorganic acquisitions. Besides completing the acquisition of spectrum from Videocon and Aircel in fourteen circles, we also entered into definitive agreements to acquire Telenor India and Tikona Digital Networks. With these acquisitions Airtel became the only operator in the country to have a robust pan India 2G/3G/4G spectrum footprint.

Our aggressive network transformation programme continued under 'Project Leap' during the year. With 180,000 mobile sites rolled out in the past 2 years, this is one of the largest network rollouts globally. Proactive rollouts during the year made Airtel the only operator in the country with 2G, 3G and 4G services in all 22 circles. With the launch of Airtel Payments Bank we became the first among the licensees to go live in the country. Early days of the bank are encouraging and with our deep distribution network, I expect the Bank to be a pre-eminent driver of financial inclusion and mobile banking in the country in the coming years.

Strategic consolidation of telecom assets remained an unmistakable underlying trend in emerging markets. While the transactions to divest tower assets in DRC and Niger and sale of Airtel's operations in Burkina Faso and Sierra Leone finally reached closure in Africa, we also completed the merger of Airtel Bangladesh with Robi-Axiata during the year. Additionally, we entered into an agreement to combine our operations in Ghana with Tigo to create the second largest operator in the market.

Operational turnaround in Africa gained further momentum during the year as Airtel Africa turned Profit before Tax (PBT) positive for the first time. Our strategic initiatives focused on distribution optimisation, network excellence and cost management resulted in resilient financial performance. As expected, Data continued to be a key driver of incremental growth in Africa.

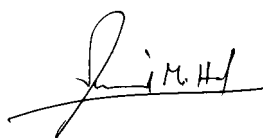
Our reputation in terms of adherence to the highest standard of corporate governance and transparency received wide acclaim during the

year when Transparency International ranked Bharti Airtel first in its list of 100 emerging market multinationals on corporate transparency and reporting.

Our philanthropic arm Bharti Foundation's Satya Bharti School Program completed 10-years of operation during which it has successfully expanded the ambit of its operation through multiple initiatives focused on education for rural underprivileged children. The Program is currently reaching out to nearly two lakh rural children across 12 states through these initiatives. Besides its core education programs, the Foundation also strengthened its other philanthropic initiatives during the year; Satya Bharti Abhiyan (rural sanitation), Nyaya Bharti (legal and financial aid for underprivileged under trials). We also witnessed significant expansion in Airtel Africa's philanthropic initiatives in the areas of school education, health, youth training and empowerment. Our flagship program in Africa, "Adopt-a-School" currently reaches out to over 27,000 children in 56 schools.

I am pleased to inform you that 2016-17 turned out to be a memorable year for me personally, as I entered into two major global roles - Chairman of International Chamber of Commerce (ICC) and Chairman of GSMA. While ICC headquartered in Paris, is one of the world's oldest and most respected business organisations promoting the cause of global business and trade at various global forums, GSMA headquartered in London is a strategic global organisation representing nearly 800 global mobile operators and more than 300 companies in the broader mobile ecosystem. It also organises Mobile World Congress in Barcelona, Shanghai and San Francisco.

Telecoms lie at the heart of today's increasingly digital society and economy. As new generation of technologies and application innovations take root and industry structure get reshaped under competitive pressure, operators will come across new operational challenges, and more importantly opportunities. With our robust spectrum portfolio, competitive position and management bandwidth, we are well placed to take advantage of this rapidly changing environment to strengthen our leadership position even further.



Sunil Bharti Mittal

Message from Managing Director & CEO (India and South Asia)

Dear Shareholders,

FY 2016-17 has been an eventful year. The entry of a new player in the industry triggered rapid consolidation. While the industry witnessed a de-growth in revenues, Airtel increased its market share across most circles. Airtel was also ranked as the 3rd Most Trusted Brand in India (#1 in Telecom) across industry sectors such as E-commerce, Online Services, FMCG and Financial Institutions. This success was made possible by rigorous execution of our strategy.

Go to Market excellence: We drove several new initiatives to drive market excellence this year. We launched instant mobile activations through e-KYC. We also rolled out a new retailer application - Mitra App which enables recharges and acquisitions through a single platform. With over 3.5 lac biometric devices, Airtel's acquisition and recharge platform has become one of the biggest digital transaction platforms in the country. In addition, recognising the need to grab higher share of 4G devices, we implemented solid innovations to build our share of 4G. Further in November 2016, we were the first to successfully launch Payments Bank – in line with the Government's vision of financial inclusion. We leveraged our strong distribution backbone to create a strong ecosystem of Customers, Banking Points and Merchants leading to creation of more than 1,000 cashless villages across the country.

Brilliant Network Experience: One of the most important foundations upon which we deliver services to our customers is our network. We continued network investments under 'Project Leap'. 180,000 mobile sites were rolled out in past 2 years, making it one of the largest network rollouts globally. We doubled our transmission capacity and increased mobile backhaul capacity by eight times. Overall we are proud to be the only company currently with 2G, 3G and 4G services in all 22 circles. In our effort to substantially improve the network experience, we continued our Open Network campaign and single-mindedly worked to eliminate customer frustration through the year.

Valuable Customers: We worked pro-actively on multiple fronts to gain valuable customers. We invested and upgraded more than 70% of our broadband customers to 40-100 mbps speeds through the new V-Fiber technology. We also made our postpaid proposition more attractive by widening our store footprint, family proposition and simplifying national and international roaming to prevent bill shocks. One of the most innovative actions we took towards the end of this year was to launch the new Airtel Internet TV (Powered by Android) - preloaded with Netflix, YouTube, Google Play Games, airtel Movies along with an inbuilt TV cast option.



War on Waste: We continued our emphasis on increasing productivity and reducing waste within our business. In the past three years, we had cost saving targets for ourselves and we have been able to meet them successfully. This is demonstrated by the fact that our Opex grew by only 4% this year versus 6.2% last year.

People: As an organisation we are highly committed to ensure growth and well-being of our people. Based on feedback from our annual people survey this year, we organised the first ever 'Airtel Careers Fair' to help employees take charge of their own careers and find a sustainable future within the Company.

As an organisation we continue to be committed to sustainable and inclusive growth. We have launched our fourth sustainability report this year, which encapsulates our initiatives on adoption of green technology aggressively. Bharti Foundation, with full support from our employees, has been doing remarkable work in engaging parents and the community to spread awareness of education and empowerment of Girl Child. These initiatives have made our corporate citizenship more meaningful.

As we look ahead, we expect an exciting but turbulent year – consolidation will continue and the new entrant will continue to disrupt the market. Internally, we view this as a once in a lifetime opportunity to grow market share. We strongly believe in exciting possibilities of our future driven by rapid digitisation and explosion of value-added adjacent services. We are determined to drive this change despite the competitive headwinds.

As we move ahead and embark into a new era of telecom in the country I would like to thank our customers, our people, our partners and our shareholders for their support and faith in us. We seek your continued guidance in our journey.

Gopal Vittal

Message from Managing Director & CEO (Africa)

Dear Shareholders,

FY 2016-17 turned out to be a reasonably good year for us in Africa despite significant environmental challenges. The year witnessed a gradual strengthening of our key operational metrics in different markets providing further momentum to our turnaround plan.

Our strategic considerations revolved around achieving distribution excellence, ensuring excellent overall network quality and enabling existing customers to garner more benefits from the networks. We also focused on optimising operations and developing our internal capabilities. Our initiatives have resulted in our operations delivering a positive PBT (Profit Before Tax) during the 2016-17 financial year (constant currency), for the first time ever.

During the course of the year, we have been diligent with respect to our attention towards Operational Excellence and Cost Management. Emphasis on running our operations efficiently and managing costs effectively have yielded results. Africa's underlying revenues grew by 4.4% in constant currency, with net revenues up 5%. Against the backdrop of revenue growth, the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the financial year 2016-17, saw a growth of 36% with margin expanding by 500+ basis points on an underlying basis (constant currency).

Some milestones over the period include:

- Completion of the sale of the Airtel operations in Burkina Faso and Sierra Leone to Orange with full regulatory approval.
- Divestment of telecom towers in the Democratic Republic of Congo (DRC) and Niger to Helios Towers Africa.
- Airtel and Millicom signed an agreement to combine their operations in Ghana through their respective subsidiaries, Airtel Ghana Limited and Tigo Ghana Limited. As per the agreement, Airtel and Millicom will have equal ownership and governance rights in the combined entity.

Our emphasis has been to simplify our product offerings and accelerate growth through an enhanced customer experience. Consequently, our subscriber base increased by 7.2% over the previous financial year, taking the total to 80.1 Mn. Our on-going focus on acquiring quality customers resulted in lowering customer churn as well.

Data is a powerful growth vehicle and a key focus area for us. Continuous upgradation in our networks along with aggressive data bundle have resulted in growing our data consumption by 95% and revenues by 23.5%.



We also redesigned our distribution infrastructure to facilitate better reach and growth of Airtel Money. The Airtel Money service has been augmented by introduction of Microloans and International Money transfer facilities in 6 countries.

We continued to position Airtel as "The Smart phone Network" in Africa through our pan African services. Airtel was rated amongst the top 10 most admired brands in Africa in 2016-17 by Brand Africa.

People remain our most important asset at Airtel Africa. We continued to focus on improving ways of working, strengthening our talent and leadership in the commercial function and further developing key functional competences. We further worked toward ensuring that the organisation structures in HQ and OpCos are aligned and geared for effective commercial execution. During the year we have also reiterated our commitment to give back to the wider community through our CSR interventions in different markets.

I would like to take this opportunity to sincerely thank all our valued stakeholders - customers, shareholders, government bodies, business partners and employees for their unstinted support during the year. We remain firmly committed to usher in the benefits of the global voice and data revolution to our customers across the 15 countries that we operate in within Africa.

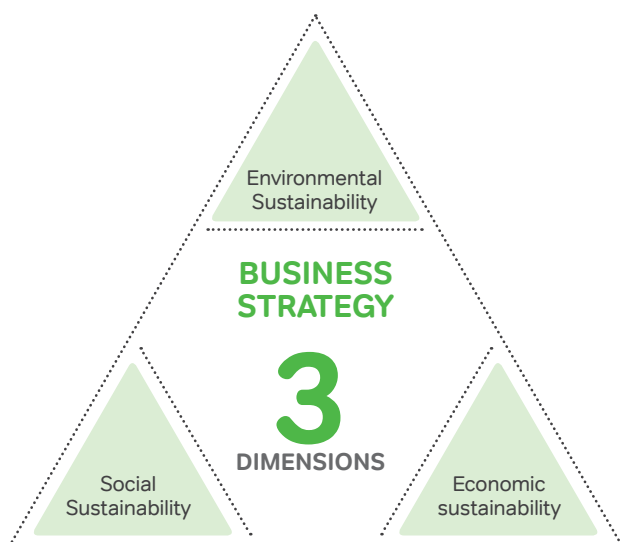
We are well positioned to continue our growth into 2017-18 in both subscriber addition and revenue, and will continue being guided by the strategic imperatives of distribution excellence, customer experience, network excellence, right cost model and the people development. I look forward to the upcoming fiscal year with great optimism and purpose.

Raghunath Mandava

Corporate Social Responsibility & Sustainability

At Bharti Airtel, we continue to be a leading global telecommunications company with operations in 17 countries and close to 2 Bn satisfied customers. Our transformational network transcends continents, geographic borders and cultures; and enables people to do more in a largely volatile, globalised and hyper-connected era.

Our worldwide business strategy focuses on responsible value creation, while balancing three dimensions:



a) Environmental sustainability:

Implementing projects and initiatives, which are aimed at reducing our environmental footprint and that of our customers, communities and partners, in addition to promoting more 'sustainable' livelihoods;

b) Social sustainability:

Empowering disadvantaged sections of society through innovative interventions in the realm of education, employment generation, sanitation, along with healthcare and disaster management;

c) Economic sustainability:

Creating long-term value for shareholders, investors, employees and the wider stakeholder fraternity;

India

A) Expansive Community Programmes

At Bharti Airtel, our objective is to assist the socio-economic progress of communities to help accelerate economic progress and social wellbeing. We under take

an integrated approach to the welfare of communities through our diverse initiatives in the realms of education, employment generation, sanitation, healthcare, disaster management and environment protection, among others. We believe that our need-based interventions sustainably empower people by opening up new possibilities for them and thus driving social transformation.

Bharti Foundation

As the philanthropic arm of Bharti Enterprises, Bharti Foundation was set up in 2000 with the vision "to help underprivileged children and young people of our country realise their potential". The Foundation offers access to quality education to the marginalised sections of society across rural India. The Foundation implements and supports programs in the spheres of primary, elementary and senior secondary education through its Satya Bharti School Program as well as through Government School interventions under its Satya Bharti Quality Support Program and Satya Bharti Learning Centres Program. It also has higher education programs in partnership with institutions like Indian Institute of Technology (IIT) – Delhi & Mumbai, Indian School of Business - Mohali, University of Cambridge - UK, Newcastle University - UK etc. Through 'Satya Bharti Abhiyan', its rural sanitation initiative, the

Bharti Foundation's newly launched 'Nyaya Bharti' program provides legal and financial assistance to deserving prison inmates.

Foundation has completed the provision of individual household toilets in rural Ludhiana.

Promise of a better life

Educating Rural India

I. Satya Bharti School Program

Bharti Foundation's flagship initiative, the Satya Bharti School Program completed 10 years of operations in FY (Fiscal Year) 2016-17. Commencing its journey in 2006, Satya Bharti Schools continue to impact the lives