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Bharti Airtel

- Largest Private Integrated Telecom Company in India
- 3rd Largest Wireless Operator in the World
- Largest & Fastest Growing Wireless Operator in India
- Largest Telecom Company listed on Indian Stock Exchange

Integrated Telecom Company

❑ Wireless Services

- 2G/3G
- Rural Market

❑ Telemedia Services

- Fixed Line
- Broadband
- DTH

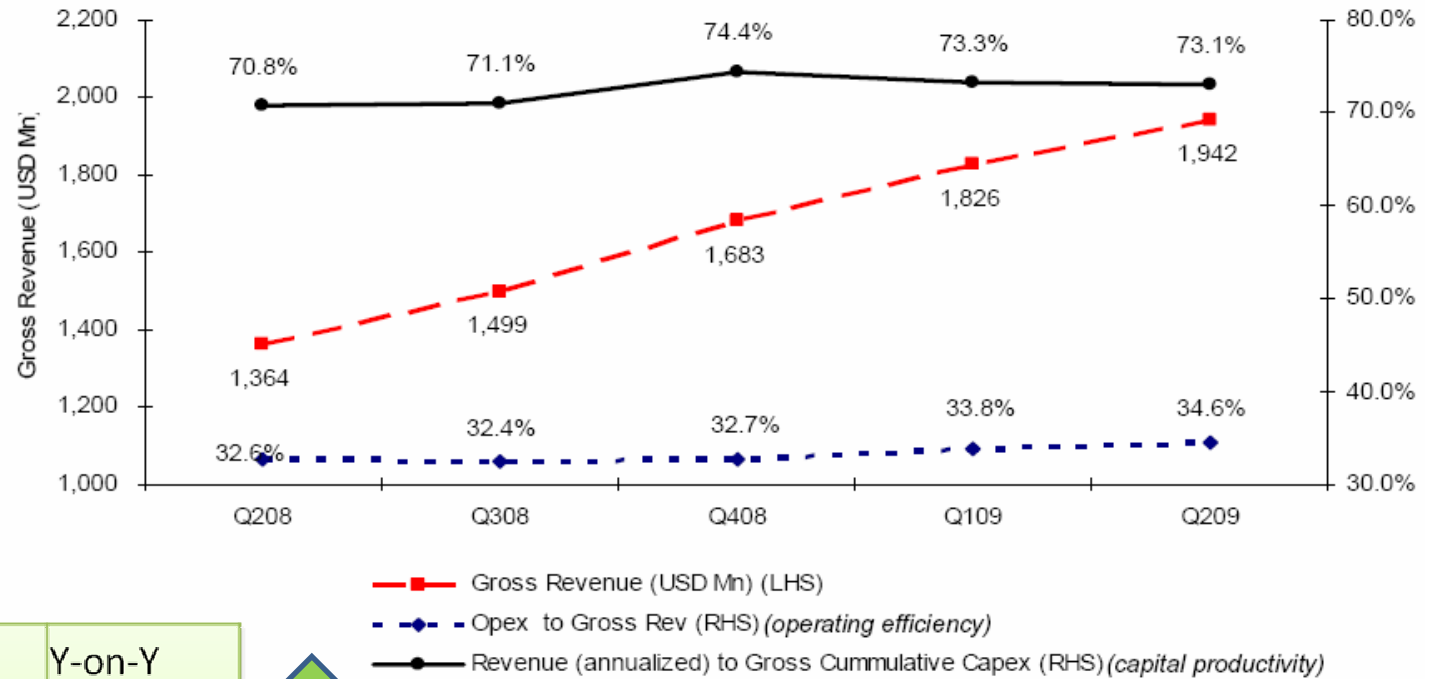
❑ Enterprise Services

- Carrier
- Corporate

❑ Passive Infrastructure

- Bharti Infratel
- Indus Tower

Financials Snapshot



Details	Q2 FY 09	Y-on-Y
Customers	79.99 mn	57.00%
Revenue	\$ 1,942 mn	42.30%
EBITDA	\$ 796 mn	36.50%
Cash Profit	\$ 673 mn	20.30%
Net Income	\$ 441 mn	26.80%



Financial Snapshot - Ratios

Key Ratios - Airtel	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Debt-Equity Ratio	0.38	0.54	0.83	0.6	0.07
Long Term Debt-Equity Ratio	0.35	0.5	0.76	0.5	0.03
ROCE (%)	34.88	34.07	22.55	23.96	0.16
RONW (%)	39.53	43.04	31.82	23.88	-0.27
http://www.capitaline.com					

Key Ratios - Industry	2007	2006	2005	2004	2003
Debt-Equity Ratio	0.35	0.21	0.27	0.34	0.36
Long Term Debt-Equity Ratio	0.3	0.19	0.24	0.29	0.33
ROCE (%)	9.72	10.28	8.25	8.43	3.07
RONW (%)	10.11	10.62	10.87	6.76	0.18
http://www.capitaline.com					

Vision 2010

- By 2010 Airtel will be the most admired brand in India:
 - Loved by more customers
 - Targeted by top talent
 - Benchmarked by more businesses
-

Vision 2020

- To build India's finest business conglomerate by 2020
 - Supporting education of underprivileged children through Bharti Foundation
 - **Strategic Intent:**
 - To create a conglomerate of the future by bringing about “Big Transformations through Brave Actions.”
-

Mission

- “ We at Airtel always think in fresh and innovative ways about the needs of our customers and how we want them to feel. We deliver what we promise and go out of our way to delight the customer with a little bit more”
-

Core Values

- **Empowering People** - to do their best
 - **Being Flexible** - to adapt to the changing environment and evolving customer needs
 - **Making it Happen** - by striving to change the status quo, innovate and energize new ideas with a strong passion and entrepreneurial spirit
 - **Openness and transparency** - with an innate desire to do good
 - **Creating Positive Impact** – with a desire to create a meaningful difference in society.
-

Objectives / Goals

- To undertake **transformational projects** that have a positive impact on the society and contribute to the nation building process.
 - To **Diversify** into new businesses in agriculture, financial services and retail business with world-class partners
 - To lay the foundation for building a “**conglomerate**” of future
-

Indian Telecom Sector

- Fastest Growing Sector – CAGR 22% (2002-07)
- Second Largest Telecom Market
 - Lowest tariff charges in the world
 - Wireless Subscribers – 315.3 Mn
 - Wireline Subscribers – 38.4 Mn
 - Teledensity – 30.6
- 23 Circles - 4 Categories (Metro, A, B & C)
- Bharti Airtel – Largest player with presence in 23 Circles

Why Mad Rush for Telecom ??

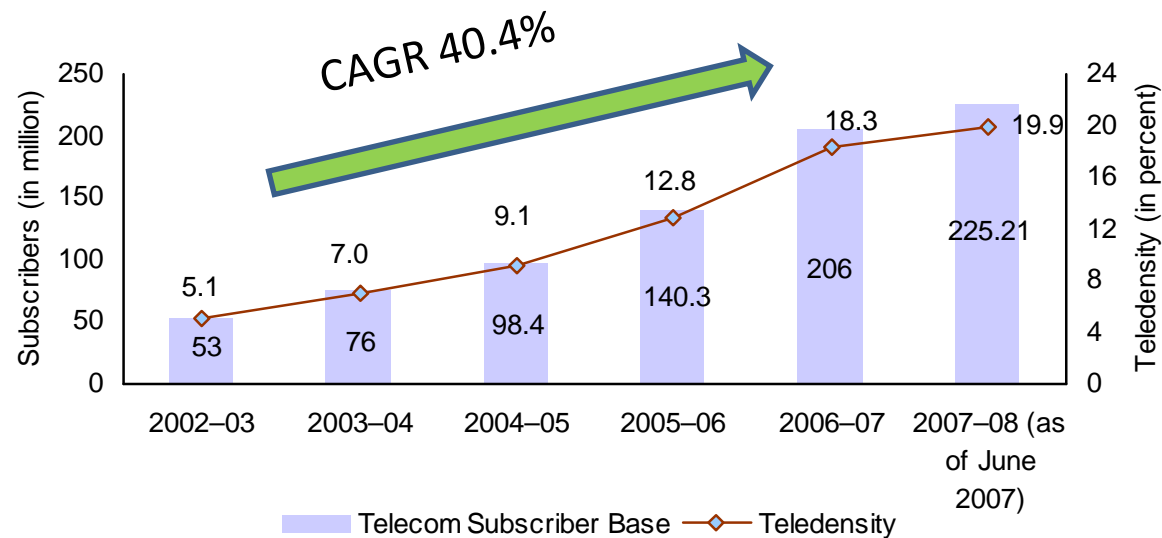
*Large number of additions
in telecom subscribers*

+

*Low teledensity (depicting
large untapped potential)*

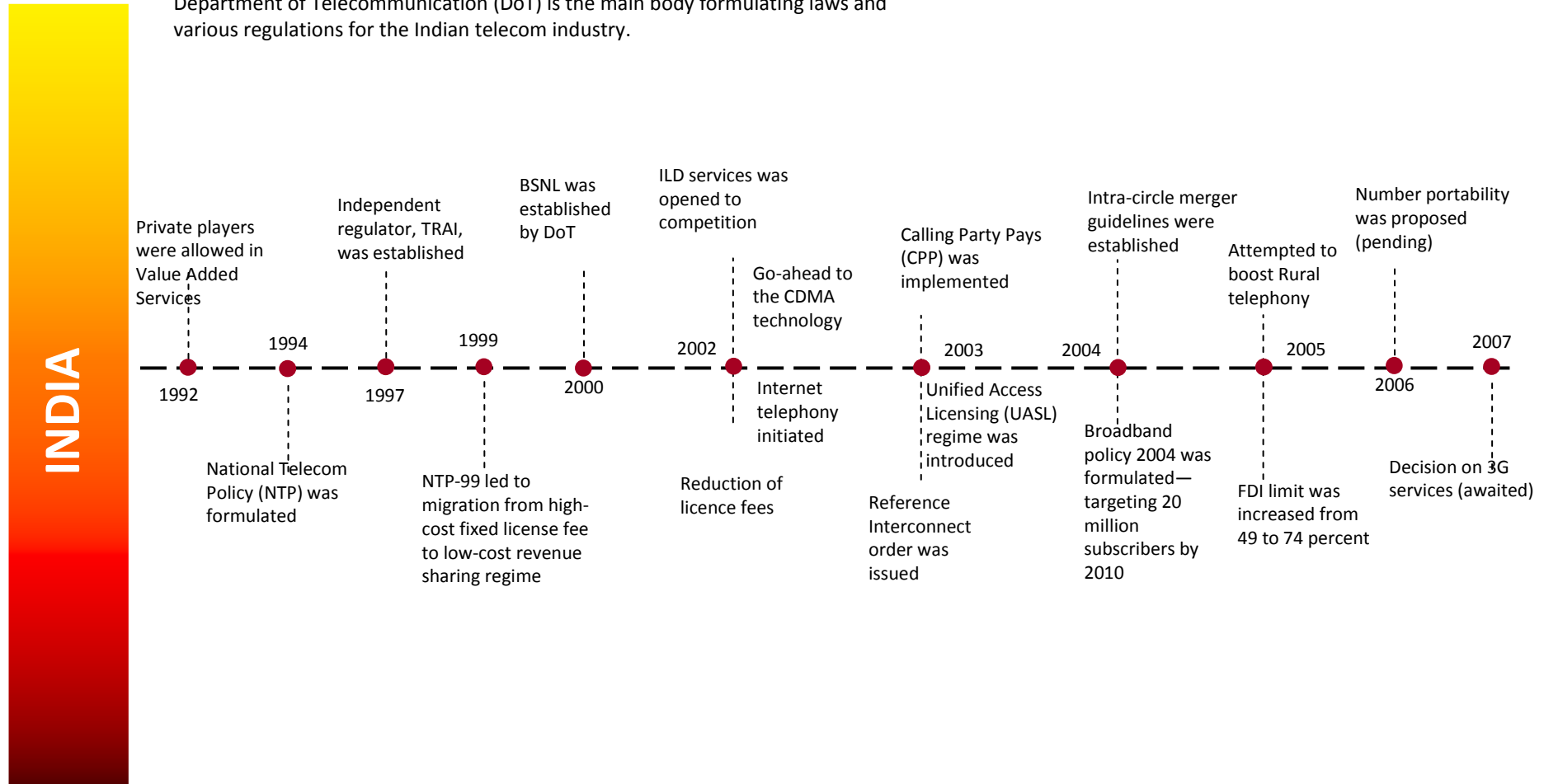
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*Telecom
Advantage*

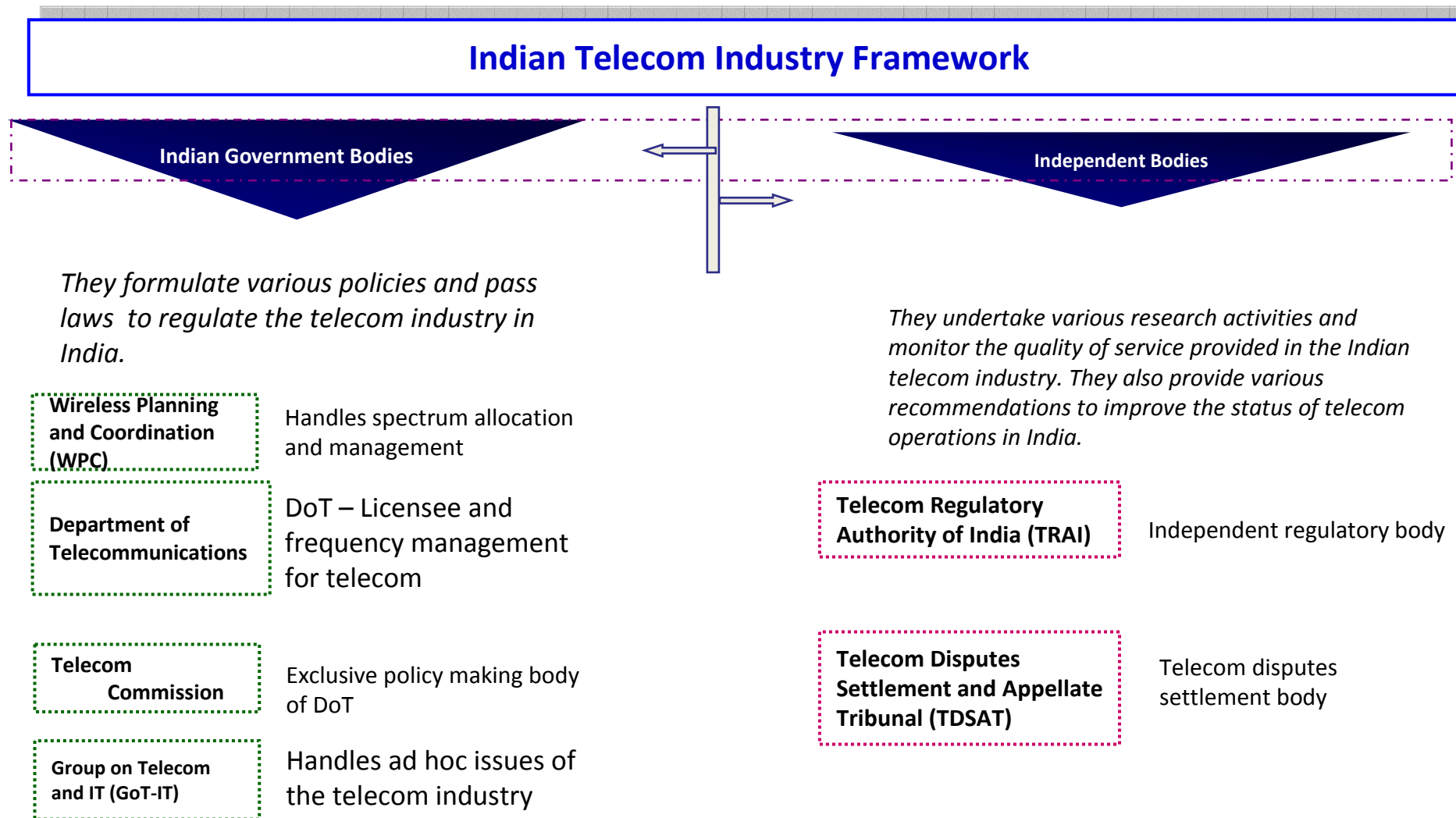


Evolution of Telecom In India

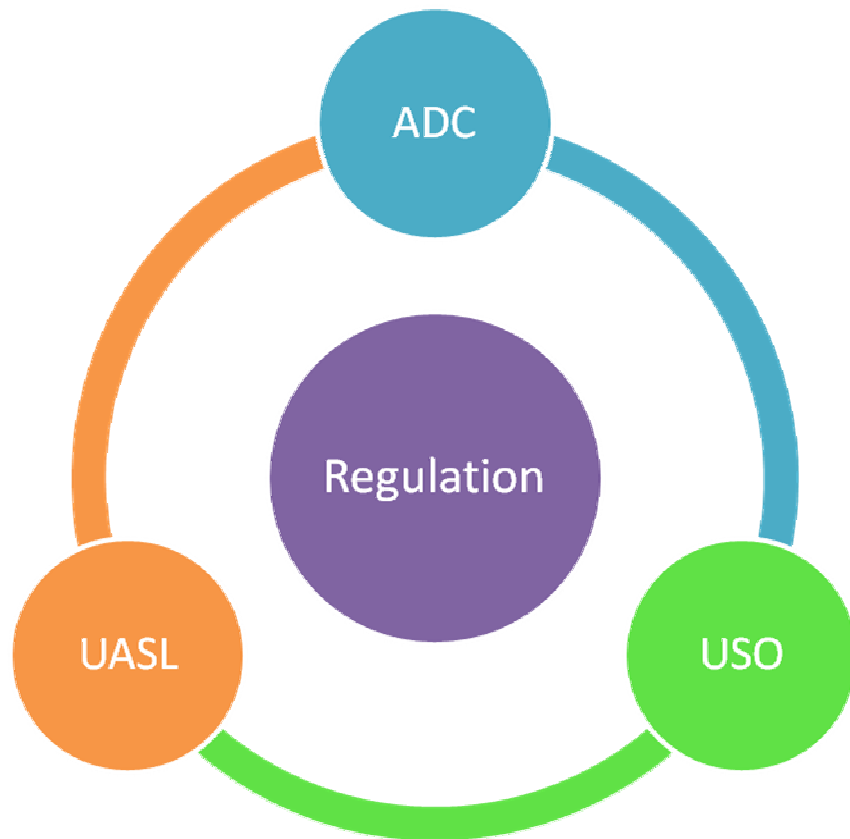
Department of Telecommunication (DoT) is the main body formulating laws and various regulations for the Indian telecom industry.



Telecom Ecosystem

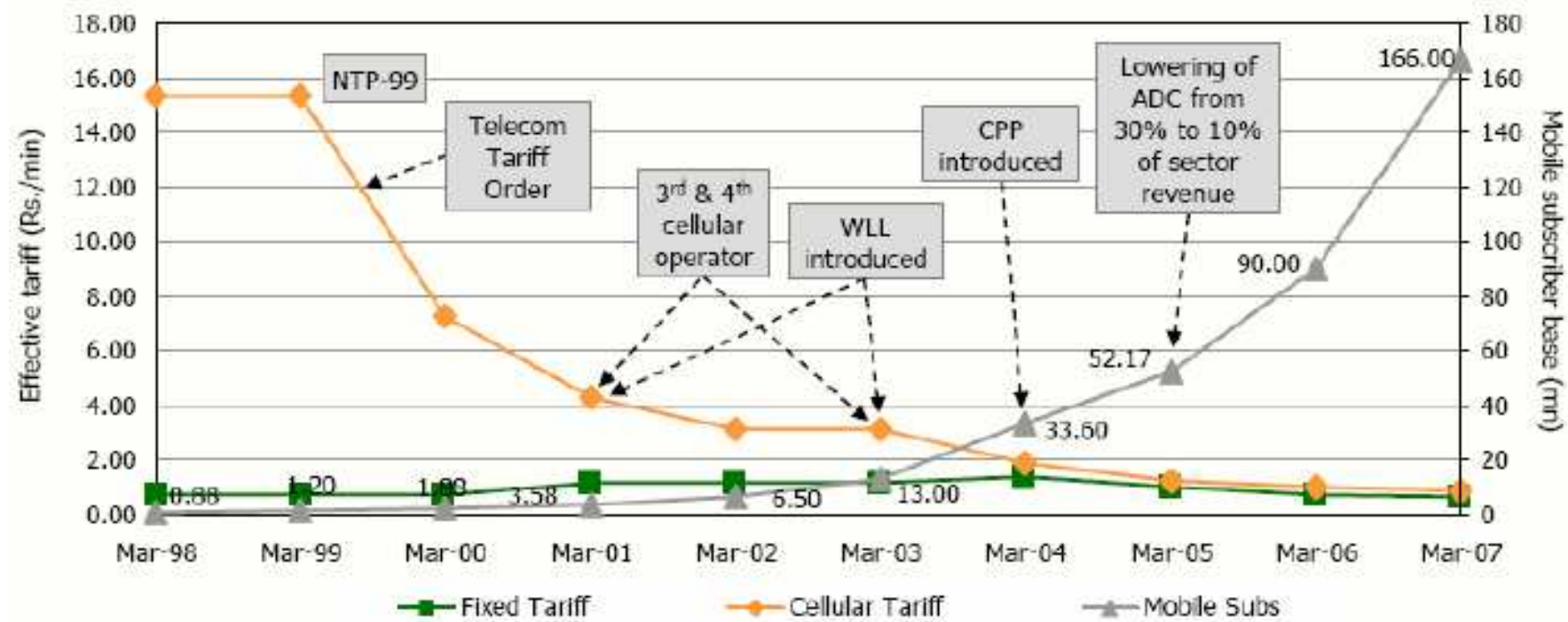


Regulatory Framework



- 74% FDI Investment
- Lack of Transparency in Spectrum & License Allocation
- 3G Policy & MNP still Pending

Declining Tariff – Rising Revenue



Source: TRAI Report

Economic Factors

GDP growth rate - Averaged around 7.9 % from 2002-2008

Rising Tele-density – Target of 45% by 2010

Growing per capita income/disposable Income

➤ Rs 12000 in 2002 to Rs 33000 in 2008)

Falling Handset Prices

Moderate inflation levels which were prevalent during the past 7 years – around 5-6%

Changing Demographics

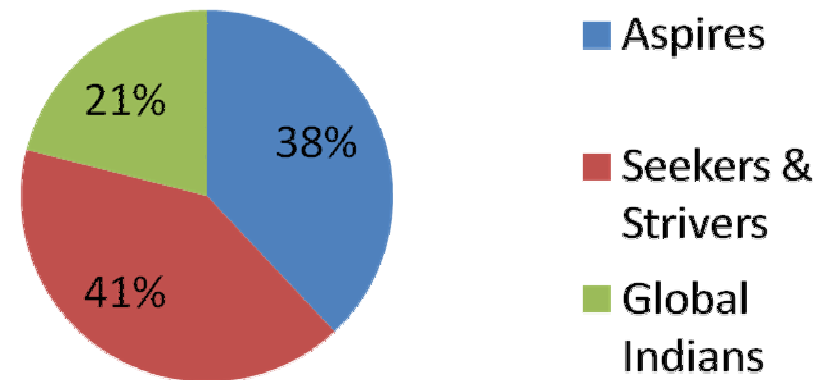
➤ Demand for VAS & Broadband services Among Youth

➤ 28 % Urban Population

➤ Rapid Urbanization

➤ Rising Income level

Classification of Indian Population



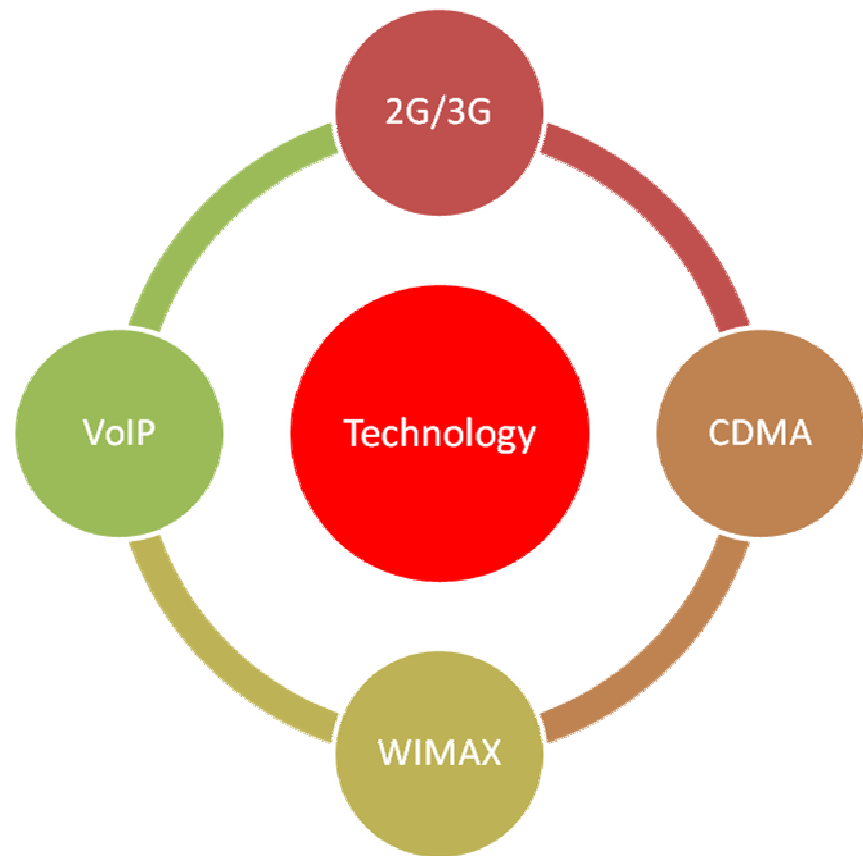
Source: Mckinsey Report

Technology

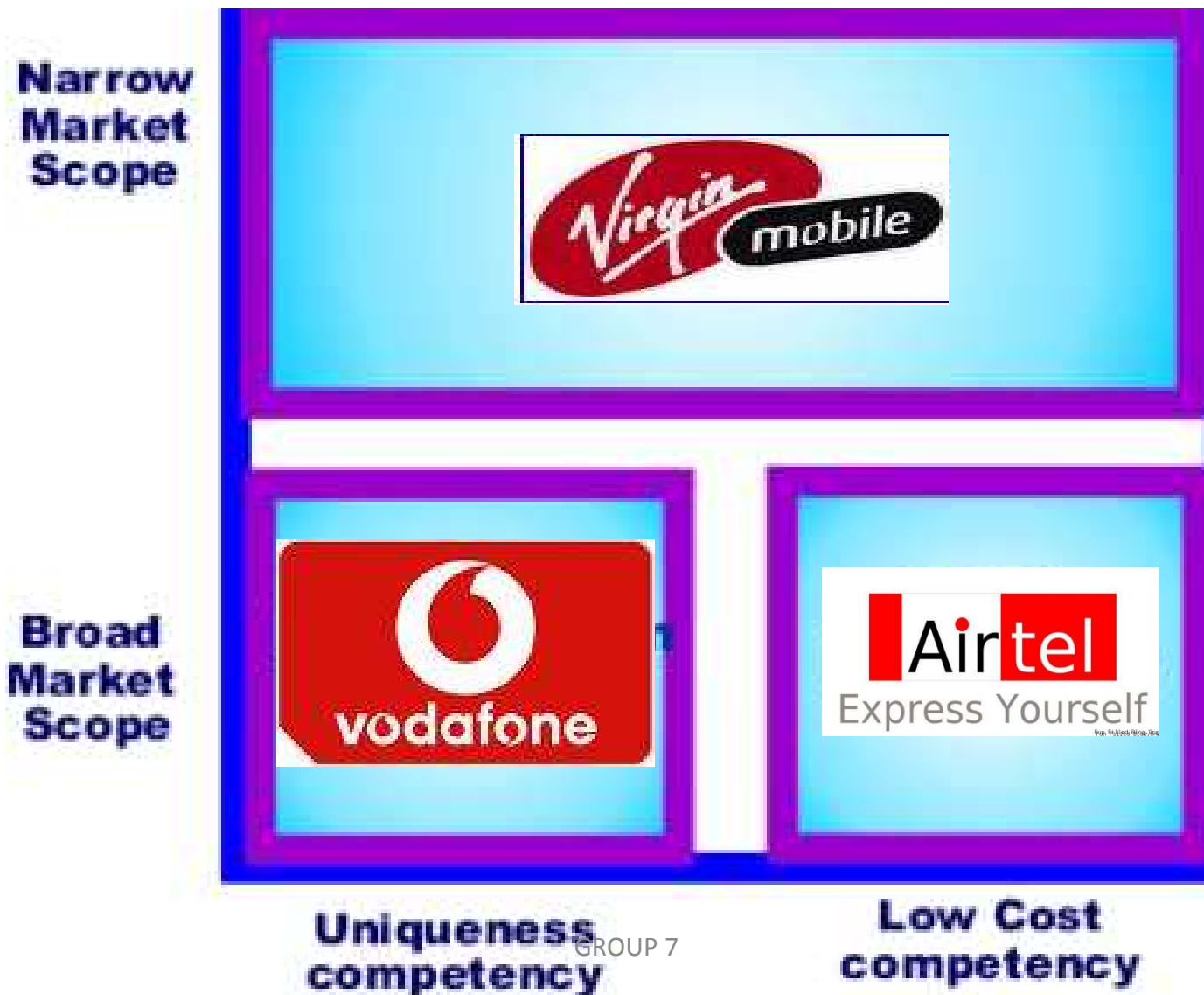
CDMA – Already there are big players in this segment
Reliance , Tata

3G – Value added services
potential still to be tapped
fully

2G/3G – GSM Currently
commands 70% of mobile
subscribers in India



Porter's Generic Strategy



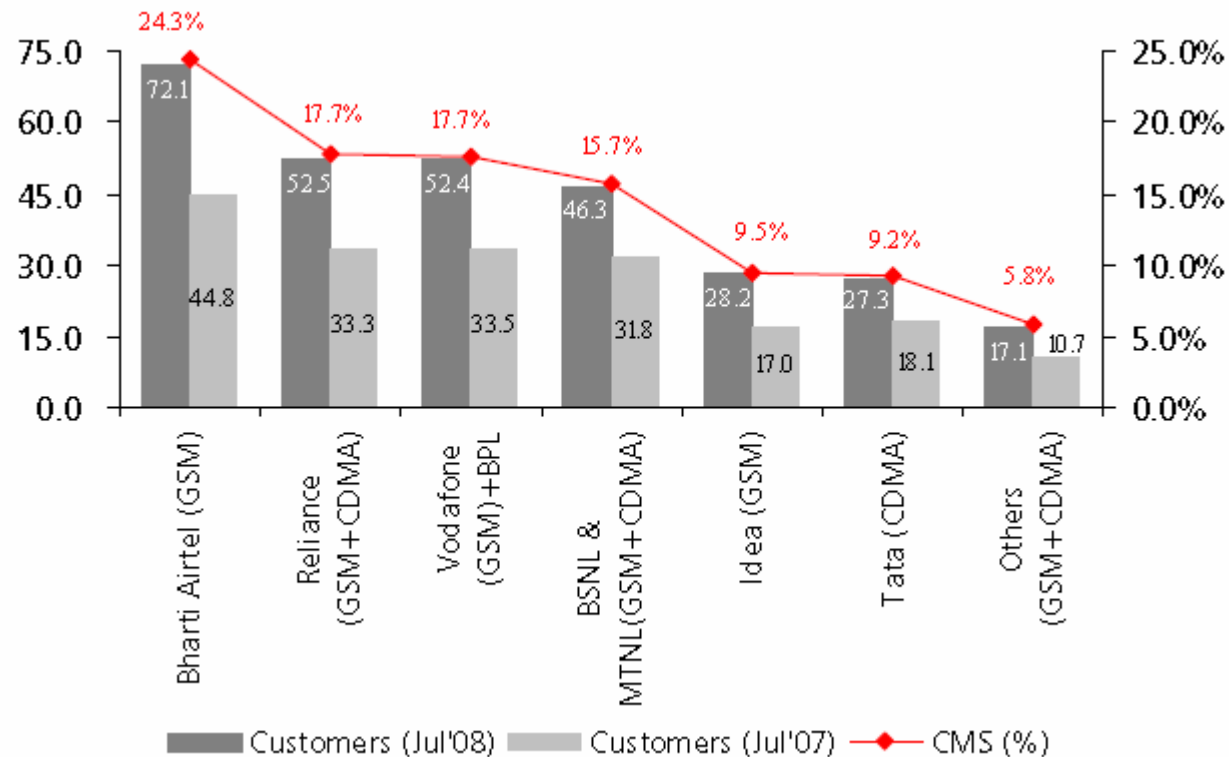
GROUP 7

Porter's 5 Forces



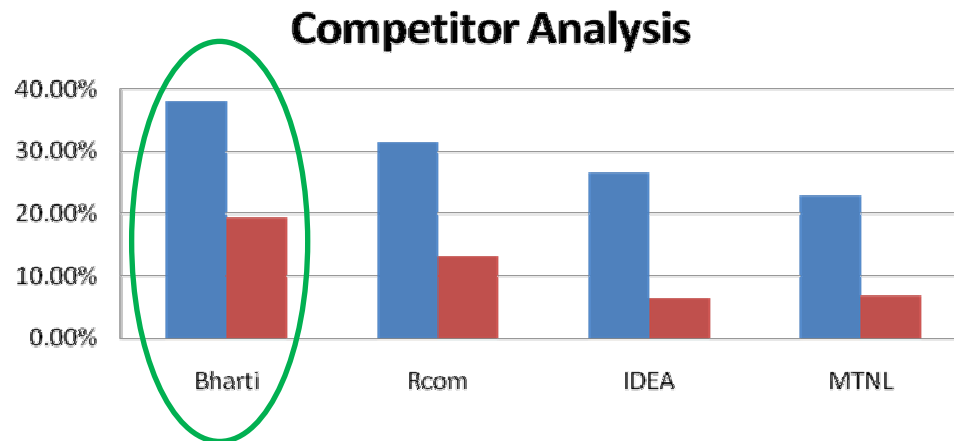
1. Threat from Competition

Wireless Market – Top 4 garnering 75% market share



HIGH

Competitor Analysis



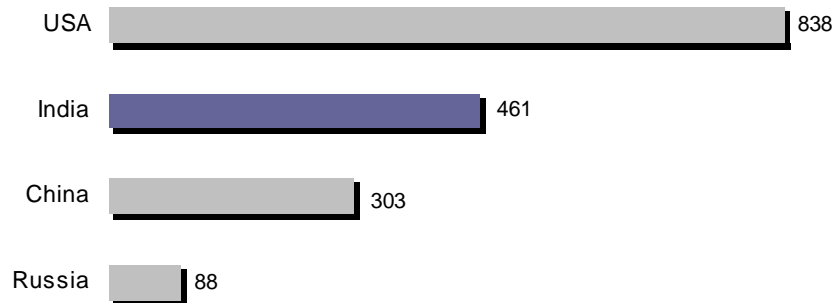
Best OP Margins & Net Profit Margins among Peers

Company	OP Margin		Net Margin	
	Sep-07	Sep-08	Sep-072	Sep-083
Bharti	43.00%	38.00%	26.40%	19.30%
Rcom	37.90%	31.60%	23.90%	13.20%
IDEA	32.80%	26.60%	14.10%	6.50%
MTNL	23.70%	22.90%	7.00%	6.80%

Source: CMIE November 2008

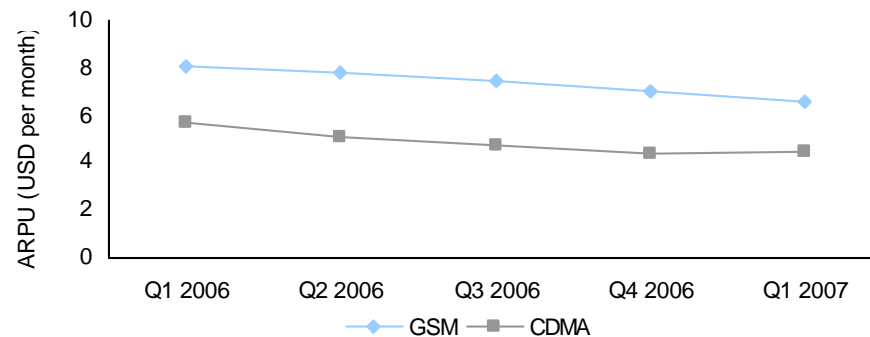
AMOU & ARPU Stats

Minutes of Usage per Month – Mobile Services



Despite a low teledensity of approximately 19 percent, India has the second highest minutes of usage per month. This offers huge growth opportunity to telecom companies.

ARPU* in India – Mobile Services



The declining ARPU implies that India Inc. is tapping a large market at the bottom of the pyramid by reducing tariffs; thereby, enhancing affordability.

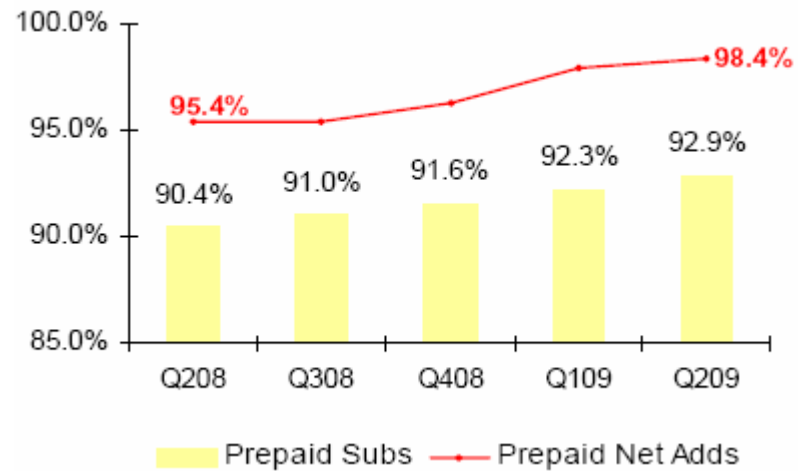
2. Customer Bargaining Power

- Lack of differentiation among Service Providers
- Cut throat Competition
- Low Switching Costs
- Number Portability will have –Ve Impact
- Businesses & Consumers

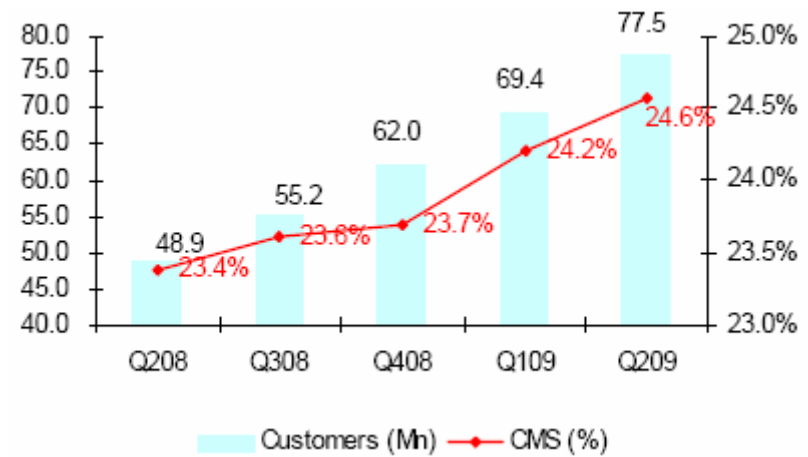
HIGH

Market Scenario



Postpaid Vs Prepaid



Customers & Market Share



3. Suppliers Bargaining Power

Outsourcing Deals	Vendors	Features/ Advantages	LOW	
Network outsourcing & Maintenance		<ul style="list-style-type: none"> ▪ Pricing linked to capacity - US\$ per erlang ▪ Payments linked to <ul style="list-style-type: none"> ▪ usage and network quality ▪ service level agreements (SLAs) ▪ Ease in network planning 		} Assured network quality
Information Technology		<ul style="list-style-type: none"> ▪ Pricing & payment as a % of revenues ▪ SDP – to deliver Service Delivery Platform enabling delivery of content to end – user devices like mobiles, PCs etc ▪ SLA's for quality and deployment. 		
Passive Infrastructure	<ul style="list-style-type: none"> ▪ Bharti Infratel ▪ Indus Towers 	<ul style="list-style-type: none"> ▪ Increased focus on sharing passive infrastructure ▪ Reduced capex spend 		
Call Center Outsourcing	<ul style="list-style-type: none"> ▪ IBM Daksh ▪ Mphasis ▪ Hinduja TMT ▪ Aegis BPO ▪ Nortel 	<ul style="list-style-type: none"> ▪ Enhanced & consistent customer experience ▪ Common platform across the group ▪ Scalable business model to meet business needs 		

4. Threat of Substitutes

➤ Landline

➤ CDMA

DIMINISHING MARKET

HIGH

➤ Video Conferencing

➤ VOIP - Skype, Gtalk, Yahoo Messenger

➤ e-Mail & Social Networking Websites

**BROADBAND
SERVICES**

5. Threat of New Entrants

- Huge License Fees to be paid upfront & High gestation period
- Entry of MVNOs & WiMAX operators
- Spectrum Availability & Regulatory Issues
- Infrastructure Setup Cost - High
- Rapidly changing technology

LOW

SWOT

Strengths

- Largest Telecom Player in India- ~80Mn, 22.6%
- Strategic Alliance with other stakeholders in Bharti Airtel include Sony Ericsson, Nokia- and Sing Tel
- Pan India Presence
- Strong Financials

Weakness

- Outsourcing of Core Systems
- Lack of emerging market investment opportunity

Source: CMIE Report NOV 08

SWOT

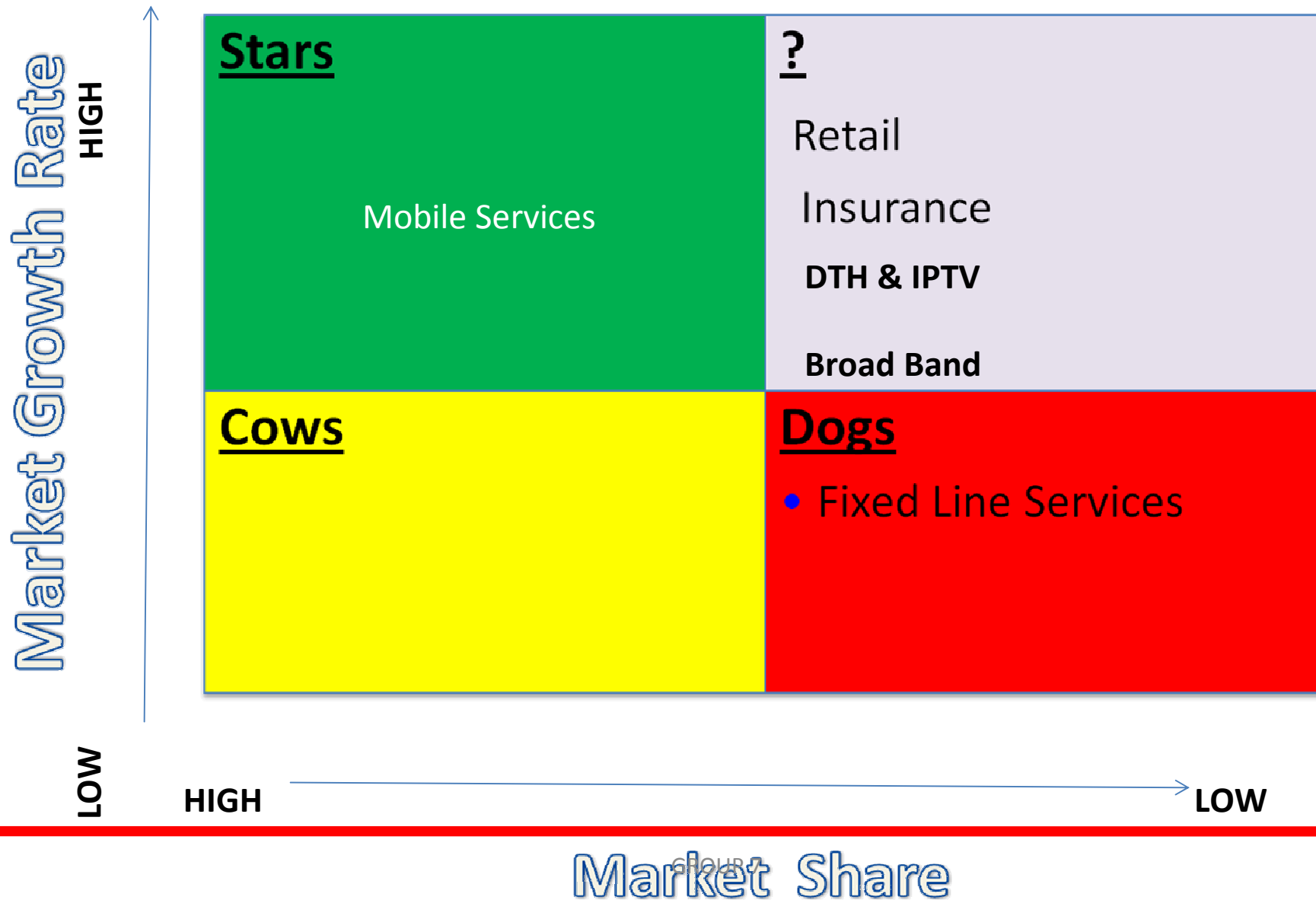
Opportunities

- Bharti Infratel – Cutting Down cost in Rural area
- Match Box Strategy – Scale of Penetration
- Current Tele- Density – 30.6 is still low among developing countries
- Low Broadband Penetration, Rural Telephony

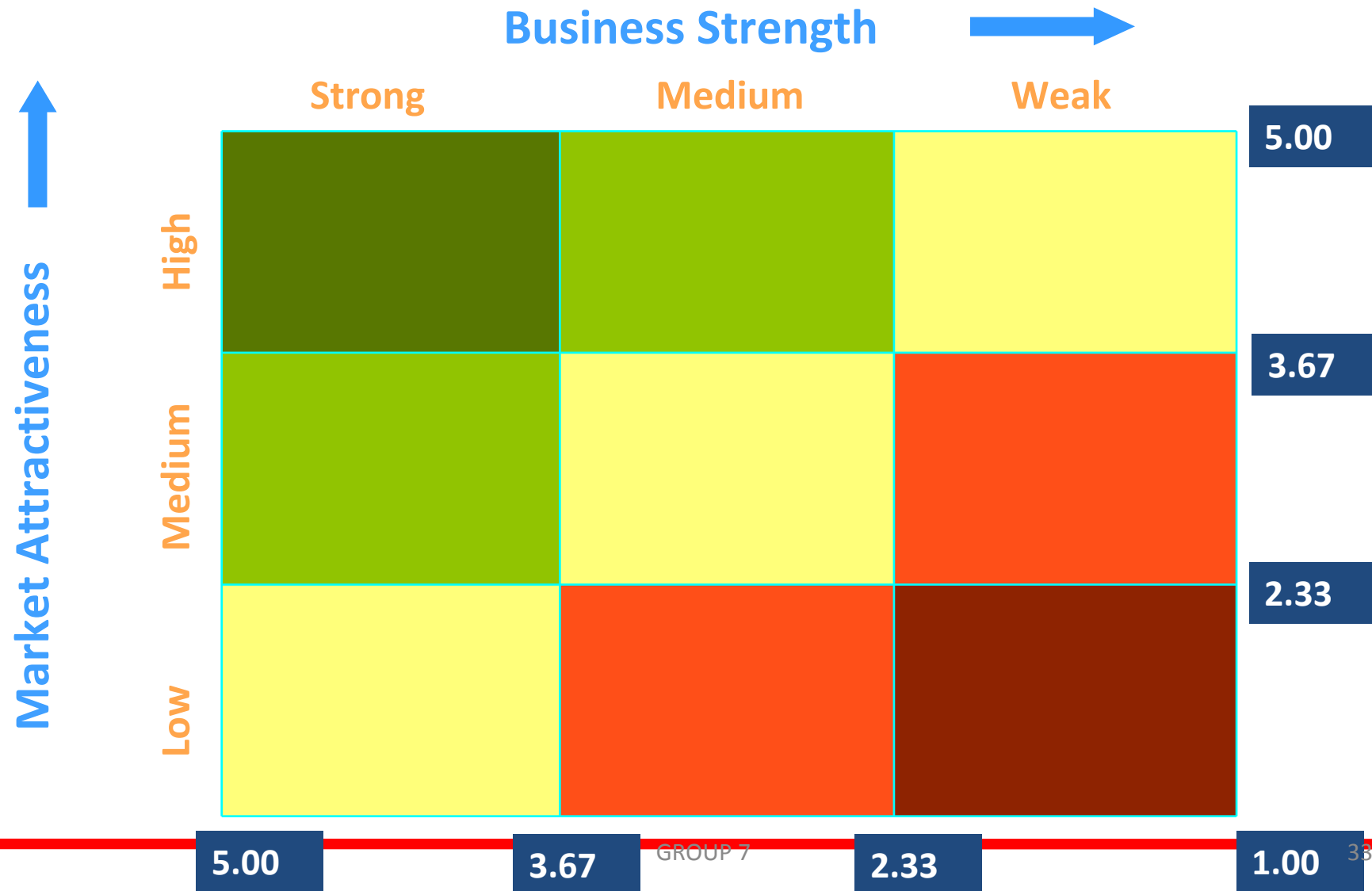
Threats

- India centric – Major revenues from India
- Falling ARPU & AMOU
- Intense Competition & Shortage of Bandwidth

BCG Matrix for Bharti Airtel

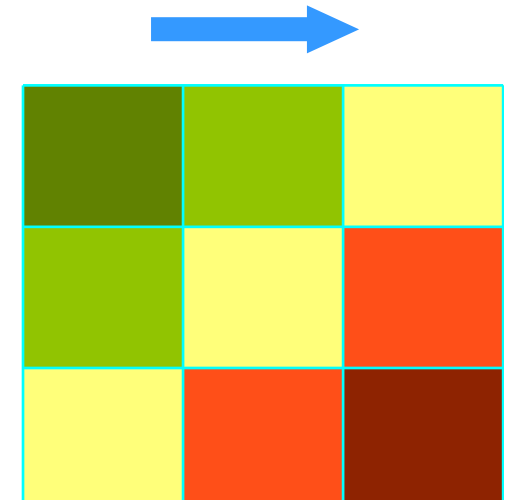


GE Matrix Classification



Business Strength

- **Current market share**
- **Brand image**
- **Brand equity**
- **Production capacity**
- **Corporate image**
- **Profit margins relative to competitors**
- **R & D performance**
- **Managerial personal**
- **Promotional effectiveness**



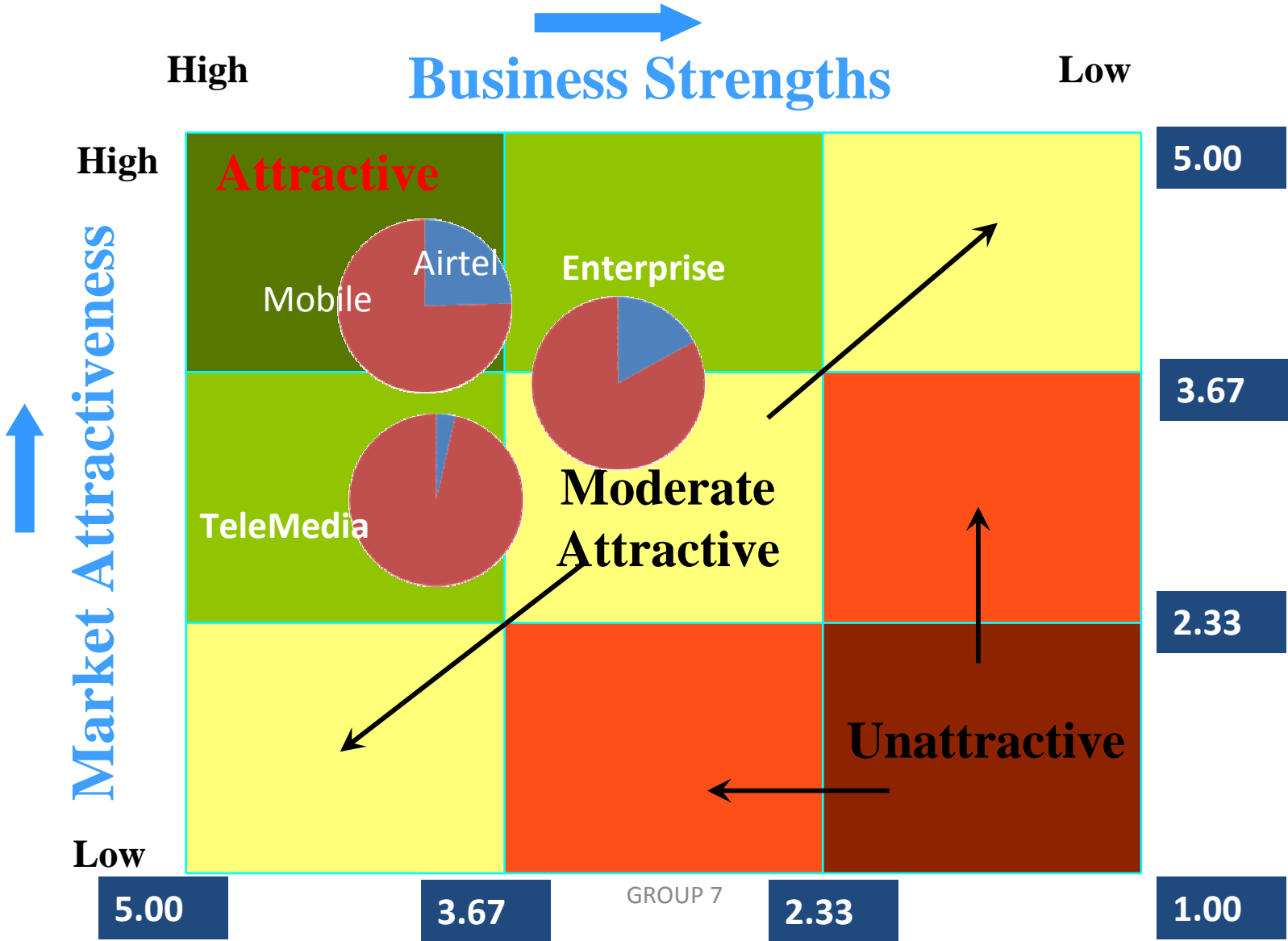
Factors Underlying Market Attractiveness

Factors	Weight	Rating (1 –5)	Value = (Weight * Rating)
Resource availability	0.20	3.5	0.7
Overall market size	0.15	4	0.6
Annual Market growth rate	0.20	4	0.8
Profitability	0.15	4	0.6
Competitive intensity	0.10	4	0.4
Technological requirements	0.20	4.5	0.9
Total	1.0		4.0

Factors Underlying Market/Biz Strength

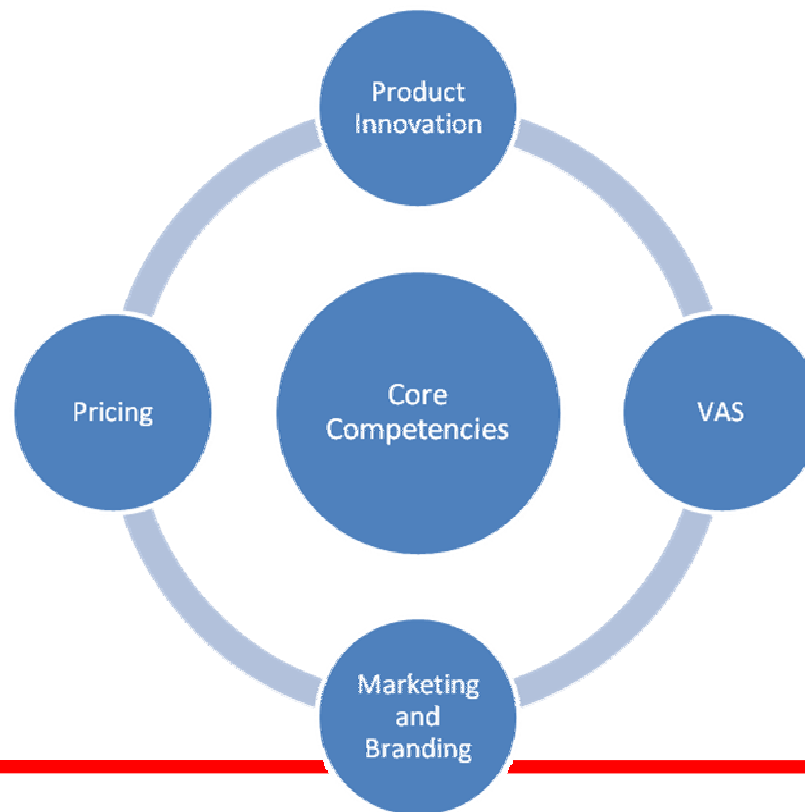
Factors	Weight	Rating (1 –5)	Value = (Weight * Rating)
Market share	0.15	5	0.75
New product development	0.10	3.5	0.35
Brand Image	0.10	4	0.40
Sales force	0.15	3	0.45
Pricing	0.15	3	0.45
Distribution capacity	0.10	4.5	0.45
Product quality	0.10	4.5	0.45
R&D Performance	0.15	3	0.45
Total	1.0		3.75

Airtel's GE Matrix



Airtel – Strategy

MANTRA : Focus on Core Competencies and
Outsource the rest!



Strategy

- Airtel partnered with leading players in telecommunication players across the globe.
 - It has managed to work with the best of domain specialists globally and emerge as a world class entity.
 - Partnerships include operational contracts with marquee vendors and strategic investors ranging from private equity investors to global telecom giants.
-

Strategic partnerships/ Shareholders – Technology and

- Warburg Pincus – a celebrated PE investor held a stake for a substantial period of time and was instrumental in providing Airtel support in its early stages.
 - Vodafone was a strategic investor in Airtel.
 - Temasek – the Singapore based investor holds a considerable stake in it.
 - Was also affiliated with Singapore Telecom.
-

Outsourcing deals in 2004

- Ericsson was given the mandate to provide, manage and maintain the equipment as well as provide quality assurance in Airtel's then 13 mobile circles.
 - IBM was given the mandate to handle the back office requirements of Airtel's presence in India
-

Operational Strategies.

- Higher emphasis on ARPU/min – stark contrast with other operators who concentrate on ARPU only.
 - Aim to be become a one stop shop for all telecommunication services under the Bharti umbrella.
 - Exploring opportunities in international markets.
 - Hived off tower infrastructure into a separate entity.
-

Performance till date

- Bharti Airtel has enjoyed an excellent run ever since the telecom sector opened.
 - It has managed to hold on to its leadership position inspite of the presence of other players with deep pockets – Ambani's, Tata's, Birla's and Vodafone.
 - Has coped well with regulatory changes.
 - Continues to attract and delight customers.
-

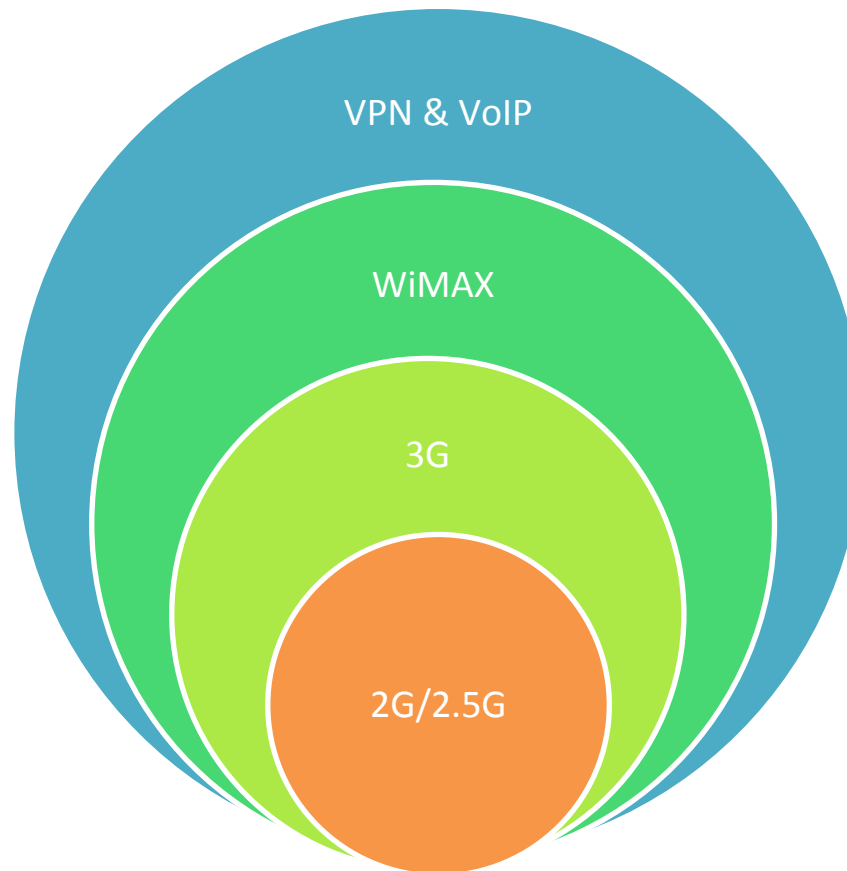
Future Strategies

- Translate its expertise in Indian markets to other emerging economies.
 - This could call for acquisitions globally.
 - Technology leadership is a must – Airtel must ensure that its reliance on GSM technology does not render it obsolete.
 - Indian market inspite of being the worlds largest is still not matured. Opportunities abound in the hinterland which must be exploited.
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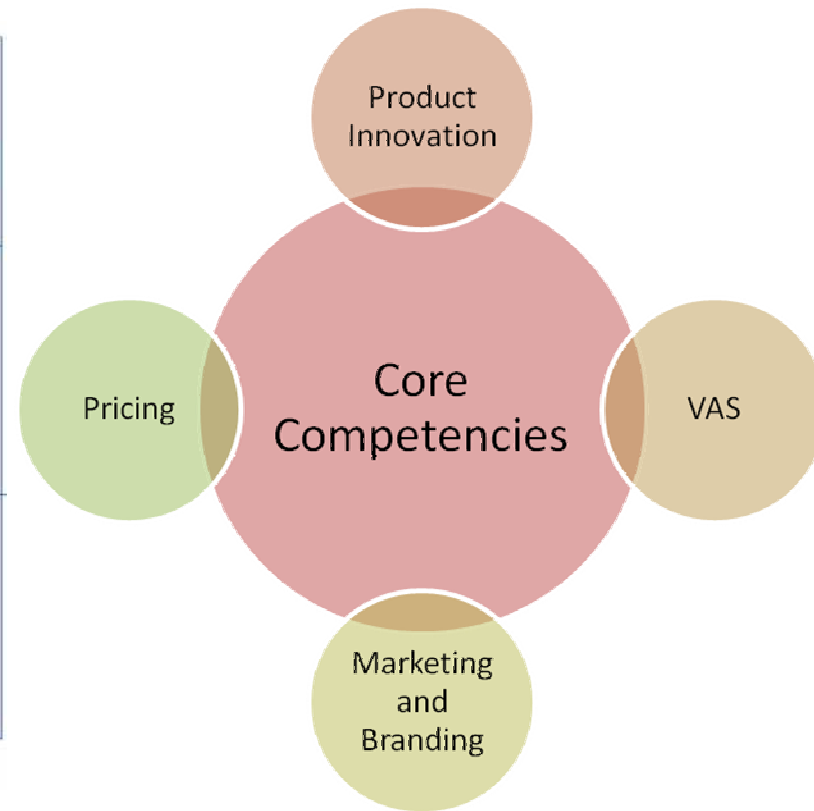
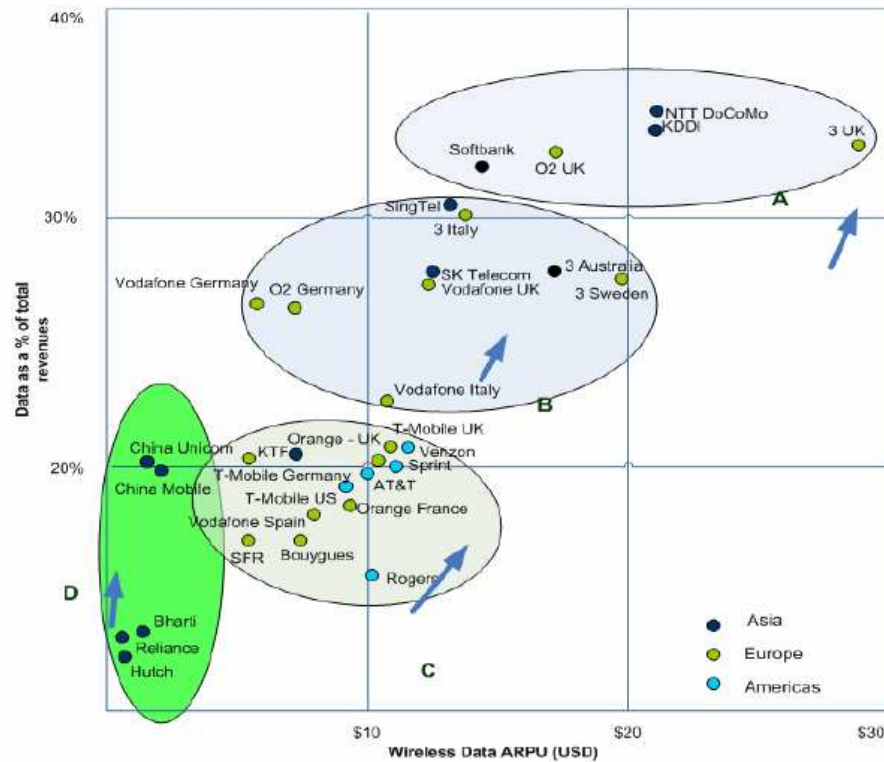
Growth Factors



Road Map – Growth Path



Airtel - Strategy



MANTRA : Focus on Core Competencies and Outsource the rest!

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THANK YOU !!