Management Discussion and Analysis

Overview

The Indian Telecom Sector is the second largest in the world and has been growing rapidly. The pace of transformation of the telecom market over the course of years has been staggering. Of the 1.3 Bn addressable population in India, there are only 0.7 Bn unique connections today, presenting a large residual opportunity in the sector. Further, at 58.7%, rural teledensity also has massive potential to grow and enable the masses to realize the Digital India vision.

In a mobile first market like India, with massive data offtake, telecom operators are transforming from pure play mobile to being a digital services provider - integrating connectivity and content across various screens. The role of a smartphone is emerging as more than just a connection. It is leading to a convergence of connectivity, entertainment, education, and banking.

The sector is witnessing exponential data traffic growth led by increased smartphone penetration, cheaper data tariffs, and proliferation of regional content. Though the mobile broadband penetration is ~30% today, it is expected to grow manifold and make India the second largest smartphone market (ahead of US and just behind China). Further, data traffic is expected to grow 7 fold from 2016-2021. To ensure a market leading position, Airtel continues to invest heavily in providing high speed broadband networks in the country and spent ₹ 240,000 Mn this year in capital expenditure.

Large opportunities exist in non-wireless space of the telecom industry as well. With less than 5% of the households connected by fixed broadband, single digit SMB (Small and Medium Businesses) connectivity, large cash based economy, and low digital TV penetration, Airtel with an integrated suite of offerings is very well positioned to catalyse the digital transformation of the country.

FY 2017-18 was a decisive year for the Indian Telecom Sector on numerous counts. Industry revenue table continued to remain under pressure, with the launch of aggressive price offerings by the latest entrant. The continuing disruption hastened consolidation and operators with stretched balance sheets found it difficult to survive. The industry has moved towards a 3+1 structure with early signs of SIM consolidation. In this phase of high competitive intensity, Airtel's priorities center around growing market share, stripping out costs, and improving margins. Putting customers at the heart is the key foundation of our strategy and we continue to maintain network leadership and provide brilliant customer experience to our more than 300 Mn customers.

We believe that the telecom industry in India is going through a once in a lifetime transformation and we are truly well poised to capitalize on this with our industry leading position in customers, revenues, best in class spectrum and network assets.

In Africa, macroeconomic factors turned favorable with stabilization in prices of crude oil and commodities. Airtel remains committed to Africa and with consolidation in 2 countries (Ghana and Rwanda), a better industry structure is emerging. Low banking penetration, ~20% smartphone penetration, and exponential data traffic growth are creating massive opportunities for telecom operators in Africa. Airtel is creating a strong foundation for a solid, sustainable business in Africa. Twin engines of data and mobile money, underpinned by strict cost controls have strengthened our competitive position during the year.

Economic Review

Global Review

Globally, 2017 witnessed strong growth across most advanced and emerging economies aided by rebound in investment and trade, accommodative government policies, improved confidence, favorable financing costs, rising profits, and improved business sentiments. Global growth is projected to be 3.1% during 2018.

Global goods trade volumes have gathered significant momentum since mid-2016, following two years of marked weakness. Momentum was sustained throughout 2017. The recovery in global trade is connected to a cyclical upturn in global manufacturing, which was encouraged by stronger capital spending. Services trade also recovered in 2017, albeit at a slower pace.

Growth in 2017 in advanced economies rebounded to more than 2%, driven by a pickup in capital spending, a turnaround in inventories, and strengthening external demand. In the US, economic data largely printed on a positive note, powering the Fed to raise rates in its last policy meeting by 25bps to 1.50-1.75%. The U.S. tax reform and associated fiscal stimulus are expected to raise U.S. growth going forward. Policy stimulus and strengthening global demand, along with private sector credit growth to respond to the simulative stance of European Central Bank led to markedly stronger than expected improvement in Euro Area. The unemployment rate reached its lowest level since 2009.

Growth in emerging markets rose to ~4.3% in 2017, reflecting firming activity in commodity exporters and continued growth in commodity importers. Most emerging markets benefitted from improvements in exports. East and South Asia accounted for nearly half of the global growth as both regions continued to develop at a rapid pace.

2018 will continue to be a year of broad based economic growth both in Developed and Developing Economies. With easing financial conditions and fiscal support, strong expansion is expected in the world economy.

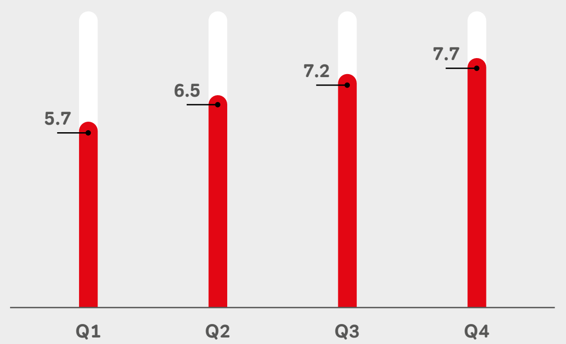
	Actual		Projections	
Global Growth Trend (%)	**2016**	**2017**	**2018**	**2019**
World Output	3.2	3.8	3.9	3.9
Advanced Economies	1.7	2.3	2.5	2.2
Emerging and Developing Economies	4.4	4.8	4.9	5.1
China	6.7	6.9	6.6	6.4
India	7.1	6.7	7.4	7.8
Sub-Saharan Africa	1.4	2.8	3.4	3.7

(Source: IMF April 2018)

Indian Economy

India's macroeconomic fundamentals remained strong throughout the year. India's growth story showcases improving growth dynamics and domestic consumption with supportive tailwinds from global growth and exports. India is expected to be the top three economic powers of the world in next 10-15 years. Going ahead strong private consumption project high growth rate in India.

Quarterly GDP Growth Rate for India FY 2017-18*
(in %)



(Source: CSO)

*GDP growth rates at constant (2011-12) prices

Economic scenario improved with investments in various sectors of the economy. Key events during the year were:

a) **Ratings Upgrade:** Moody's upgraded India's sovereign rating with a stable economic outlook. There was a progress in structural reforms.

b) **Implementation of GST:** GST will help reduce internal barriers to trade, increase efficiency and improve tax compliance.

c) **Bank recapitalization:** To encourage private participation thus boosting growth.

d) **Improved Ranking:** India jumped 30 places to include itself among top 100 companies under World Bank's Ease of Doing Business ranking.

India's Foreign Direct Investment inflows were bullish with maximum contribution from services, computer software and hardware, telecommunication, trading and automobiles. The Union Budget for 2018-19 focuses on uplifting the rural economy and strengthening the agricultural sector, healthcare and quality of education. Make in India initiative to boost the manufacturing sector, and to increase the purchasing power would boost domestic demand further. As per World Bank, private investments in India are expected to grow and overtake private consumption growth and thereby drive the growth in GDP. India is expected to achieve upper middle income status on the back of digitization, globalization and new economic reforms.

Africa Economy

Aided by strong global growth, higher commodity prices, and improved market access, sub-Saharan Africa is expected to grow by 3.4% during 2018 as compared to 2.8% a year ago. Better terms of trade contributed to narrowing of current account deficits in most resource intensive countries, but demand compression also played a role in few resulting in non-uniform growth across the region. Portfolio flows fueled stock markets, however they were restricted to economic hubs. Although growth impetus stems mainly from improved commodity prices, countries are making structural transformations as well.

The upward momentum in global economic growth is likely to be sustained, which will continue to create a supportive environment for commodity prices. The Balance of Payments problems that plagued many of the continent's commodity-exporting countries are mostly behind, partly due to recovering commodity prices and some bold policy measures taken in some countries. There are still signs of long-running structural deficiencies that would likely restrain the medium-term recovery path. But, overall, the outlook for growth in Africa is positive.

There are fundamentally positive dynamics which play in Africa's favour, including a growing labour force, increased urbanisation and advanced technology. Africa has the potential to emerge as one of the world's most productive and dynamic economies where the telecom sector continues to witness a revolution in the areas of data and mobile commerce.

Mobile has become a platform of choice for creating, distributing and consuming innovative digital solutions in Africa. This scenario is also leading to a tech start-up ecosystem in the region. Mobile devices are now the primary means through which about 80% of internet users in sub-Saharan Africa access the internet.

Megatrends that drive our business:

a) Convergence of payments via smartphones is driving financial inclusion. Demonetisation and cashless initiative has pushed the digital payments in India significantly. Telecom industry, with an expansive distribution network is best placed to capture this opportunity. According to a white paper by ACI Worldwide along with AGS Transact Technologies (AGSTTL), digital transactions in India could be worth USD 1 Tn annually by 2025, with four out of every five transactions being done digitally. The user base for digital transactions in India is currently close to 90 Mn, but could triple to 300 Mn by 2020 as new users from rural and semi-urban areas enter the market, the report said.

b) Sub-Saharan Africa is home to 338.4 Mn mobile money accounts which grew by 18.4% YoY. A steady uptick in active customers, transactions and direct revenue are expected to drive the digital transactions further.

c) Increased penetration of affordable devices, combined with cloud computing, analytics and rising consumer expectations is driving the rapid growth of the IOT market. The IOT market in India is poised to reach USD 15 Bn by 2020, accounting for nearly 5% of total global market. Telecom will play a critical role in providing connectivity and solutions in this market. Number of M2M connections in Africa is expected to reach 26 Mn by 2020.

d) Convergence of fixed and wireless technologies is becoming more tangible with improvements in handsets, increased data speed, and development of backhaul.

e) Indian smartphone market witnessed a 14% annual growth with a total shipment of 124 Mn units in 2017, expected to reach 500-600 Mn by 2020.

f) The number of internet users in India will reach 500 Mn by June 2018, rising by 11.34% from 481 Mn users in 2016. Users in urban India grew by 9.66% till December 2017 from December 2016, while users in rural India grew by 14.11% during the same period.

g) The penetration of high-speed mobile broadband in India continues to outpace industry expectations, driven by rapid adoption of low cost smartphones and lower data pricing. A divergent consumer base has led to consumption of video / entertainment in varied patterns (smaller durations and multiple times a day). The increasing usage of digital service will push the consumption through Over the top (OTT) platform in near future.

h) Smartphone connections in sub-Saharan Africa have doubled over the past two years to nearly 200 Mn, accounting for a quarter of mobile connections in 2016. Affordability of new devices and growing second-hand mobile devices market have led to increase in mobile data traffic.

i) By 2020, India is set to become the world's youngest country with 64% of its population in the working age group. This demographic potential will offer India an unprecedented edge with increase in mobile data penetration.

j) With digitization Phase III and IV, DTH operators are likely to benefit from a rising subscriber base and higher market penetration. Innovations in paid TV services, migration from SD to HD boxes have increased consumption of – smart TV's and HD services, offering more opportunities to service operators.

Industry overview

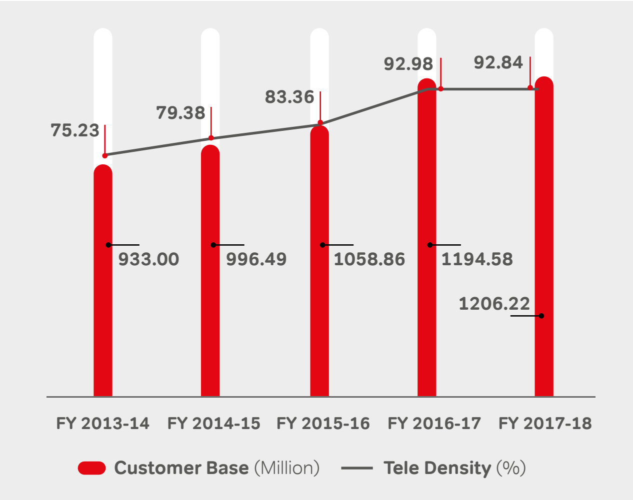
Indian Telecom Sector

India's total customer base stood at 1,206.22 Mn with tele-density of 92.84%, as on March 31, 2018. The year saw financial stress across the industry ultimately leading to hastening of the eventual consolidation in the industry. The year saw a host of operator shut downs and M&A announcements. This has fast tracked the customer consolidation and consequently the customer base has registered a muted growth of 1.0% in FY 2017-18 vis-à-vis 1,194.58 Mn last year and there has been a marginal decline in the tele-density from 92.98% last year.

The sector has witnessed a strong growth of internet users and remains to have world's second highest number of internet users. The wire-line customer base was at 22.81 Mn at the end of March 31, 2018 vis-à-vis 24.40 Mn at the end of March 31, 2017.

Among the service areas excluding metros, Himachal Pradesh has the highest tele-density (135.52%) followed by Tamil Nadu (134.11%), Punjab (123.30%), Kerala (121.61%), Gujarat (112.44%), Karnataka (109.01%), Jammu & Kashmir (108.63%) and Maharashtra (108.46%). Among the three metros, Delhi tops with 252.93% tele-density. On the other hand, the service areas, such as Bihar (63.12%), Madhya Pradesh (66.99%), Uttar Pradesh (71.21%) and Assam (74.63%) have comparatively low tele-density.

Tele Density: India



(Source: Telecom Regulatory Authority of India)

While the rural penetration improved during the year and touched 59.05% as on March 31, 2018 vis-à-vis 56.91% as on March 31, 2017, there is still a strong headroom for growth. With urban tele-density of over 160%, customer service and experience will be the key growth drivers in urban areas. With the government's favourable regulations and policies, the fast changing high-speed 4G ecosystem, India's telecommunication sector is expected to witness a continued surge in data consumption in the coming years.

The financial stress across the industry was further exacerbated by the explosion of voice and data traffic and the need to invest to sustain network capacities. The company continued to invest in capex to enhance data capabilities and better customer experience. It remains best placed to capture the ever growing data market.

African Telecom Sector

Fuelled by improved economic conditions, the African continent continues to present great opportunities in the telecom sector. The liberalization of the sector, the extension of services by multinational conglomerates and the active competition currently have all contributed to the continued expansion of the sector.

The currencies across the continent have remained comparatively stable versus the US dollar over the last 12 months (exit March 31 rates) except for CFA franc (which appreciated by 13%) and Nigeria where the company transitioned from 'administered' to 'market based' exchange rate during the year. In terms of the 12-month average rates, the revenue weighted Y-o-Y currency depreciation has been 3.5%, mainly caused by depreciation in Ugandan Shilling by 5% and Rwandan Franc by 7%.

A population of over a billion people and growing economic potential continue to offer opportunities for the African telecom sector. The company has witnessed robust growth across mobile data and digital economy offerings on the back of sustained customer focus, enhanced capex spends toward data capacities and expansion of its mobile money offering. With the smartphone prices coming down and increase in data adaptability, the African telecom market is at the cusp of its long term profitable growth story.

Development in Regulations

The year saw several regulatory changes and developments. The significant regulatory changes were:

India

- **Revision of Mobile Termination Charges (MTC):** In September, 2017 the sector regulator Telecom Regulatory Authority of India (TRAI) came out with final regulation on termination rates for the industry effective from October 1, 2017. The Mobile Termination charge has been reduced from ₹ 0.14 per min to ₹ 0.06 per min. The regulation also lays out a roadmap to phase out these charges completely w.e.f. January 1, 2020.
- **Revision in International call termination charges:** The sector regulator, Telecom Regulatory Authority of India (TRAI) has announced a reduction in International Termination Rate (ITR) from ₹ 0.53 per min to ₹ 0.30 per min w.e.f. February 1, 2018.
- **Implementation of the Goods and Services Tax (GST):** With the enactment of GST Act, 2017, various central and state taxes have been subsumed in a unified Goods & Services tax (GST) w.e.f. July 1, 2017. The GST rate for telecommunication and broadcast services has been fixed at 18%.
- **Re-verification of existing subscribers through Aadhar based e-KYC:** Pursuant to Hon'ble Supreme Court's order dated February 6, 2017 and the subsequent DoT direction dated March 23, 2017, licensees are required to re-verify all existing mobile subscribers (prepaid and postpaid) through Aadhar based E-KYC process. The last date for re-verification has been extended by DoT vide its direction dated March 21, 2018 till the matter is finally heard and the judgement is pronounced by the Hon'ble Supreme Court on its interim order passed on December 15, 2017.
- **Amendment in Unified License Agreement for deployment of Switches and other network elements:** DoT vide its direction dated June 23, 2017 has permitted Telecom Service Providers (TSPs) to deploy its equipment anywhere in India subject to the interconnection points

being located and operated in the respective service areas and meeting the security conditions as mentioned in the license.

> **Regulation on Quality of Service:** TRAI has released an amendment to the Quality of Service regulation w.e.f. October 1, 2017 and key highlights are as below:
  > Methodology for assessment of Drop Call Rate (DCR) has been revised from 'simple average' of call drop across all Base Transceiver Station (BTS) in a month to a 'percentile' based approach which better reflects area-to-area and day-to-day variations.
  > To ensure a technology agnostic performance measurement, the DCR assessment will be done across all technologies (GSM, WCDMA, CDMA, LTE etc.) as a whole.
  > Graded financial disincentives for failing to meet DCR benchmarks have been introduced. Disincentives range up to ₹ 5 lakhs per parameter in the first month.

> **Telecommunication Interconnection Regulations, 2018:** The regulation, effective from February 1, 2018, lays down rules for drafting network connectivity agreements along with norms for initial provisioning of such connectivity, augmentation of Points of Interconnect (PoI), applicable rates or charges, disconnection of ports, and financial disincentive on interconnection issues. The key features are:
  > Post receipt of a request for interconnection, service providers now have a defined time frame of 30 days to enter into a non-discriminatory agreement.
  > A financial disincentive, not exceeding rupees one lakh per day per licensed service area, has been introduced for violation of these regulations and timelines.

> **Regulation on Telecom Tariff Order:** Telecom Regulatory Authority of India (TRAI) notified the "Telecommunication Tariff (63rd amendment) Order, 2018" dated February 16, 2018. The key features are:
  > The term significant market power (SMP) has been defined. Any service provider holding a share of at least thirty percent of total activity (subscriber base or revenue) in a relevant market is now categorized as an SMP.
  > A SMP will be considered to be involved in predatory pricing if it provides services at a price which is below the average variable cost with intent to reduce competition or eliminate the competitors in the relevant market.
  > No service provider can discriminate its offerings between subscribers of the same class and such classification of the subscribers shall not be arbitrary.
  > In case of tariff being found to be predatory, the service provider shall be liable to pay an amount not exceeding fifty lakh rupees per tariff plan for each service area.
  > All segmented offers are required to be reported to TRAI and published on the operator's website as well.

  However, as per TDSAT Interim order dated April 24, 2018, the Hon'ble TDSAT has stayed the reporting requirement and definition of SMP as quoted in TTO 63rd Amendment.

Africa

> **Rwanda:** The Regulator has set a new glide path for Mobile Termination Revenue (MTR) effective from September 1, 2017. The current MTR rate of 20.7 FRW will change to 15 FRW till December 31, 2017, 10 FRW till December 31, 2018 and finally 5 FRW from January 1, 2019.

> **Malawi:**
  > A new Telecommunication Bill has made it mandatory for companies to have 20% local shareholding before August 1, 2018.
  > The Regulator has set a glide path for Mobile Termination Revenue (MTR) effective from January 1, 2018. The current MTR of USD 0.04 has changed to USD 0.02, will become USD 0.012 effective January 1, 2019 and finally USD 0.006 effective January 1, 2020.
  > The Reserve Bank has passed a law in June, 2017 which makes mobile money interoperability mandatory with an implementation timeline of six months.

> **Zambia:**
  > The Regulator has awarded fresh license to Uzi Zambia Limited making it the 4th mobile operator in the market.
  > The Zambian regulator has completed the process of migrating existing licences to a unified licence regime.

> **Tanzania:** The Regulator has set a new glide path for Mobile Termination Revenue (MTR). The current MTR of TZS 26.96 has been changed to TZS 15.60 effective from January 1, 2018. Thereafter the rates will steadily decline every year in January.

> **Uganda:** The regulator has set a new glide path for Mobile Termination Revenue (MTR). The current MTR of 112 UGX will change to UGX 65 effective from July 1, 2018. Thereafter the rates will steadily decline every year in July.

> **Madagascar:** The regulator in Madagascar has issued new Mobile Termination Revenue (MTR) determination terms. The current MTR of Ar 125 has been replaced with operator-wise terms.

SCOT analysis

Strengths

- Leadership: #1 telecom player in India and #2 operator in Africa. Market leadership (Rank 1 & 2) in 12 of 14 African countries.
- Scale: Largest Revenue and Subscriber Market Share in India.
- Distribution Platform: Large distribution platform enabling services like Mobile Money, OTT applications - Wynk Music and Airtel TV.
- QuadPlay: Only operator to leverage quad play Mobile, Fixed Voice, Broadband and DTH.
- Network: Only player with Pan India 4G/3G spectrum. Highest spectrum market share (~30%). Large deployments of Network Towers and Base Stations.

Opportunities

- Tele Density: Low teledensity in India and Africa. Unique users in India ~750 Mn (<60% penetration). 420 Mn unique users in Africa (<50% penetration).
- Data Usage Growth: Data explosion with the proliferation of affordable smartphones and Government of India's digital drive. Data usage exploding in Africa.
- Digital Payments: India's digital payments space is expected to grow the segment by about five-fold to USD 1 trillion by 2023. Underpenetrated banking opportunity in Africa.
- Content: Increased interest in digital content. Video consumption contributes to >70% of data consumption.
- Active Infra Sharing: Active infra sharing to lead to reduced expenditures.
- Other Non-Mobile Businesses: Low fixed broadband penetration in India (1.4 fixed broadband subscriptions per 100 inhabitants). Digitization phase 3 and 4 to uplift DTH homes. Large SMB's with low connectivity.
- Consolidation: Consolidation in the industry with exits of various telcos leading to better industry dynamics and higher/better market share.

Challenges

- Operations: Geographically varied presence, integrating operations across India, South Asia and Africa leveraging common platform.
- Customer Needs: Understanding evolving customer perceptions in fast-changing multi-cultural and multi-lingual environment.

Threats

- Competition: Decline in average revenue per user due to increasing competition.
- Regulatory: Political and Economic uncertainties across regions.
- Currency Exposures: Volatility in currencies due to global macro-economic uncertainties.

Financial review

Consolidated Figures

Particular	FY 2017-18		FY 2016-17	
	₹ Millions	USD Millions*	₹ Millions	USD Millions*
Gross revenue	8,36,879	12,986	9,54,683	14,214
EBITDA before exceptional items	3,04,479	4,725	3,56,206	5,304
Interest, Depreciation & Others before exceptional items	2,63,878	4,095	2,67,277	3,979
Profit before exceptional items and Tax	40,601	630	88,930	1,324
Profit before tax	32,670	507	77,233	1,150
Tax expense	10,835	168	34,819	518
Profit for the year	10,990	171	37,998	566
Earnings per share (In ₹ / USD)	2.75	0.04	9.51	0.14

*1 USD = ₹ 64.44 Exchange Rate for financial year ended March 31, 2018 (1 USD = ₹ 67.16 for financial year ended March 31, 2017).

Standalone Figures

Particular	FY 2017-18		FY 2016-17	
	₹ Millions	USD Millions*	₹ Millions	USD Millions*
Gross revenue	5,36,630	8,327	6,22,763	9,273
EBITDA before exceptional items	1,81,529	2,817	2,42,242	3,607
Interest, Depreciation & Others before exceptional items	1,82,300	2,829	1,54,629	2,302
Profit before exceptional items and Tax	(771)	(12)	87,613	1,304
Profit before tax	(6,812)	(106)	(85,095)	(1,267)
Tax expense	(7,604)	(118)	14,161	211
Profit for the year	792	12	(99,256)	(1,478)
Earnings per share (In ₹ / USD)	0.20	0.00	(24.84)	(0.37)

*1 USD = ₹ 64.44 Exchange Rate for financial year ended March 31, 2018 (1 USD = ₹ 67.16 for financial year ended March 31, 2017).

The Company's consolidated revenues stood at ₹ 836,879 Mn for the year ended March 31, 2018, as compared to ₹ 954,683 Mn in the previous year, decrease of 12.3% (decrease of 9.8% after normalising for impact of IUC rate cut in India, divested operating units of Africa / Bangladesh and acquisition of Tigo, Rwanda). The revenues for India and South Asia (₹ 644,217 Mn for the year ended March 31, 2018) represented a de-growth of 13.5% compared to that of previous year (de-growth of 11.6% after normalising for impact of IUC rate cut and impact of Bangladesh divestment). The revenues across 14 countries of Africa, in constant currency terms, grew by 4.9% (growth of 4.6% adjusting for the impact of divestment of tower assets and acquisition of Tigo, Rwanda).

The Company incurred operating expenditure (excluding access charges, cost of goods sold, license fees and CSR costs) of ₹ 358,888 Mn representing a decrease of 9.2% over the previous year. Consolidated EBITDA at ₹ 304,479 Mn decreased by 14.5% (decrease of 13.3% after normalising for impact of IUC rate cut in India, divested operating units of Africa / Bangladesh and acquisition of Tigo, Rwanda) over the previous year. The Company's EBITDA margin decreased during the year to 36.4% as compared to 37.3% in the previous year. Depreciation and amortization costs for the year were lower by 2.7% to ₹ 192,430 Mn. Consequently, EBIT for the year at ₹ 110,845 Mn decreased by 29.3% (decrease of 31.1% after normalising for impact of IUC in India and impact of divestments) resulting in margin of

13.2% vis-à-vis 16.4% in the previous year. The cash profits from operations (before derivative and exchange fluctuations) for year ended March 31, 2018 was ₹ 227,169 Mn vis-à-vis ₹ 283,666 Mn in the previous year.

Net finance costs at ₹ 80,712 Mn were higher by ₹ 3,737 Mn, compared to previous year, mainly due to lower investment income by ₹ 3,488 Mn (FY 2017-18 – ₹ 5,117 Mn, FY 2016-17 – ₹ 8,606 Mn). The increase on account of spectrum related debt in India was partially off-set by lower forex losses in current year compared to previous year. Consequently, the consolidated profit before taxes and exceptional items at ₹ 40,601 Mn compared to ₹ 88,930 Mn for the previous year.

The consolidated income tax expense (before the impact on exceptional items) for the full year ending March 31, 2018 was ₹ 14,918 Mn, compared to ₹ 44,230 Mn for the previous year. The decline is primarily led by drop in profits in India. After adjusting for certain losses where no DTA was created, the underlying effective tax rate in India for the year ended March 31, 2018 was at 26.5% vs 29.4% in the previous year. The tax charge in Africa for the full year (excluding divested units) was at USD 159 Mn vs USD 148 Mn in the previous year on account of change in profit mix of the countries.

Net income before exceptional items for the full year came in at ₹ 13,960 Mn as compared to ₹ 38,134 Mn in the previous year. Exceptional items during the year accounted for net impact of ₹ 2,970 Mn. These included impact of gains / losses on divestment of subsidiaries, translation impact in Nigeria due to transition to market based exchange rate, litigation related assessments, operating costs on network re-farming & upgradation programmes and assessment of tax provisions. After accounting for exceptional items, the resultant consolidated net income for the year ended March 31, 2018 came in at ₹ 10,990 Mn as compared to ₹ 37,998 Mn in the previous year.

The capital expenditure for the full year was ₹ 268,176 Mn (USD 4.2 Bn) as compared to ₹ 198,745 Mn in the previous year (an increase of 34.9%). Consolidated operating free cash flow for the year was at ₹ 36,303 Mn as compared to ₹ 157,461 Mn in previous year. Higher investments and continued pricing pressure in India has resulted in decline of Return on Capital Employed (ROCE) to 4.6% from 6.5% in the previous year.

Liquidity and funding

As on March 31, 2018, the Company had cash and cash equivalents of ₹ 47,886 Mn and short-term investments of ₹ 68,978 Mn. During the year ended March 31, 2018, the Company generated operating free cash flow of ₹ 36,303 Mn. The Company's consolidated net debt as on March 31, 2018 increased by USD 517 Mn to USD 14,611 Mn as compared to USD 14,094 Mn last year, mainly on account of increased capital expenditure. The Net Debt - EBITDA ratio (USD terms LTM) as on March 31, 2018 stood at 3.13 times as compared to 2.63 times in the previous year, mainly on account of increased borrowings and reduced EBITDA. The Net Debt-Equity ratio stood at 1.37 times as on March 31, 2018, compared to 1.35 times in the previous year.

During the year, the Company undertook several initiatives to meet its liquidity and funding requirements. The Company completed the secondary sale of its subsidiary Bharti Infratel Limited ("Bharti Infratel") to global fund managers and global tower company investors for a consideration of approx ₹ 25,700 Mn and ₹ 33,250 Mn in Q2'18 and Q3'18 respectively, thereby reducing it's equity stake to 53.51% in Bharti Infratel. These proceeds were primarily used by the Company to reduce its debt. The Company also made its maiden unsecured listed NCD issuance of ₹ 30,000 Mn in Q4'18. The Company continues to maintain its credit ratings and has access to both domestic and international debt capital markets.

Awards and Recognition

> Airtel has won the **'Aon Best Employer India 2017'** award for its innovative people practices and achieving high levels of employer brand, employee engagement and well established people practices.

> Airtel won the **TM Forum's Excellence Award 2017** in the 'Smart Service Provider – Business of the Year' category for accelerating digital transformation in India. TM Forum is a global non-profit industry association for service providers and their suppliers within the telecommunications industry.

> Airtel has won the prestigious **'Golden Peacock Award for Corporate Sustainability – 2017'**. The award assesses the responsiveness of organizational strategy to the needs of different stakeholders, integration of sustainable development issues with corporate functioning and development of innovative partnership models to fulfill social responsibility.

> Airtel is one of the only 3 companies from India to be ranked amongst the **Forbes list of 100 most Innovative Companies in the world** for 2017.

> Airtel won the **'Best Brand Loyalty Marketing Campaign'** and **'Best CSR Initiative Award'** at the Asian Customer Engagement Forum (ACEF) awards. The Forum honors campaigns that display the highest proficiency and creativity in fields of integrated marketing and customer engagement.

> Airtel has been rated as the **fastest mobile network in India** by the global leader in internet speed tests - Ookla for third time in a row.

> Airtel has been ranked as the **'Best Company to Work For'** within the telecom sector and amongst the top 10 across sectors in India by **Business Today** – **PeopleStrong Survey, 2017.**

Segment-wise Performance

B2C services

Mobile Services: India

Overview

The year saw a number of impactful regulatory developments and heightened financial stress across the industry. The year began with the implementation of customer verification norms through the Aadhar based e-KYC. This ushered in a paper less and digital activation process which led to improvement in the customer on boarding experience. Goods and Services Tax (GST) was made effective July 1, 2017 and the indirect tax on telecommunication and broadcasting services was fixed at 18%. The sector regulator, Telecom Regulatory Authority of India (TRAI) came out with regulations on the interconnect termination rates. The domestic mobile termination charge (MTC) was reduced from ₹ 0.14 per min to ₹ 0.06 per min effective October 1, 2017 and the international MTC rate was reduced from ₹ 0.53 per min to 0.30 per min effective February 1, 2018. These rate cuts have led to further decline in industry ARPU.

Low priced bundle products with unlimited voice calling benefits and large data download became the norm and consequently, voice and data traffic saw unprecedented levels of growth. The financial stress across the industry ultimately led to the hastening of the eventual consolidation in the industry. The year saw a host of operator shut downs and M&A announcements.

The financial stress across the industry was further exacerbated by the explosion of voice and data traffic, and the need to invest to sustain network capacities. Airtel entered into several M&A transactions to harness operational synergies and scale benefits from consolidation. During the year, the acquisition of Telenor India has also been approved by the Department of Telecommunications (DoT). The company also completed the acquisition of Tikona Digital Networks. The company also entered into agreements with Tata Teleservices Ltd. (TTSL) and Tata Teleservices (Maharashtra) Ltd. (TTML) to merge their Consumer Mobile Business (CMB). The deal is currently under regulatory approvals. The above acquisitions have further strengthened the company's spectrum portfolio and are in line with company's commitment to provide the best network and customer experience.

The company crossed the milestone of 300 Mn customers in India; the latest 100 Mn customers have joined the Airtel family in less than 2 years. As on March 31, 2018, the Company had 304.2 Mn GSM customers. During the year, total minutes on network increased by 45.3% to 1,946.3 Bn. The churn decreased to 3.5% for the current year, compared to 3.7% during the previous year. The Company had 86.1 Mn data customers at the end of March 31, 2018, of which 76.6 Mn were mobile broadband customers. The total MBs on the network for the full year has increased by 432.2% to 3,901.8 Bn MBs. The company has also expanded its reach within the digital space. Wynk music remains the number 1 music app in the country and Airtel TV is now ranked number 3 amongst comparable video OTT apps. It offers more than 350 live channels, 8000+ movies and is available in 14 languages.

During the year, revenues decreased by 18.2% to ₹ 462,639 Mn as compared to ₹ 565,511 Mn in the previous year. The segment witnessed decline in the EBITDA margin to 32.6% during the year, compared to 40.3% in the last year. EBIT margin for the year declined to 4.5%, compared to 18.7% in the last year.

In line with its commitment to provide best network & customer experience to its customers, the company launched a number of innovative offerings to maintain differentiation in a highly competitive market. There were a number of 'industry firsts' through the year such as:

> 'Data rollover': Allows the un-used data of a customer to be carried forward into the next billing cycle;

> 'Project Next': A digital innovation program aimed at transforming customer experience across all of its services and touch points;

> *121#: A digital care platform in 10+ regional languages;

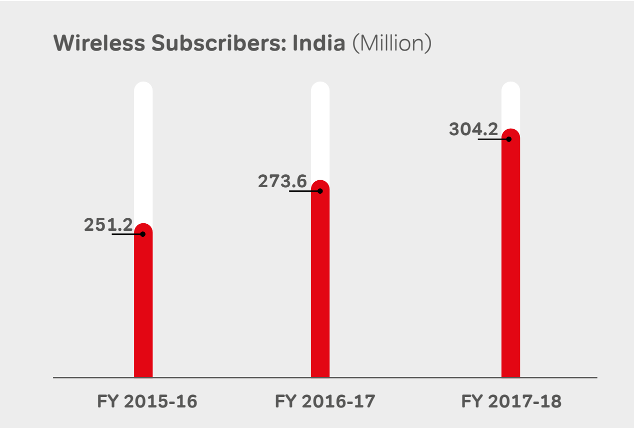
> A digital platform dedicated for B2B customers.

These innovations increased Airtel's innovation premium and made it feature on the Prestigious Forbes' list of 100 most innovative companies in the world for 2017 - one of the only 3 Indian companies to feature on the same.

The company expanded its "project leap" initiative announced last year and continued to invest in building data capabilities and provide a world class network to customers who are on a journey of digital transformation. The capex investment, its highest ever, were almost entirely targeted to this end. These investments resulted in the company being named as the 'fastest mobile network in India' by the global leader in internet speed test – Ookla for three consecutive times in a row.

The Company had 165,748 network towers, compared to 162,046 network towers in the last year. Mobile broadband (MBB) base stations were at 298,014 the end of the year, compared to 190,860 at the end of last year.

Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	4,62,639	5,65,511	-18%
EBIT	20,829	1,05,484	-80%



Key Highlights

Strategic Alliances & Partnerships: Airtel entered into a host of partnerships with the aim to provide a differentiated customer experience

> Airtel has partnered with Amazon to launch a first-of-its-kind offer for its postpaid customers. Existing and new postpaid customers with an Airtel Infinity Plan of ₹ 499 or above can now get a one year membership of Amazon Prime, worth ₹ 999 at no additional cost. Airtel also partnered with Amazon for Amazon's Fire TV Stick with Voice Remote, which was launched in India. Customers purchasing Amazon Fire TV will get free 100 GB high speed data via Airtel Broadband/Airtel 4G Home Wi-Fi.

> Airtel and Ola (ANI Technologies Pvt. Ltd.) have entered into a partnership that enables a seamless digital experience for customers. Airtel Payments Bank will be integrated with the Ola app to offer payment solutions to Ola's consumers. Ola's digital wallet will be integrated with Airtel to enable payments for mobile, broadband and direct-to-home bills through Ola Money.

> Airtel announced a partnership with Facebook to deploy 20,000 hotspots across India, allowing Express Wi-Fi to reach millions of Indians and provide super-fast and affordable connectivity.

> Airtel has joined hands with Hotstar and ALT Balaji to bring their popular original shows and movies onto the Airtel TV App.

> Airtel announced a strategic partnership with SK Telecom, Korea's largest telecommunications company to leverage the latter's expertise to build the most advanced telecom network in India.

> Airtel launched 'Mera Pehla Smartphone' initiative wherein Airtel and Karbonn Mobiles have announced a partnership to bring an affordable 4G Smartphone to the market. The Android based 4G smartphone comes with full touch screen experience, dual SIM slots and access to all popular apps like YouTube, WhatsApp and Facebook. Airtel further extended a number of partnerships with Google, HMD Global, Motorola, Lava Celkon, Intex, Samsung and Itel to bring highly affordable 'bundled' 4G smartphone options to the market.

> Airtel has partnered with OneWeb, Airbus, Delta and Sprint in a global 'Seamless Alliance' to leverage satellite technology and bring uninterrupted In-Flight connectivity to mobile users.

> Airtel Payments Bank entered into a strategic partnership with Hindustan Petroleum Corporation Limited (HPCL), and enabled all 14,000 HPCL fuel stations across the country to also act as its banking points. Airtel Payments Bank customers will also be able to make secure and convenient digital payments for fuel purchases at all these stations.

Mergers & Acquisitions: Airtel entered into several M&A transactions to harness operational synergies & scale benefits from consolidations.

> Airtel's proposed merger with the Indian unit of Norway's Telenor has been approved by DoT. The Department of Telecommunications has transferred all licenses belonging to the Indian unit of Norway's Telenor, along with its liabilities to Airtel. The transaction will boost the Airtel's 4G spectrum holdings, fortify its network capacity and augment its revenue. The Telenor India acquisition consolidates Airtel's market leadership, further strengthens its network portfolio in key markets and will add to shareholder value.

> Airtel's proposed merger with the consumer business unit of Tata Teleservices (Maharashtra) Ltd. (TTML) and Tata Teleservices Ltd. (TTSL) is under regulatory approvals. Securities and Exchange Board of India (SEBI) has given approval for the TTML merger.

> Airtel has completed the proposed acquisition of shares of Tikona Digital Networks. With the said acquisition, Tikona has become a wholly owned subsidiary of Airtel. Merger is subject to other statutory approvals.

> Airtel (through the subsidiary Company) acquired a strategic stake in Juggernaut Books ('Juggernaut'), a popular digital platform to discover and read high quality, affordable books and to submit amateur writing. This synergizes with Airtel's endeavor to build an open content ecosystem and bring world class digital content to customers.

Successful Divestment/Funding: Airtel (through the subsidiary company) offloaded ₹ 58,950 Mn stake in Bharti Infratel primarily to pare debt & issued ₹ 30,000 Mn worth NCDs to refinance existing debt.

> Bharti Airtel Limited via its wholly owned subsidiary, Nettle Infrastructure Investments Limited, divested 150 Mn shares of its subsidiary Bharti Infratel Limited through secondary share sale in the stock market for a consideration of over ₹ 58,950 Mn.

> Airtel has issued non-convertible debentures worth up to ₹ 30,000 Mn on a private placement basis. The proceeds of the issue will be used for routine treasury activities such as refinancing of existing debt and spectrum liabilities etc.

Network Expansion & Transformation: Airtel took several initiatives to remain lean & Agile and provide a world class network to customers who are on a journey of digital transformation.

> Airtel has signed an agreement with the Department of Telecom (DoT) and the Universal Service Obligation Fund (USOF) in December 2017 for provision of mobile services in identified uncovered villages and national highways in the North Eastern States of Assam, Manipur, Mizoram, Nagaland, Sikkim, Tripura and Arunachal Pradesh. Under the agreement, Airtel will set up over 2,000 mobile towers in more than 2,100 villages over the next 18 months.

> Airtel announced the launch of India's first Telecom Infra Project (TIP) Community Lab. Airtel is among the early members of TIP – a global initiative founded by Facebook, Deutsche Telekom, Intel, Nokia and SK Telecom to create a new approach for building and deploying telecom network infrastructure.

> In an Industry first, Airtel announced the deployment of Massive Multiple-Input Multiple-Output (MIMO) in partnership with Huawei Telecommunication India. Part of Airtel's ongoing network transformation program, Project Leap, this technology will expand existing network capacity and enhance user experience. The first round of deployment has started in Bangalore and Kolkata.

> Airtel launched its VoLTE services in Mumbai, Madhya Pradesh, Andhra Pradesh, Gujarat, Karnataka, Chennai, Maharashtra, Goa and Chhattisgarh. Customers can now enjoy HD quality voice calls and call any mobile, landline network using Airtel VoLTE, which works over 4G.

> Airtel conducted India's first 5G network trial in partnership with Huawei.

Digital Innovations & Customer Delight: Airtel continued its journey of digital innovations to empower the increasingly demanding customers & to maintain differentiation in a highly competitive market.

> Airtel has crossed the 300 mn mobile customer mark in India during the quarter ending March 31, 2018.

> Airtel launched 'Project Next' – a digital innovation program aimed at transforming customer experience across all of its services and touch points. This will entail an investment of upto ₹ 2,000 crores over the next three years to launch several exciting digital innovations to bring a step change in the simplicity and interactivity of the Airtel customer experience. As part of the project, Airtel has launched its first set of digital innovations which include:

> > Next-Gen Airtel Stores which are minimalistic by design to provide a highly interactive customer experience including a digital screen, touch screen table top and entertainment hubs. The first two such stores are operational in Gurgaon, Haryana.

> > New version of the MyAirtel App to enable real time customer experience. With the new version, bill plan change, notifications, self-care and many other services will be enabled with the click of a button.

> > Airtel's postpaid promise (www.airtel.in/postpaid promise) which will get seamlessly delivered through the MyAirtel App. As part of the same, Airtel has introduced 'data roll-over' feature which allows customers to roll over unused data quota to the next billing cycle. To protect customer smartphones against accidental / liquid damage and malwares, Airtel has launched – 'Airtel Secure' a one of its kind solution for smartphones up to two years old.

> Airtel launched its Online Store to bring a range of premium devices at affordable down payments and bundled monthly plans. In a first of its kind digital store, Airtel has introduced the iPhone 7 at just ₹ 7,777.

> In an Industry first, Airtel launched its *121# digital care platform for prepaid customers in Hindi and 10 more regional languages - Punjabi, Marathi, Gujarati, Tamil, Telugu, Malayalam, Kannada, Bangla, Oriya and Assamese. This platform allows Airtel's prepaid customers to get seamless access to a host of information such as balance amount, details of last few transactions as well as ongoing offers without requiring to speak to a customer care executive.

> In an industry first, Airtel Payments Bank launched UPI enabled digital payments which allows for secure digital payments to online / offline merchants and instant money transfers to any bank account in India over smartphones.

Corporate Social Responsibility: Airtel implemented a host of sustainability initiatives across the organization and remains fully committed to keep building upon it.

> Airtel released the latest edition of its India Sustainability Report. Airtel's India Sustainability Report 2017 outlines its impact across all stakeholders. Airtel reported over 81% reduction in CO_2 emissions per TB in network infrastructure over the last five years and committed to reduce carbon footprint by 70% by 2020.

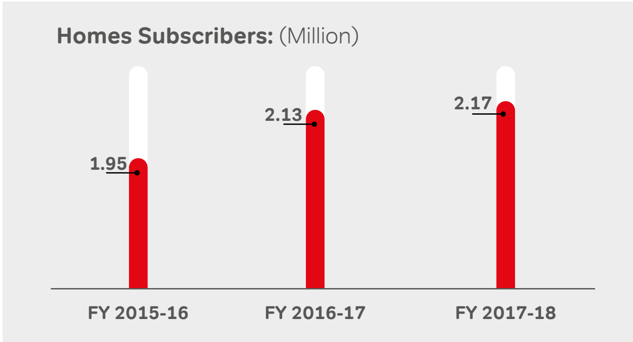
Homes Services

Overview

The Company provides fixed-line telephone and broadband (DSL) services for homes in 89 cities across India. The company expanded 'V-Fiber' technology for its Homes customers after it became the first operator to deploy Vectorization in India; this technology enables the customers to experience internet speeds of up to 100 Mbps. The Homes business had 2.2 Mn customers as on March 31, 2018, representing a growth of 2.0% as compared to 2.1 Mn at the end of previous year. DSL customers now represent 94% of the total Homes customers as compared to 92.3% in the previous year.

Revenues from Homes services stood at ₹ 25,265 Mn for the year ended March 31, 2018, as compared to ₹ 27,518 Mn in the previous year, decrease of 8.2%. EBITDA margin has been slightly decreased during the year to 46.7% as compared to 47.2% in the previous year. During the year data traffic increased by 55.6% to 1,340.8 Bn MBs.

Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	25,265	27,518	-8%
EBIT	4,717	6,868	-31%



Key Highlights

Unrivalled Customer Experience

> Airtel introduced an all new superfast Home broadband plan with speed of up to 300 Mbps over Wi-Fi with free subscription to Airtel's OTT apps - Wynk Music and Airtel TV.

> Further enhancing its value proposition for customers, Airtel introduced 'Data Rollover' feature for its home broadband customers enabling them to carry forward unused monthly data to the next billing cycle. Customers can now accumulate up to 1,000 GB data and easily track their usage and balance data on the My Airtel App.

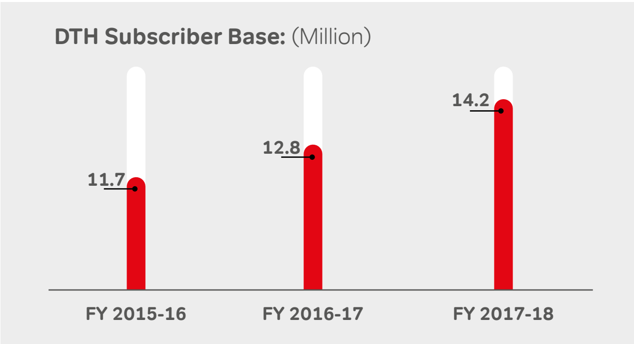
Digital TV Services

Overview

The company served a customer base of 14.2 Mn on its Direct-to-Home platform (Airtel digital TV), as on March 31, 2018, adding 1.4 Mn customers during the year.

The company currently offers both standard and high definition (HD) digital TV services with 3D capabilities and Dolby surround sound. The company currently offer a total of 649 channels including 75 HD channels, 5 international channels and 4 interactive services. Revenues for the year stood at ₹ 37,570 Mn for the year ended March 31, 2018, as compared to ₹ 34,306 Mn in the previous year, increase of 9.5%. Affordability of HD set-top boxes, demand for HD channels and upselling efforts led to ARPU flat at ₹ 231. Operating free cash flow on full year basis at ₹ 3,949 Mn compared to cash flow of ₹ 3,611 Mn during the previous year.

Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	37,570	34,306	10%
EBIT	5,306	3,577	48%



Key Highlights

Divestment: Airtel beefs up its war chests to fight competition.

> Bharti Airtel announced that an 'affiliate' of Warbug Pincus will acquire an equity stake of up to 20% in Bharti Telemedia Limited – its DTH arm. The transaction is subject to regulatory and statutory approvals. After this transaction, Airtel will own 80% equity stake in Bharti Telemedia Limited.

Awards

> Airtel's Internet TV – India's first 4K hybrid set-top box, powered by Android TV, has won the '**Tech Peripheral of the Year**' award at the NEXA NDTV Gadget Guru Awards.

B2B Services

Airtel Business

Overview

Airtel Business is India's leading and most trusted ICT services provider. Its diverse portfolio of services includes voice, data, video, network integration, data centre, managed services, enterprise mobility applications and digital media. Airtel Business consistently delivers cutting-edge integrated solutions, superior customer service and unmatched depth / reach to global markets, to enterprises, governments, carriers, and small and medium businesses.

Revenues in this segment comprises of: a) Enterprise & Corporates Fixed Line, Data and Voice businesses; and b) Global Business which includes wholesale voice and data. Revenue as per point a) above, together with Enterprise Mobile revenues (included in India Mobile) is at ₹ 95,894 Mn in this year, this is now 15.0% of the total India revenues.

Global Business, the international arm of Airtel Business, offers an integrated suite of global and local connectivity solutions, spanning voice and data to the carriers, Telcos, OTTs, large multinationals and content owners globally.

Airtel's international infrastructure includes the ownership of i2i submarine cable system, connecting Chennai to Singapore and consortium ownership of submarine cable systems like South East Asia - Middle east - Western Europe - 4 (SWM4), Asia America Gateway (AAG), India - Middle East - Western Europe (IMEWE), Unity, Europe India Gateway (EIG) and East Africa Submarine System (EASSy). Along with these seven owned subsea cables, Airtel Business has a capacity on 22 other cables across various geographies.

Its global network runs across 250,000 Rkms with over 1200 customers, covering 50 countries and five continents and 65 Global PoPs (Point of presence). This is further interconnected to its domestic network in India and direct terrestrial cables to SAARC countries, Myanmar and China helping accelerate India's emergence as a preferred transit hub.

Leveraging the direct presence of Airtel Mobile operations in 16 countries across Asia and Africa, Global Business also offers mobile solutions (ITFS, signalling hubs, messaging), along with managed services and SatCom solutions. Global business is also providing advanced consumers solutions like IOT to global customers.

Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	1,13,218	1,09,429	3%
EBIT	31,044	22,737	37%

Key Highlights

Digital Transformation & Expansion

> Airtel rolled out a first-of-its-kind dedicated digital platform for B2B customers (including SMEs and startups) to serve their growing connectivity, communication and collaboration requirements. With Airtel's new digital platform on www.airtel.in/business/businessinternet small businesses can buy new communication and collaboration products to enable faster time to market and enhance ease of doing business.

> Airtel has acquired the Indian leg of Gulf Bridge International (GBI) India - Middle East - Europe submarine cable with an aim to consolidate its global network leadership and serve the exploding data demand in emerging markets like India, Gulf and Africa.

Strategic Alliances

> Airtel entered into a strategic alliance with Symantec Corp. to serve the growing cyber security requirements of businesses in India, providing protection and prevention of online threats. As part of the agreement, Airtel will be the exclusive Cyber Security Services partner for Symantec in India, and will distribute Symantec's enterprise security software.

Awards

> Airtel Global Business won the '**Best Wholesale Carrier (Global) Award**' at the Carriers World Awards' 2017 held in London, UK.

Passive tower infrastructure

Overview

A subsidiary of the Company, Bharti Infratel Ltd. (Infratel), is India's leading provider of tower and related infrastructure and it deploys, owns & manages telecom towers and communication structures, for various mobile operators. It holds 42% equity interest in Indus towers, a joint venture with Vodafone India and Aditya Birla Telecom who hold 42% and 16% respectively. The Company's consolidated portfolio of 91,451 telecom towers, which includes 39,523 of its own towers and the balance from its 42% equity interest in Indus Towers, makes it one of the largest tower infrastructure providers in the country with presence in all 22 telecom circles. The company has been the industry pioneer in adopting green energy initiatives for its operations. Infratel is listed on the Indian stock exchanges, NSE and BSE.

Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	66,284	60,829	9%
EBIT	20,452	17,246	19%

Africa

Overview

Airtel recorded a first full year of profits for its African operations which was a result of a healthy double digit revenue growth, strong cost control through its 'war on waste' program and asset monetisation. Airtel is now one of the top operators in Africa; it holds No.1 position in Zambia, Niger, Madagascar and Malawi and No.2 position in 7 OpCos including Nigeria & Uganda in terms of revenue market share. During the year, Airtel Africa B.V. entered into a Joint Venture with MIC Africa B.V. for its Ghana operations. With this, the company now operates in 14 countries on a standalone basis. Consequently, the financial numbers of Africa have been reinstated to exclude Ghana financials for the period before sale. The transaction for the acquisition of Tigo operations in Rwanda has also been closed effective January 31, 2018 and results for the year also include Tigo for 59 days. The comparable growths have been mentioned as 'Organic' below.

Owing to the underlying economic changes in Nigeria, the company has transitioned from 'administered' to 'market based' exchange rate during the year. The currencies across the continent have remained comparatively stable versus the US dollar over the last 12 months (exit March 31 rates) except for CFA (which appreciated by 13%). In terms of the 12-month average rates, the revenue weighted Y-o-Y currency depreciation has been 3.5%, mainly caused by depreciation in Ugandan Shilling by 5% and Rwandan Franc by 7%. To enable comparison on an underlying basis, all financials up to PBT and all operating metrics mentioned below are in constant currency rates as on March 1, 2017 and are adjusted for divestment of operating units for all the periods i.e. the comparison till PBT has been given below for 14 countries. PBT as mentioned below excludes any realized/ unrealized derivatives and exchange gain or loss for the period.

As on March 31, 2018, the Company had 89.3 Mn customers in Africa across 14 countries as compared to 76.7 Mn customers in previous year, an increase of 16.3%. Its continuous focus on acquiring quality customers has resulted in lower customer churn for the year at 4.4% as compared to 4.9% in the previous year. The total minutes on the network during the year increased by 18.5% to 159.5 Bn. At the end of the year, 24.9 Mn data customers accounted for 27.9% of the total customer base as compared to 22% in the previous year. The total MBs on the network has significantly increased by 89.9% to 237.6 Bn MBs from 125.1 Bn MBs in previous year with usage per customer increasing from 657 MBs to 954 MBs. Overall ARPU in Africa marginally declined from USD 3.25 to USD 3.14. Total sites in Africa as on March 31, 2018 were 19,731 of which 13,725 were 3G sites, representing 69.6% of the total sites.

Airtel Africa revenues grew by 4.9% (organic growth of 4.6%) to USD 3,036 Mn as compared to USD 2,894 Mn in the previous year. The company's continued focus on running the operations efficiently and cost effectively has resulted in EBITDA of USD 1,014 Mn for the year as compared to USD 694 Mn in the previous year, increase of 46.2% (organic growth of 46.0%). Consequently EBITDA margin improved significantly by 9.4% to 33.4% compared to 24.0% in the previous year. EBIT for the year was at USD 551 Mn as compared to USD 136 Mn in the previous year. PBT for the full year was at USD 425 Mn as compared to USD 8 Mn in the previous year. After accounting for full year capex of USD 421 Mn (PY: USD 412 Mn), operating free cash flow was USD 593 Mn as compared to USD 282 Mn in the previous year.

In ₹ Reported Currency

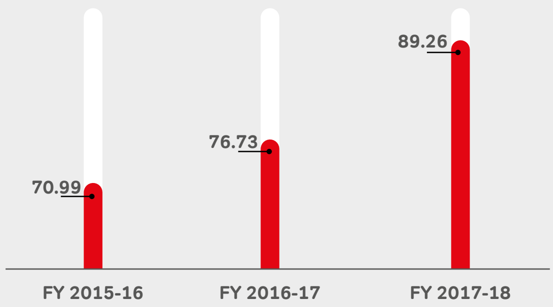
Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	2,01,564	2,19,568	-8%
EBIT	35,586	10,189	249%

In USD Constant Currency – 14 Countries

Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	3,036	2,894	5%
EBIT	551	136	306%

Note: During the current financial year, Bharti Airtel Limited divested 1 operating unit in Africa. Accordingly, the above table has been shown for remaining 14 countries only.

Wireless Subscribers: Africa (Million)



across 14 Countries

Key Highlights

Mergers, Acquisitions & Joint Ventures

> Tigo acquisition in Rwanda has been approved by the Rwanda Utilities Regulatory Authority (RURA). Accordingly the financials have been consolidated in Africa performance effective January 31, 2018. The business integration is underway across functions to ensure smooth customer experience and seamless operations management.

> The transaction between Airtel and Millicom International Cellular to combine their telecommunication operations in Ghana has been consummated.

Network Transformation

> Airtel continues to expand its mobile broadband network in Africa by adding 3,391 broadband base stations during the quarter – the highest ever in a single quarter. The quarter saw roll-out of 4G services in 4 countries. Airtel now provides high speed 4G connectivity in 8 countries across the continent.

Digital Innovation

> Airtel Kenya and Safaricom Kenya have launched mobile money interoperability on April 10, 2018. The customers of the two operators are now able to seamlessly transfer or receive money across networks for no extra charge.

Awards & Recognition

> Airtel Nigeria won the **2017 Most Outstanding Customer-centric Telecom Brand Award** at the National Marketing Stakeholders Summit and Brands & Advertising Excellence Awards.

> Airtel Nigeria adjudged as the **Best Company in Recruitment Strategy** during the HR People Magazine Awards in Lagos.

> Airtel Nigeria won the '**Service Excellence in Telecommunication Award'** at the 2017 Commerce & Industry Awards organized by the Lagos Chamber of Commerce and Industry.

> Airtel Nigeria won the **'Payment Innovation Award'** at an award ceremony organized by Interswitch, Africa's leading transaction switching and processing services company. The award recognizes Airtel's transformative use of mobile financial solutions to solve real world customer problems.

> Airtel Ghana won the **'Best Corporate Social Responsibility Initiative Award'** at the 2017 African Carrier Awards. The award recognizes Airtel Ghana's educational initiatives like the School Adoption Programme.

> Airtel Kenya won **the Humanitarian / Corporate Award 2017**, at the Red Cross Volunteer Awards in Nairobi, Kenya. The awards are held in recognition of exemplary service and contribution to Red Cross work of alleviating human suffering.

> Airtel Seychelles won the **'CSR Company of the year'** at the business awards organized by Seychelles Chambers of Commerce and Industry.

> Airtel Nigeria, won the prestigious **'Pitcher Advertiser of the Year Award'** at the creativity week in recognition of its creativity and bold attempts to create fresh and inspiring campaigns.

> The Regulatory Authority for Electronic Communications and Posts (RAECP) awarded Airtel Chad for its **Best quality of network calls and Internet services** in Chad.

South Asia

Overview

The financial numbers of South Asia as mentioned below are not comparable as the previous year includes demerged Bangladesh results for part of the year. Also on account of changes in the MTC rates (Domestic and International) the current figures includes a portion of old rates as well.

Full year revenue of South Asia was at ₹ 4,045 Mn as compared to ₹ 11,743 Mn in the previous year. EBITDA for the year was at ₹ 8 Mn as compared to ₹ 238 Mn in the previous year. EBIT losses for the year reported at ₹ 1,268 Mn as compared to loss of ₹ 4,018 Mn in the previous year. Capex for the year was ₹ 1,235 Mn as compared to ₹ 1,830 Mn in the previous year.

Particulars	FY 2017-18	FY 2016-17	Y-O-Y Growth
	₹ Millions	₹ Millions	%
Gross Revenues	4,045	11,743	-66%
EBIT	(1,268)	(4,018)	68%

Share of Associates / Joint Ventures

A) Robi Axiata Limited

Robi Axiata Limited is a joint venture between Axiata Group Berhad of Malaysia, Bharti Airtel Limited of India and NTT Docomo Inc. of Japan. Axiata holds 68.7% controlling stake in the entity, Bharti Airtel holds 25% while the remaining 6.3% is held by NTT Docomo.

Robi Axiata Limited is the second largest mobile phone operator of Bangladesh and the first operator to introduce GPRS and 3.5G services in the country.

Key operational and financial performance

Particulars	Unit	Quarter ended			
		Mar-18	Dec-17	Sep-17	Jun-17
Operational Performance					
Customer Base	000's	45,609	42,908	41,211	39,570
Data Customer as % of Customer Base	%	57.8	56.6	57.7	56.1
ARPU	BDT	118	123	131	132
Financial Highlights (proportionate share of Airtel)					
Total Revenues	₹ Mn	3,153	3,605	3,466	3,310
EBIDTA	₹ Mn	679	724	770	526
EBIDTA / Total Revenues	%	21.5	20.1	22.2	15.9
Net Income	₹ Mn	(200)	(261)	(93)	135

Mar-18 financials are as per IFRS 15.

B) Bharti Airtel Ghana Limited

Bharti Airtel Ghana Limited is a joint venture between Bharti Airtel Africa B.V. and MIC Africa B.V. Both the entities effectively hold 49.95% share each in the merged entity.

Key operational and financial performance

Particulars	Unit	Quarter ended	
		Mar-18	Dec-17
Operational Performance			
Customer Base	000's	6,113	6,306
Data Customer as % of Customer Base	%	58.2	57.6
ARPU	BDT	13.2	13.1
Financial Highlights (proportionate share of Airtel)			
Total Revenues	₹ Mn	1,767	1,839
EBIDTA	₹ Mn	262	291
EBIDTA / Total Revenues	%	14.8	15.8
Net Income	₹ Mn	(241)	(373)

Risk & Mitigation Framework

Bharti Airtel (the Company), has thrived globally by building a culture of innovation and high performance. The Company explores new markets and business models across the world; evolve new ways of customer and stakeholder engagement; enter into new strategic partnerships; adopt new technologies; and build exponential efficiencies in existing systems. While these initiatives unveil a universe of possibilities, potential risks and uncertainties arise in a volatile business environment. The distress signals need to be picked up and addressed with urgency for smooth operations. Therefore, the Company has created a robust risk management framework in its operating landscape that caters to strategic, legal, financial, operational and climate risks. The Company has a sound practice to identify key risks across the Group and prioritise relevant action plans for mitigation.

1. Regulatory and Political Uncertainties (Legal & Compliance)

Outlook from last year > Stable

Definition

The Company operates in India, Sri Lanka and 14 African countries. Some of these countries (or regions within countries) are affected by political instability, civil unrest and other social tensions. The political systems in a few countries are also fragile, resulting in regime uncertainties; hence, the risk of arbitrary action. Such conditions tend to affect the overall business scenario. In addition regulatory uncertainties and changes, like escalating spectrum prices, call drops penalties, EMF norms among others are potential risks being faced by the business.

Mitigating actions:

> As a responsible corporate citizen, the Company engages proactively with key stakeholders in the countries in which it operates; and continuously assess the impact of the changing political scenario. The Company contributes to the socio-economic growth of the countries in its area of operation through high-quality services to its customers, improved connectivity, providing direct and indirect employment, and contributing to the exchequer. These activities are covered in detail through its annual sustainability report. It also maintains cordial relationships with governments and other stakeholders. The Country MDs and Circle CEOs carry direct accountability for maintaining neutral Government relations. Through its CSR initiatives (Bharti Foundation etc.), it contributes to the social and economic development of community, especially in the field of education.

> The Company actively works with industry bodies like Cellular Operators Association of India (COAI), Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce & Industry (FICCI) on espousing industry issues e.g. penalties, right of way, tower sealing amongst others.

> Regulatory team along with legal and networks keeps a close watch on compliances with regulations and laws and ensures the operations of the Company are within the prescribed framework.

2. Economic Uncertainties (Operational)

Outlook from last year > Stable

Definition:

The Company's strategy is to focus on growth opportunities in the emerging and developing markets. These markets are characterised by low to medium mobile penetration, low internet penetration and relatively lower per capita incomes, thus offering more growth potential. However, these markets fall under countries which are more prone to economic uncertainties, such as capital controls, inflation, interest rates and currency fluctuations. Since the company has borrowed in foreign currencies, and many loans are carrying floating interest terms, it is exposed to market risks, which might impact its earnings and cash flow. These countries are also affected by economic downturns, primarily due to commodity price fluctuations, reduced financial aid, capital inflows and remittances. Slowing down of economic growth tends to affect consumer spending and might cause a slowdown in telecom sector.

Mitigating actions:

> As a global player with presence across 16 countries, the Company has diversified its risks and opportunities across markets. Its wide service portfolio including voice, data, Airtel Money, Digital Services and value added services helps widen its customer base.

> To mitigate currency risks, it follows a prudent risk management policy, including hedging mechanisms to protect the cash flows. No speculative positions are created; all foreign currency hedges are taken on the back of operational exposures. A prudent cash management

policy ensures that surplus cash is up-streamed regularly to minimise the risks of blockages at times of capital controls. It has specifically renegotiated many operating expenditure / capex Fx contracts in Africa and converted them to local currency, thereby reducing Fx exposure.

> To mitigate interest rate risks, the Company is further spreading its debt profile across local and overseas sources of funds and to create natural hedges. It also enters in interest rate swaps to reduce the interest rate fluctuation risk.

> Finally, the Company adopts a pricing strategy that is based on principles of mark to market, profitability and affordability, which ensures that the margins are protected at times of inflation, and market shares at times of market contraction.

3. Poor quality of networks and information technology including redundancies and disaster recoveries (Operational)

Outlook from last year > Stable

Definition:

The Company's operations and assets are spread across wide geographies. The telecom networks are subject to risks of technical failures, partner failures, human errors, or wilful acts or natural disasters. Equipment delays and failures, spare shortages, energy or fuel shortages, software errors, fibre cuts, lack of redundancy paths, weak disaster recovery fall-back, and partner staff absenteeism, among others are few examples of how network failures happen.

The Company's IT systems are critical to run the customer-facing and market-facing operations, besides running internal systems. In many geographies or states, the quality of IT connectivity is sometimes erratic or unreliable, which affects the delivery of services e.g. recharges, customer query, distributor servicing, customer activation, billing, etc. In several developing countries, the quality of IT staff is rudimentary, leading to instances of failures of IT systems and / or delays in recoveries. The systems landscape is ever changing due to newer versions, upgrades and 'patches' for innovations, price changes, among others. Hence the dependence on IT staff for turnaround of such projects is huge.

Mitigating actions:

> The Company has state-of-the-art Network Operations Centre for both India as well as Africa to monitor real time network activity and to take proactive and immediate action to ensure maximum uptime of network.

> Network Planning is increasingly being done in-house, to ensure that intellectual control on architecture is retained within the Company. As part of the previously announced 'Leap Programme' in India, it continuously seeks to address issues (congestion, indoor coverage, call drops, modernisation and upgrade of data speeds, among others) to ensure better quality of network. Recent efforts also include transformation of the microwave transmission, fibre networks, secondary rings / links and submarine cable networks. The Company consistently eliminates systemic congestion in the network, and removes causes of technical failures through a quality improvement programme, as well as embedding redundancies. Tighter SLAs are reinforced upon network partners for their delivery. The Company's Network Team performance is measured, based on network stability, customer experience and competitor benchmarking. The Company follows a conservative insurance cover policy that provides a value cover, equal to the replacement values of assets against risks, such as fire, floods and other natural disasters.

> The Company's philosophy is to share infrastructure with other operators, and enter into SLA-based outsourcing arrangements. We have been proactively seeking sharing relationships on towers, fibre, VSAT, data centres and other infrastructure. The disposal of towers in Africa to independent and well-established tower companies and long-term lease arrangements with them will ensure high quality of assets and maintenance on the passive infrastructure. The Company has put in place redundancy plans for power outages, fibre cuts, VSAT breakdowns, and so on, through appropriate backups such as generators, secondary links, among others. Similar approaches are deployed for IT hardware and software capacities; and internal IT architecture teams continuously reassess the effectiveness of IT systems.

> Information Security is managed by dedicated IT professionals, given the huge dependency on automated systems, as well as to ensure that customer privacy is protected.

4. Inadequate Quality of Customer Lifecycle Management (Operational)

Outlook from last year > Expanded

Definition:

In a market dominated by prepaid customers, several inefficient processes have crept in over the years across the industry, in respect of customer acquisitions. Such practices are resulting in high rotational churn, high acquisition costs, low lifetime value of new customers, diversion of focus of sales force on acquisitions, rather than revenue generation, trade frauds, among others.

Customer mind-sets and habits are shifting rapidly, reflected in their ever-rising expectations in terms of quality, variety, features and pricing. The competitive landscape is also changing dramatically, as operators vie with one another to capture customer and revenue market shares which is accelerating customer migration from legacy 2G / 3G networks to high speed 4G networks.

The Company might see heightened competitive intensity in its non-wireless businesses on account of irrational pricing by potential new entrant leading to erosion of revenue & customers. In mobility business, the Company may face a risk of deeply discounted Volte feature phone pricing from new entrant.

Mitigating actions:

- Improved customer acquisition process like monitoring new customer acquisition churn, high acquisition recharge denominations, direct distribution, trade margins structures have been introduced. The Company has also been launching varied bundled offers to provide maximum benefits to the customers at affordable prices.

- The Company constantly refreshes its ways of working, especially in customer service, innovation, marketing and distribution. These are now captured in the Company's integrated Customer Lifecycle Management approach, which ensures that every customer's behaviour is studied, classified and segmented. Organisational effectiveness is enhanced through appropriate design and creation of leaner and multi-functional teams. Technologies and tools (business intelligence, scientific pricing models) are deployed in managing the customer lifecycle.

- For the non-wireless businesses, the Company is focussing on ring-fencing the existing customers by offering them annual plans with increased value propositions. Focus lies on offering differentiated products to customers like higher speed, content, data roll-over, data borrow etc. The entire GTM plan has been re-invented to acquire & retain high value customers across businesses.

    - In order to protect its feature phone customers from churning to competition, the Company is focussed on upgrading the customers to smart phones at very low cost. Airtel has launched 'My First Smart phone' program which offers smart phones to customers at an effective cost of a feature phone thereby giving him more value at same cost. Airtel has tied up with leading handset manufacturers to offer a bouquet of smartphones at reduced cost to the customers and continues to tie-up with various handset manufactures to provide affordable upgrades to smartphones.

    - The Company has also been the preferred network for high value customers. The Company has strategic programmes for driving down churn through an integrated and end-to-end experience through sharp propositions for high-value customers.

    - The Company has made several measures to transform its telecom networks to improve customer experience of its subscribers. As part of open network initiative, Airtel upgraded its current network infrastructure.

    - Also its unique portfolio beyond wireless consisting of Home Broadband, Airtel Business, and DTH TV continue to grow and deliver significant value to the company.

    - The Company is also investing in building its own digital innovations such Wynk music, Airtel TV and Wynk Games. Wynk music is now the number 1 music app in the country. Earlier this year, it also launched Airtel TV which provides more than 350 live channels and 8000 movies & TV shows in 14 languages. Airtel TV is now among the top 3 TV and movie apps.

5. Non-compliance of subscriber verification norms and KYC regulations (Operational)

Outlook from last year > Stable

Definition

Regulators are introducing stringent subscriber verification and KYC guidelines, including biometric verification and quality of KYC documents.

Mitigating actions:

- The Company has invested significantly in KYC tools, including biometric scanners to improve the quality of subscriber activation and documentation processes as per required legislation. Self-compliance and reinforcing of 'tone at the top' are the key factors which ensure complete control on our compliances. The Company follows strict guidelines on quality of partners and IT systems, staff training, proactive maker-checker controls and internal audits, as well as robust internal MIS to adhere to compliances.
- The Company, in case of any such identified non-compliances, takes immediate and necessary actions as required to remediate the situation. The Company envisages to abide by both the letter and spirit of the regulation and on a timely basis communicates to its employees regarding the necessity to abide by government regulations while being sensitive towards customers.

6. Increase in cost structures ahead of revenues thereby impacting liquidity (Operational / Strategic)

Outlook from last year > Stable

Definition:

Across markets, costs structures have been increasing both from volumes (new sites rollouts, capacity) and/or rate increases (inflation, Fx impacts, wage hikes, energy etc.). With the entry of new operator, market pricing has been dampened putting pressure on margins and cash flows thereby leading to increased debt leverage. Increased investment in network to ensure quality of service, continued spends on distribution and maintaining world class customer service are expected to remain thereby heightening debt levels.

Mitigating actions:

- The Company has institutionalised the War on Waste (WOW) Programme, an enterprise-wide cost-reduction programme. This has been rolled out across all functions, business units and countries. All functions / business units / countries are targeting cost reductions and cost efficiencies. The Company continues to focus on capex optimisation through various programmes like ICR, tower-sharing, fibre sharing through IRU or co-build.
- Digitisation and automation with significant programmes on self-care, paper less acquisition, e-bill penetration, online recharges, Indoor to outdoor conversion, digital customer interactions are continuously monitored through our WoW initiative etc.
- The Company has been progressively maintaining to keep the debt levels at acceptable levels. To this end it has and continues to take decisions on inorganic sources of funding including divestment of Infratel and DTH stakes.
- Inorganic solutions to consolidate operations like Ghana are also being taken to ensure viable business models are created in these geographies. Strategic Investment Group (SIG) has been set up to look at future monetisation of any strategic investments.

7. Lack of Digitisation and Innovations around Digital Content (Strategic)

Outlook from last year > Stable

Definition

Digitization is reshaping the telecom sector and will be a key driver for innovation within the Company as companies compete in a digital ecosystem away from pure connectivity based environment. Further evolving technologies result in change in customer value propositions. Digital content and apps have now become the favourites for mobile customers. Digital Mobile money technologies, innovative mobile apps, Cloud, M2M, SaaS and other technology-based VAS products are also evolving. Such rapid technology evolution may impact the functionality of existing assets and accelerate obsolescence. Keeping pace with changing customer expectations is a big agenda for the telecom sector. Lack of Digitisation of internal business processes may render the company in-able or lethargic in turn to respond to customer needs. Rapidly evolving technologies like robotics, block chain, app automation for internal processes in Customer, Finance, Supply Chain and HR can render the company slow in decision making and reacting to new and emerging customer, vendor, and partner expectations.

Mitigating actions:

For the last 18 months digitization for the customers has been the prime area of focus, with several digital initiatives being undertaken. Our own digital channels, 'myAirtel app' and 'Airtel.in' have seen tremendous growth in customer interaction over the course of the year, where complete self-care for retail customers is now available through these digital channels, we have also started rolling out digital retail stores which also leverage self-care on 'myAirtel app' for resolving customer issues.

> For digital growth, the Company has adopted a platform centric approach and created new digital platform for attracting millennials and digitally savvy customers. Our new online store (www.airtel.in/onlinestore) was recently launched with very unique offering for the iPhone, with a complete online journey including real-time credit. In the coming years the customers will see increased focus on this as we bring more and more devices on this platform. Homes platform being created as a digital layer on top to provide unique quad play proposition.

> The Company is also investing in building its own digital innovations such 'Wynk music', 'Airtel TV' and 'Wynk Games'. Wynk music is now the number 1 music app in the country. Earlier this year we also launched Airtel TV which provides 300 live channels and 6000 movies & TV shows in 13 languages. Airtel TV is now among the top 5 TV and movie apps.

> The sales & distribution team of out company is one of the most digitized operating team in the entire country & has won several global awards & accolades. This covers complete digitization from the sales team to feet on street, distributors, retailers and entire sales and distribution channel.

> One of the key digital initiatives being run is creating a digital network. This covers network planning, deployment (including TOCOs and MS partners), operations and network quality. In addition the Company also partnered with SKT for creating network Data Lake and building deep analytics and intelligence on top of it.

8. Lack of investment in infrastructure capacity building (Strategic)

Outlook from last year > Stable

Definition:

In order to keep pace with rising data demand of customers and to ensure competitive parity traffic, telecom companies will be required to invest heavily in building data capacities and broadband coverage expansion. Operators are adopting new strategies to provide unlimited voice and significant data benefits to customers. Additionally, today's customers is looking at seamless mobile internet experience while being technology agnostic.

Mitigating actions:

> Airtel is expanding its broadband network footprint to stay abreast with competition and fulfilling customers' expectation. As a part of expansion program, the Company will deploy additional LTE sites with fibre/backhaul readiness and will expand its coverage by strengthening its LTE FDD footprint in order to provide seamless connectivity. The surge in volume will necessitate enhancement of the LTE TDD layer to support additional traffic in select places of high throughput.

> With the explosion in data, Airtel will significantly step-up backhaul readiness on its site along with increased Fiberization and rapidly expand its transmission backbone and aggregation capacity to cater to the additional data load.

> With the increase in voice minutes exponentially, the Company has recently launched VOLTE services offering HD quality calls along with faster call set up time which once scaled up will give a significantly better experience to the customers.

> Technology has been rapidly evolving in Telecom. In the next few years wide scale commercial deployment of 5G is expected to start. In such a scenario, the Company is making its investments future proof and starting to be ready for 5G network deployment.

9. Adverse regulatory or fiscal taxation developments including compliance risks (Legal & Compliance)

Outlook from last year > Diminished

Definition:

Regulatory developments in India, South Asia and Africa can pose several challenges to the telecom sector. The telecom sector is highly taxed with high revenue share-based license fees and significant spectrum acquisition costs in auctions. Introduction of GST has proven to be a landmark decision with wide ranging impact on all businesses. Whilst it has eliminated the cascading effect of indirect taxes in the erstwhile regime, on other hand it has increased the compliance burden significantly.

Mitigating actions:

- The Company has always stood for a fair, transparent and non – discriminatory government policy on telecom regulation. It has insisted governments of all countries that sustainable regulatory regimes will lead to a healthy growth of the sector, leading to higher investments and modernisation, which in turn benefits the industry and society. The Company stands for a regime that promotes healthy, competitive pricing keeping two objectives in mind – customer interests and health of the sector. As a responsible operator, the company participates in government consultation and industry association events, to foster collaboration and knowledge sharing for best industry policies and practices.
- The Company has undertaken state wise registration of its operations and has modified its existing IT systems to deliver reporting in line with necessary compliances. Necessary operational level changes have been revamped to accommodate a state level and GST driven mechanism and processes.

10. Gaps in internal controls (financial and non-financial) (Operational)

Outlook from last year > Stable

Definition:

The Company serves over 412 Mn customers globally with a monthly average of 164 Bn minutes of voice on network and 402 Bn MBs of data carried on wireless networks located at more than 185,000 sites. Gaps in internal controls and / or process compliances not only lead to wastages, frauds and losses, but can also adversely impact the Airtel brand.

Mitigating actions:

- The Company's business philosophy is to ensure compliance with all accounting, legal and regulatory requirements proactively. Compliance is monitored meticulously at all stages of operation. Substantial investments in IT systems and automated workflow processes help minimise human errors.
- Besides internal audits, the Company also have a process of self-validation of several checklists and compliances as well as a 'maker-checker' division of duties to identify and rectify deviations early enough. The Company has also implemented GRC system (Governance, Risk and Compliance) to embed systemic controls.
- The Company has Internal Financial Controls and the Corporate Audit Group has tested such controls. The Audit Group has asserted that the Company has in place adequate tools, procedures and policies, ensuring orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records; and timely preparation of reliable financial information.

Internal Controls

The Company's philosophy towards internal control is based on the principle of healthy growth and proactive approach to risk management. Aligned to this philosophy, the Company has deployed a robust framework of internal controls that facilitates efficient conduct of business operations in compliance with the company policy; fair presentation of our financial results in a manner that is complete, reliable and understandable; ensure adherence to regulatory and statutory compliances; and safeguards investor interest by ensuring the highest level of governance. The Internal Control framework has been set up across the company and is followed at the circle and country level. This framework is assessed periodically and performance of circles and countries are measured via objective metrics and defined scorecards.

Accounting hygiene and audit scores are driven centrally through central financial reporting team and Airtel Centre of Excellence (ACE), both teams responsible for accuracy of books of accounts, preparation of financial statements and reporting the same as per the company's accounting policies. Regulatory and legal requirements, accounting standards, and other pronouncements are evaluated regularly to assess applicability and impact on financial reporting. The relevant financial reporting requirements, documented in the Group Accounting Manuals, are communicated to relevant units and enforced throughout the Group. This, together with the financial reporting calendar evidencing the tasks and timelines, forms the basis of the financial reporting process.

Deloitte Haskins & Sells LLP, the statutory auditors, have done an independent evaluation of key internal controls over financial reporting (ICOFR) and expressed an unqualified opinion stating that the company has, in all material respects, adequate internal control over financial reporting; and such internal controls over financial reporting were operating effectively as on March 31, 2018.

The Company has in place an Internal Assurance (IA) function headed by Group Director - Internal Assurance. EY and ANB & Co (ANB) are the Assurance Partners of the Company who conducts financial, compliance and process improvement audits each year. Audits are categorized into defined assurance tracks with EY responsible to audit finance, customer and technology track and ANB responsible to audit legal and regulatory track. The internal assurance plan for the year is derived from a bottoms-up risk assessment and directional inputs from the Audit Committee. The Audit Committee oversees the scope and coverage of the IA plan, and evaluates the overall results of these audits during the quarterly Audit Committee meetings. The Audit Committee also reviews the effectiveness of the internal control system, and invites functional Directors and senior management personnel to provide updates on operating effectiveness and controls, from time to time. An independent validation was also led by the Internal Assurance function to assess the effectiveness of Internal Financial Controls (IFC) and no reportable material weaknesses in the design or operation were observed.

A CEO and CFO Certificate forming part of the Corporate Governance Report, confirm the existence and effectiveness of internal Controls and reiterate their responsibilities to report deficiencies to the Audit Committee and rectify the same. The Company's code of conduct requires compliance with law and Company policies, and also covers matters such as financial integrity, avoiding conflicts of interest, workplace behavior, dealings with external parties and responsibilities to the community.

The Airtel Centre of Excellence (ACE) based in Gurugram and Bengaluru, is the captive shared service for financial accounting, Revenue Assurance, SCM and HR processes. Its global footprint across 16 countries is bolstered by standardization of all these processes across the organization with inbuilt embedded controls. Digitization of ACE is being aimed as a part of the transformation agenda and includes initiatives like system based reconciliation, reporting processes with vividly defined segregation of duties. ERP integration in Africa into an Oracle Single Instance across all African countries ensures uniformity and standardization in ERP configurations, chart of accounts, finance and SCM processes across countries. Quality of financial reporting and controls continues to show improvement. We continuously examine our governance practices to enhance investor trust and improve the Board's overall effectiveness. Initiatives such as virtual desktop interface for ultimate data security, self-validation checks, desktop reviews and regular physical verification are producing measurable outcomes through substantial improvement in control scores across India and Africa. Oracle Governance Risk & Compliance (GRC) module has been implemented for India and Africa to strengthen existing controls pertaining to access rights for various ERPs, ensuring segregation of duties and preventing possibilities of access conflicts.

Material developments in Human Resources

An overview

The significant role played by our people in sustaining Airtel's growth trajectory in turbulent times was encapsulated in our business strategy of the year, under the theme of 'Win With People'. The strong people agenda was constituted around three pillars of Learn, Lead and Grow. Airtel continued to clinch accolades including emerging among the Best Employers in the Business Today - People Strong Survey. With over 370,000 followers on LinkedIn, Airtel has also carved a niche for itself in the social media space. At the end of March 2018, Bharti Airtel had 17,263 permanent employees employed in India & South Asia and 3,530 permanent employees employed in Africa.

India

The first pillar – Learn was envisaged to ensure that each employee becomes a 'Master of the Craft' by achieving higher levels of functional proficiencies. Airtel launched a host of marquee functional learning programs such as 'Sales Mindset in Changing Times', training in leadership presence for store employees, problem solving and design thinking for customer experience, etc. The idea behind these interventions was to equip our people to deal with the dynamic market scenario with greater dexterity. Different mediums of digital learning enabled our employees to learn on the go. The Company partnered with Coursera, a global leader in online education and learning to provide its employees with valuable learning and credentials from top universities around the globe. To ensure that employees stay at the forefront of technological innovation, the Company collaborated with Pluralsight – to provide online video training courses in the technology space. To further imbibe a strong learning culture in the organization, it introduced learning in a gamified format launching more than 30 'Airtel 101' courses, which are perfect examples of byte-sized learning, delivering information in nuggets and on the go. The year saw employees earning more than a lakh certifications on Airtel 101. The agenda of gamified micro learning was carried forward by introducing an exciting weekly contest – Fastest Finger First which witnessed an average participation of 1,000 people. It also initiated a learning challenge christened Ironman which witnessed 7000 participants clocking in more than 90,000 learning hours. Across functions, a combined total of more than 27,000 man-days worth of learning has been recorded. The people at Airtel proved to be curious learners, with more than 8,000 learners completing over 2000 online courses and clocking in more than 120,000 hours on iLearn – the Company's learning management system. It also continued to build strong teams in emerging domains like IoT, Product and Data Science.

At Airtel, we believe in creating leaders from within the organization. The second pillar – Lead was envisaged with the thought of people managers demonstrating what it is to 'Lead Right' by role modeling all key leadership behaviours. It instituted two People Leadership Programs, 'Embark' for transforming employees into first time people managers and 'Ascent', which grooms people managers to lead large teams and functions. The results have been overwhelming with more than 200 of our people poised and ready to transform into leaders of tomorrow. The Airtel Leadership Series – a continuation of the Career Fair, saw industry experts from the external world as well as senior leaders from the Company talk about the business challenges and available opportunities. The Company also launched Insight+, a 360 degree feedback tool available on a mobile app for people to seek feedback from their stakeholders and enable them to work on perceived areas of improvement. It also made career coaching real and actionable for our people and empowered them to choose their mentors and seek advice on their career path with Coaching Conversations – a tool available on our intranet platform.

Grooming and cultivating talent is a focus area around which the third pillar – Grow was designed to ensure that Airtel and employees both become 'Future Ready'. Career development programs for different functions were launched to enable and prepare its people to take up larger roles with seven such learning 'academies' being institutionalized, an example being the Retail Leadership Academy. To empower the people to take charge of their own careers and curate their career paths, we launched the My Career app on our internal mobile platform – Hive. The app enables employees to take the next big leap in their career by exploring suitable roles. The aim of these initiatives is for the people to be good navigators of their own career, and even try unconventional paths. These initiatives have resulted into a strong internal succession pipeline that helps us to provide people with growth opportunities. It also continued to focus on attracting dynamic and agile leaders of the future through its prestigious 'Young Leader' and 'Young Technical Leader' campus programs and these vibrant minds continue to infuse youthful energy and expertise.

To improve employee engagement, the Company launched "Workplace by Facebook" for all employees, opening the doors for digital collaboration and communication to all employees, with over 11,500 accounts being claimed so far. It is also keen on listening to the voice of its people, and 8200+ employees have expressed themselves via the Mood-O-Meter App.

The Company continued to strengthen its Diversity Agenda under the 'WE' – Women Empowered platform beginning with celebrating women achievers across functions and circles with the 'We Achieve' programme. It launched 'She For Change' – a compendium of stories documenting personal narratives of transformation by our women employees this Women's Day and also continued with our 'WE Lead' sessions with accomplished women leaders for the industry.

Africa

In Africa, Airtel is focusing on building functional skills within the workforce, specifically in Network & Information Technology, which is the backbone. It has recognized the need to build expertise internally, reducing the dependence on vendor-managed services. To this end, it launched Airtel 101. Through its interactive learning interface, the app provides an enjoyable and engaging learning experience for employees. In addition, Airtel E-Learning platform was revamped to feature a refreshed catalogue of programs, updated with the most current online content in a wide range of cross-functional skills. These e-learning programs are running concurrent to other classroom based and coaching interventions that are in place to enhance skills transfer. The Airtel - Tigo merger in Rwanda was announced and communicated to all employees. To ensure that the new entity molds itself in the Airtel culture, steps were taken to build cohesiveness amongst teams. We implemented a dedicated people focused strategy encompassing all facets of human resources. In Ghana, we operationalized the formation of the joint venture with Tigo.

Giving back to the community has always been one of the key priorities for Airtel in Africa. The "Change Maker awards" provides a platform to our OpCos to showcase best practices in CSR and employee participation. This year's Change Maker Awards were presented to Kenya, Malawi, Madagascar and Tanzania. Driven by the vision of HR being a core business function that lays the road instead of just filling the cracks, harnessing people energies and talent has been a significant factor in the business turnaround. As a business critical function, HR in Africa is keeping pace with the changing workforce trends of adopting technology and mobility.

At Airtel, our endeavor is to create and groom a rich pool of talent across verticals to contribute to our vision of building a vibrant, agile, digital and dynamic organization. As it marches into the future with optimism and zeal, it hopes to groom its people to take on bigger challenges with remarkable adroitness and flair.

Outlook

Indian economy is expected to reclaim the fastest growing economy title in 2018. Strong private consumption and services are expected to continue to provide fillip to India's growth. Government of India's Digital Drive will focus on digital technologies and be the biggest driver in improving quality of education, healthcare and rural sector. The budget proposal to double the allocation to Digital India initiative is a fine booster to transform the digital economy. This will provide enormous opportunity to telecom industry as well and guide telcos to move to next-gen networks efficiently and effectively. This would also work on development of the Internet of Things and machine to machine applications. The high usage of mobile internet during the year has accelerated digital adoption in India, even in rural pockets. The digital industry in India has leapfrogged in the past few years, with the number of smartphone users in the country estimated at ~400 Mn in 2018, and phones accounting for >70% of all internet consumption. Increased internet penetration allows global brands to reach the doorsteps of customers in remote places, adding to the value of investing in India.

Africa's economic pulse has accelerated infusing the continent with a new commercial vibrancy. Telecommunications, banking, and retailing are flourishing. Sub-Saharan Africa's telecom market offers strong revenue growth opportunities in most markets, with more than 1.0 Bn mobile connections and over USD 45 Bn in total service revenue forecasted by 2022. The increased availability of low-cost smartphones and improved coverage of 3G and 4G networks are helping to drive the demand for data connectivity and the take-up of digital services including mobile money which has significantly contributed to changing the financial inclusion landscape.

With convergence of mobility services, entertainment, banking, education, role of a smartphone has expanded enormously. Airtel is the only player with an integrated product portfolio, and wide geographical presence. Bharti Airtel's Network leadership and excellent customer experience delivery will continue to stimulate Company's growth against its competitors.