

Bharti Airtel Limited

Annual Report 2007 - 2008

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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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Corporate information

Board of directors

Sunil Bharti Mittal
Chairman and Managing Director

Akhil Gupta
Joint Managing Director

Non-executive directors
Ajay Lal
Arun Bharat Ram
Bashir Currimjee
Chua Sock Koong
Francis Heng Hang Song
Kurt Hellstrom
Mauro Sentinelli
N Kumar
Paul O'Sullivan
Pulak Chandan Prasad
Rajan Bharti Mittal
Rakesh Bharti Mittal

Group General Counsel & Company Secretary
Vijaya Sampath

Statutory Auditors
S.R. Batliboi & Associates
Chartered Accountants

Auditors - US GAAP
Ernst & Young

Internal Auditors
Price Waterhouse Coopers Pvt. Ltd.

Registered Office
Qutab Ambience
H-5/12, Mehrauli Road
New Delhi 110 030, India

Corporate Office
Hotel The Grand
Bharti Block
Nelson Mandela Road
Vasant Kunj, Phase II
New Delhi 110 070, India
Tel: +91 11 41666 111
Fax: +91 11 41666 137

Website
http://www.bhartiairtel.in

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Chairman's message

Dear shareholders,

It has been another strong year for the Indian economy and the telecom industry, both interlinked, with one fuelling growth in the other. While higher disposable incomes enable more Indians own and use telecom, the economies of scale make it more affordable and within reach of a majority of the population even in remote areas that do not have access to electricity or other basic requirements. We expect that the majority of our new customers will be from the rural areas while these markets will be volume driven with low tariffs. In the years to come, the market will also witness intense competition with the entry of a large number of new players, many of whom have aspirations for a pan-India footprint. Your Company with its large customer base, all-India network reach, brand strength and service orientation is well positioned to implement its growth plans.

Your Company has already crossed the 64 million-customer mark. This milestone underlines the strength of India's telecom story and Bharti Airtel is proud to have played a pioneering role in providing affordable telecom services to millions of people across every corner of the

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country. We continue to drive growth and productivity through new ideas and innovation. Path-breaking initiatives like the formation of tower companies for sharing infrastructure will help increase the reach in a cost effective manner and make mobile telephony more inclusive. We now cover close to 70% of our population and intend to extend it to over 80% by the year end. I would like to acknowledge the contribution of our various partners, especially Ericsson, Nokia-Siemens Network, IBM and Nortel, who have helped us achieve this scale in such a short time.

We are excited about the potential of new services such as DTH and IPTV and are positioning ourselves as the new age integrated telecom service provider. While we continue to lead and shape the market in India, we are also exploring international opportunities since we believe that our low cost model is suitable for many other parts of the world, especially for the emerging markets. We are gearing up to launch our GSM operations in Sri Lanka this year. An area of particular interest and potential is the significant growth in data traffic as India develops as a global knowledge economy. We already have a fully redundant global sub-marine network and are further strengthening this by participating in three new sub-marine cable consortiums, to be fully prepared to cater to this growing demand.

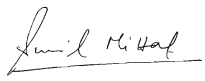
It is my pleasure to report your Company's robust performance for the year ended March 31, 2008 in the face of an extremely competitive environment. We closed the year with a consolidated customer base of over 64 mn, a growth of 65% from a year ago and generated gross revenues of Rs. 270 bn, a growth of 46% from 2006/07. Our EBITDA has grown to Rs.114 bn, representing an annual growth of 53%. Our PAT has grown to Rs. 67 bn, thus representing an annual growth of 57%.

Our success greatly depends on our employees and I would expressly like to thank them for their support, without which we could not have accomplished so much over the past year. Airtel continues to focus on growing and developing internal talent and has embarked upon several leadership development programs, including internal e-Learning initiatives and tie-ups with international and Indian business schools. We believe our employee engagement efforts will help enhance employee ownership and motivation for superior performance.

I have always believed that Airtel, with its mobile and other services, has changed millions of lives by providing connectivity. We are fortunate that our business has a positive social relevance. As one of the leading companies in the country, we now have to assume a leadership position in being a responsible corporate citizen. I am extremely proud of the immense strides we have made under our Corporate Social Responsibility arm, Bharti Foundation. It is creating an innovative public-private partnership program for imparting free education through 500 primary schools and 50 senior-secondary and vocational schools in rural India. It is my belief that this partnership will deliver high quality education for the underprivileged children and usher in a new model of cost-effective and quality education in the country. Once the complete program is up and running, it will provide education to some 200,000 children on a recurring basis across many states. I am happy to note that many of our employees are also participating in Bharti Foundation's efforts.

Lastly, I would like to thank Donald Cameron for his counsel and guidance during his 7-year tenure as independent director on the Board of Bharti Airtel and welcome our new Board member Mauro Sentinelli. Mauro brings with him many years of experience from the telecom world. He has held senior management positions in Telecom Italia and is a founder member of the GSMA Board, besides serving as its Deputy Chairman.

Our businesses are increasing in scale and diversity. By executing a forward leaning strategy and investing for the future, we are providing world-class services that cater to customers at home, at work, and on the move. With an empowered leadership team to drive the business, and an extraordinarily strong market situation, I am looking forward to another successful and challenging year ahead.



Sunil Bharti Mittal
Chairman and Managing Director

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Top 30 shareholders†

	Holder*	%
1	Bharti Telecom Limited	45.31
2	Pastel Limited	15.58
3	Indian Continent Investment Limited	4.99
4	Life Insurance Corporation of India	2.45
5	Morgan Stanley Mauritius Company Limited	2.27
6	Merrill Lynch Capital Markets Espana S.A. S.V.	1.52
7	Citigroup Global Markets Mauritius Private Limited	1.19
8	Europacific Growth Fund	1.15
9	T. Rowe Price Associates, Inc.	0.99
10	Fidelity Contra fund	0.95
11	JP Morgan Asset Mamagement (Europe) S.A.R.L.	0.95
12	Deutsche Securities Mauritius Limited	0.80
13	CLSA (Mauritius) Limited	0.69
14	Vodafone International Holdings B.V.	0.62
15	Schroder Brics Equity Mother Fund	0.57
16	ICICI Prudential Life Insurance Company Ltd.	0.47
17	Federated Kaufmann	0.46
18	Emerging Markets Growth Fund Inc.	0.35
19	DWS Investments	0.34
20	Sloane Robinson LLP	0.33
21	Macquarie Bank	0.31
22	The Master Trust Bank of Japan	0.28
23	Coment Mauritius Limited	0.27
24	HSBC Global Investment Funds	0.27
25	Franklin Templeton Investment Funds	0.27
26	Swiss Finance Corporation (Mauritius) Limited	0.27
27	PCA India Infrastructure Equity Open Limited	0.27
28	IVY Funds, Inc.	0.27
29	Matthews Pacific Tiger Fund	0.26
30	Mirae Asset Investment Management Co. Ltd.	0.24
	Total	84.69

† Data as on April 25, 2008

* Include shares held in different accounts.

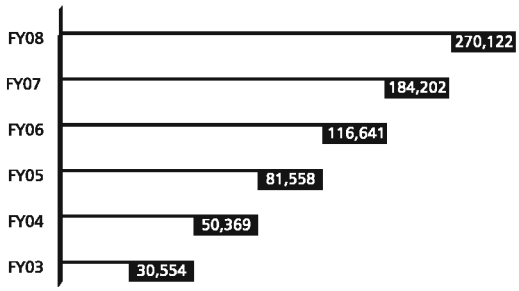
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Performance at a glance

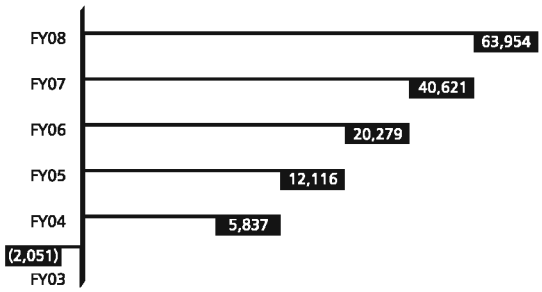
Particulars	Units	Full Year Ended March 31,					
		2003	2004	2005	2006	2007	2008
Total customer base	000s	3,443	7,141	11,842	20,926	39,013	64,268
Mobile Services	000s	3,071	6,504	10,984	19,579	37,141	61,985
Telemedia Services	000s	372	637	857	1,347	1,871	2,283
Based on Statement of Operations							
Revenue	Rs. Mn	30,554	50,369	81,558	116,641	184,202	270,122
EBITDA	Rs. Mn	7,634	17,055	30,658	41,636	74,407	114,018
Cash profit from operations	Rs. Mn	4,904	14,363	28,219	40,006	73,037	111,535
Earnings before Tax	Rs. Mn	(1,762)	5,527	15,832	23,455	46,784	73,115
Profit after Tax	Rs. Mn	(2,051)	5,837	12,116	20,279	40,621	63,954
Based on Balance Sheet							
Stockholders' Equity	Rs. Mn	48,262	49,146	53,200	73,624	114,884	217,244
Net Debt	Rs. Mn	32,395	42,292	41,171	41,738	42,867	40,886
Capital Employed	Rs. Mn	80,657	91,438	94,371	115,362	157,750	258,130
Key Ratios							
EBITDA Margin	%	25.0%	33.9%	37.6%	35.7%	40.4%	42.2%
Net Profit Margin	%	-6.7%	11.6%	14.9%	17.4%	22.1%	23.7%
Return on Stockholders Equity	%	-4.2%	12.0%	23.7%	32.0%	43.1%	38.5%
Return on Capital employed	%	0.9%	9.9%	15.7%	21.5%	31.6%	33.3%
Net Debt to EBITDA	Times	4.24	2.48	1.34	1.00	0.58	0.36
Interest coverage ratio	Times	2.44	5.24	9.65	17.45	26.47	18.74
Book value per Equity Share	Rs.	26.04	26.52	28.70	38.87	60.59	114.46
Net Debt to Stockholders' Equity	Times	0.67	0.86	0.77	0.57	0.37	0.19
Earnings per Share (Basic)	Rs.	(1.11)	3.15	6.53	10.78	21.43	34.23

The financials provided in the table above are derived from amounts calculated in accordance with IGAAP consolidated financial statements and this information is not in itself an expressly permitted GAAP measure.

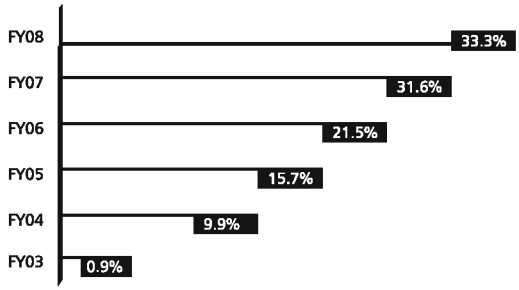
Revenue (Rupees in Millions)



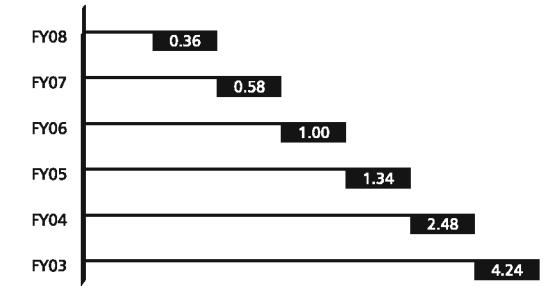
Profit after Tax (Rupees in Millions)



Return on capital employed (%)



Net Debt to EBITDA (Times)



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President & CEO's message

Dear shareholders,

2007-08 has been yet another year of superior performance and personally satisfying for more than one reason. First, despite heightened competition across all our businesses, our results clearly demonstrate our strong fundamentals and ability to outperform across many parameters. This was also the second year of the new leadership structure and I am happy to report with confidence that the leadership team has executed the strategy well and contributed to scale and health of your Company, proving sustainability of this structure.

Industry evolution

The Indian telecom industry continued on its high growth path with teledensity crossing the 22% mark. The customer base surpassed 260 mn, making India the second largest mobile market in the world – ahead of the USA. The industry has been adding more than 8 mn customers a month, which is more than the monthly average of China's telecom industry. In the fixed line segment, significant convergence is taking place, as is evident from the growth of broadband and IPTV services.

2007-08 also saw many changes in regulation. We received additional spectrum in six service areas and as per eligibility hope to receive additional spectrum in seven more service areas soon. The Access Deficit Charge (ADC) regime is being phased out and will be completely discontinued from October 1, 2008.

DoT has issued guidelines for Active Infrastructure Sharing which will open new avenues for telecom companies to manage their operating costs better while giving access to new geographies. We expect the coming year to bring many more regulatory changes in new business areas like Direct to Home (DTH), MobileTV and IPTV services.

Mobile Services

The strong performance in our mobile business can be largely attributed to our positioning of affordability, availability and simplicity. We reduced tariffs on local calls, were the first to introduce 'Super Lifetime Prepaid' and jointly with Nokia we introduced exclusive handset bundles. In addition to the tariff rationalization move, the Company introduced many Value Added Services, such as 'On Demand Music Service' and partnered with leading banks to launch a broad range of M-Commerce solutions.

The past year was a dynamic year also for our Networks and Technology Teams. We formed two Tower Companies, Bharti Infratel and Indus Towers, to help drive capital and operational efficiency. Both companies provide passive infrastructure services in India to all operators on a non-discriminatory basis. At the end of March 2008, Bharti Airtel had expanded its network to cover close to 70% of India's population.

It has always been our endeavour to provide our customers with the latest products, services and technology. I am now personally associated with GSMA, the global body governing GSM standards. This Association provides mutual benefits, both to Airtel and the GSMA members, through sharing of best practices and allows us to bring the latest and best from around the world to our customers.

Telemedia Services

For the first time in India, we introduced 8 Mbps broadband internet access. We also launched airtellive.com, a new all-in-one internet portal. These enhancements have significantly enhanced the customer experience. This also marks the first time a telecom company in India has made Google products officially available on its portal.

The performance of Telemedia during this past year has reinforced our belief in the potential that this segment has in the overall portfolio of the Company. The contribution of the DSL segment to the overall Telemedia revenues increased to 35%. The highpoint of their performance has been the significant improvement in EBITDA margin to over 40%. This is a result of the unit's strong emphasis on efficiency and productivity.

Enterprise Services

2007-08 was a significant year for Enterprise Services. According to TRAI reports, we have now surpassed BSNL as the leading provider of NLD services in revenue terms. We executed large projects for the Department of Income Tax and the Indian Army and won the largest Enterprise mobility contract in our history: for an initial deployment of over 100,000 connections for Railtel. These projects endorse our capability in managing large projects, end-to-end. Also internationally we are continuing to make an impact. We concluded 3 new submarine cable investments this year: AAG, IMEWE and Unity. Airtel was awarded a Facility Based Operator (FBO) license in Singapore, which allows the Company to operate International Carrier Services from Singapore. Lastly: an enhanced version of the Call Home service was launched to further increase the focus on the Indian diaspora.

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