Management Discussion & Analysis

Overview

The telecom sector has been pivotal in propelling the growth of the digital economy and accelerating overall economic development of the country. Over the years, the sector has emerged as a strong growth multiplier, playing a key role in India's digital transformation. Digitalisation is transforming the ecosystem for customers, enterprises and governments. The proliferation of data over the past decade has fuelled growth across various industries, including e-commerce, finance, healthcare, education, gaming, OTT, and more.

Telecom operators are making significant strides towards advancement of the industry. In FY 2023-24, telecom operators accelerated investments in 5G roll out, making it one of the fastest roll outs globally. The Telecom Bill 2023, passed by the Parliament in January 2024, simplifies licensing, ensures spectrum availability and introduction of a graded penalty regime to enhance ease of doing business. Effective implementation of the bill is expected to augment the long-term financial health of the industry. Operators have made substantial investments in technological advancements and the maintenance of large networks to provide customers with ubiquitous connectivity. Considering the topography and climatic challenges, deployment and maintaining networks in Rajasthan and the Northeast region requires greater efforts and sustained investments. Coupled with one of the lowest tariffs globally, the industry faces the challenge of low return ratios.

As of March 2024 Rajasthan had a tele-density of 82.16% and the Northeast region had 80.55%, compared to the national tele-density of 85.69%. Moreover, penetration of fixed line internet is significantly low both in Rajasthan and the Northeast region, versus the national average of approximately 9%[1]. The potential for penetration improvement, growing demand for connectivity and data services to augur well for growth prospects in these regions.

Growing 5G adoption is expected to further drive data consumption with the emergence of use cases, enabled by significantly faster speeds and lower latency. 5G handset shipments are growing with the pace of network expansion by telecom service providers while mass adoption would be hinged upon availability of affordable handset options. The trend is evidenced by the increase in 5G shipments of total smartphone shipments from 43% at the start of the year to 71% in Q4 FY 2023-24.[2]

Bharti Hexacom's focus on simple and cogent strategy of acquiring and retaining high-value customers by offering brilliant experience at competitive prices has consistently driven revenue market share (RMS) improvement. Effective strategy implementation and razor sharp execution resulted to life high revenue market share. In the Northeastern region, the Company is a market leader with an RMS of 53.9% as on Q3 FY 2023-24. In Rajasthan, the Company has narrowed the gap with the market leader, achieving an RMS of 40.6% over the same period.[3] Family plans and converged offering under the Airtel Black proposition have contributed to increasing the Company's market share in the post-paid segment. The Company's consistent strategy has enabled it to deliver industry-leading ARPU, even in absence of tariff hike.

The company is well positioned, to benefit from industry tailwinds, backed by the strong parentage of Bharti Airtel. It significantly benefits from Bharti Airtel's vast digital infrastructure, fibre assets and the Airtel brand. This enables the Company to drive growth, ensure prudent capital allocation and maintain its competitive edge. Bharti Hexacom is judiciously investing in expanding and improving network infrastructure across the regions it operates.

The Company's healthy revenue and EBITDA growth underscore its operational excellence. It has a strong balance sheet with 2.2x net debt to EBITDA and sustained cash generation, which enables it to adequately invest in growth opportunities.

Indian Economy

The Indian economy exhibited strong growth and continued outperformance over other large emerging economies. The strong growth momentum was supported by policy framework and structural reforms. Factors such as governments' capital expenditure on infrastructure, manufacturing push, and acceleration of a digital economy are some of the drivers supporting this growth momentum. The central bank's focus on managing inflation and proactive policy interventions ensured financial stability and provided much needed impetus to economic growth. As per second advances estimates (SAE), India recorded GDP growth of 7.6% in FY 2023-24[4], a notable improvement over the preceding growth rate of 7% during FY 2022-23 and marking the third consecutive year of above 7% growth.

Challenges on the supply side persisted due to global factors and posed constraints to the economy's growth trajectory. Disruptions in global trade and increased transportation costs, exacerbated by incidents such as the Red Sea conflict, presented hurdles to supply chain operations.

Investment cycle uptrend was supported by sustained capex spends by the government, improving capacity utilisation and production linked incentives (PLI) announced across various sectors are expected to enable corporate sector investment revival.

The favorable economic conditions in India, coupled with improved domestic macroeconomic fundamentals, led to a surge in capital inflows during the year. Among the Emerging markets, India stood out by attracting the highest foreign portfolio investments (FPI), marking the second highest influx since FY 2014-15. Gross foreign direct investments (FDI) were largely flat while net FDI experienced moderation due to increased repatriation.

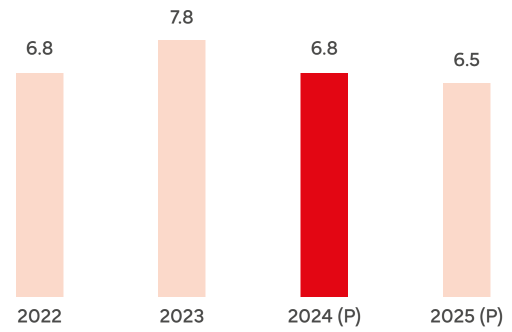
In summary, India's robust economic performance in FY 2023-24 can be attributed to a combination of factors, including healthy domestic demand, demographic advantages and growth focused policy framework.

[1] CRISIL Assessment of Telecom Industry in India March'24
[2] Counterpoint Research - India smartphone shipment report
[3] TRAI Q3 FY 2023-24 AGR report
[4] RBI Press Releases - Indian Economy Report

Outlook

The Indian economy is expected to remain buoyant with continued support from structural policy reforms. The IMF projects strong forecasts for India, with an estimated GDP growth of around 6.8% in 2024, up by 30 basis points from its January 2024 projection. The softening of inflation and a potential rate easing during the year will support the growth momentum. The optimism is backed by various factors, including continuous growth in manufacturing sector, services sector, strong corporate and bank balance sheets, and increase in domestic demand.

India growth trend (%)



*Data as per IMF World Economic Outlook Report Apr'24

Outlook

Prospects for the Indian economy remain bright, backed by sustained investments by the government across key sectors. Along with structural policy framework aimed at promoting manufacturing, developing infrastructure, enhancing the ease of doing business, boosting digital connectivity and more. The government's digital agenda has empowered households and businesses, and most significantly, fostered financial inclusion. The telecom industry's continued investments in building large networks and adopting the latest technological advancements have paved the way for India's digital transformation, fuelling economic growth and improving the quality of life for citizens.

The advent of 5G is expected to further revolutionise the country's digital landscape by offering ultrafast speeds with low latency and reliable connectivity. Telecom operators are heavily investing in expanding coverage and create data capacity to meet the future demand stemming from increasing data requirements, adoption of connected devices and more.

Additionally, government initiatives, including the USOF programme, BharatNET and the 4G saturation programme aim to support network rollout and provide connectivity in Rajasthan and the Northeast region.

These regions hold substantial growth potential, especially in terms of bridging the penetration gap with the national penetration levels in mobile and fixed line broadband services. Given the low fixed-line broadband penetration in Rajasthan and Northeast region, 5G could present growth opportunity for Fixed Wireless Access (FWA). Bharti Hexacom is adequately investing in expanding its network across urban and rural areas, exemplified by rolling out 5G using non-standalone network architecture. The Company has strong mid-band spectrum holding (1800/2100/2300 MHz) along with holding in 900 MHz, 3500 MHz, and 26 GHz bands.

Despite the topographical and climatic challenges in building fixed line broadband infrastructure, the FWA offering through the 5G network could improve penetration overtime. Over the years, Bharti Hexacom has invested more than ₹ 200 Bn in building a vast network to deliver superior customer experiences. The Company is well-positioned to capitalise on growth opportunities as it continues to expand coverage in rural areas, invest in 5G expansion and rapidly rollout home passes through its asset-light LCO partnership model.

Industry Overview

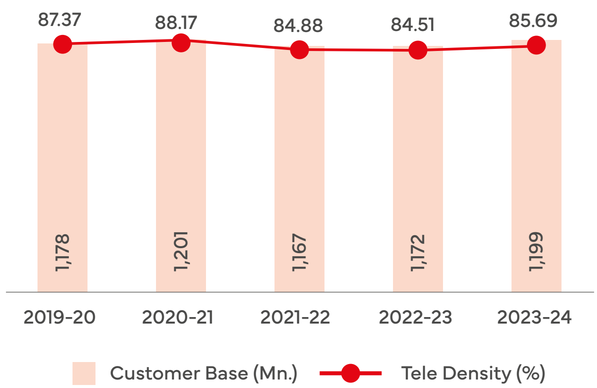
Indian Telecom Sector

India's total telecom users base stood at 1,199.28 Mn. as on March 31, 2024. The telecom industry saw healthy customer additions in FY 2023-24 underscored by penetration improvement. In the current year, customer base grew by 230 basis points while the tele-density was at 85.69% as on March 31, 2024. The urban tele-density stood at 133.72%, whereas the rural teledensity stood at 59.19% as on March 31, 2024.

Among the service areas, Rajasthan has a tele-density of 82.16% and the Northeastern region has 80.55%.

The wire-line customer base stood at 33.79 Mn. as at March 31, 2024, vis-à-vis, 28.41 Mn. as at March 31, 2023.

Tele Density: India (%)



(Source: Telecom Regulatory Authority of India report as on March 31, 2024)

Developments in Regulations

The year saw several regulatory changes and developments, which include:

A TRAI recommendations on 'Licensing framework and Regulatory mechanism for submarine cable landing in India' dated June 19, 2023

- International submarine cable should be allowed to carry domestic traffic on dedicated fibre pairs between two Indian cities, on the condition that such traffic is not transmitted/routed outside India.
- Stub cables should be allowed to be laid up to any distance within the Exclusive Economic Zone (EEZ).
- Cable Landing Stations (CLS) operators should be classified as 'essential services' and 'critical information infrastructure'.
- Two categories of CLS locations need to be recognised in the licensing framework:
  - Main CLS – Owners of the main CLS will seek clearance for submarine cable landings in India.
  - CLS Point of presence (PoPs) – Owners of CLS PoPs will have certain security and reporting obligations.
- National long distance licenses may establish domestic submarine cables connecting two or more cities on the Indian coastline.
- National long distance / international long distance licenses should be amended to explicitly provide for terrestrial connectivity between different CLSs.

B TRAI recommendation on 'Rationalisation of Entry Fee and Bank Guarantees (BG) dated September 19, 2023

- The Entry fee should be reduced for the various licenses, registrations, authorisation and permission (except for GMPCS and VSAT Authorisations under the UL).
- For some authorisations, such as ISP-C, M2M and Audio-Tex, a NIL entry fee is recommended.
- The ceiling of ₹ 15 Crore on the entry fee under the UL should be removed.
- The Entry fee should be charged only at the time of entry and not during the renewal of license.
- Financial bank guarantee and performance bank guarantee should be merged into a single BG.
- For the initial year, the amount of this consolidated BG has to be as recommended (for instance, ₹ 2 Crore per circle for access services, ₹ 40 lakh for ISP-A). Thereafter, it has to be higher than the initial year BG or 20% of the estimated sum payable (of LF and other unsecuritised dues).
- Electronic bank guarantees should be adopted by the DoT for ease of doing business.

C Digital Personal Data Protection Act, 2023 ("DPDPA")

The bill was passed by Lok Sabha on August 07, 2023 and by Rajya Sabha on August 09, 2023, and received Presidential assent on August 11, 2023. The Act broadly provides for the following as notified in the official gazette on August 11, 2023:

- Obligations on entities collecting personal data i.e. data fiduciaries like Airtel.
- Rights of individuals to obtain personal data, correct inaccurate data, erase data, and prevent disclosure of personal data.
- An independent data protection board.
- Creating trust between persons and entities processing personal data.
- Remedies for unauthorized and harmful processing of personal data.

D Telecommunications Bill, 2023

The Bill broadly provides for the following, as notified in the official gazette December 24, 2023:

- **Licensing**

  Shift from multiple nomenclatures of license, registration, permission and more to 'authorisation' for providing telecom services, for establishing, operating, maintaining or expanding telecom networks and for possessing radio equipment.

- **Spectrum**

  a. Auction is recognised as the preferred mode of spectrum assignment, but administrative assignment is allowed for specific purposes like national security and defence, law enforcement and crime prevention, public broadcasting services, radio backhaul for telecommunication services, certain satellite-based services such as teleports, television channels, Direct To Home, Headend In The Sky, Digital Satellite News Gathering, Very Small Aperture Terminal, Global Mobile Personal Communication by Satellites, National Long Distance, International Long Distance, Mobile Satellite Service in L and S bands, Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL), among others.

  b. Statutory framework for spectrum-related aspects such as sharing, trading, leasing, surrender, harmonisation and more.

- Breach of terms and conditions of authorization or spectrum assignment
  a. Voluntary undertaking' to enable disclosure of breaches.
  b. Tiered structure for dispute resolution – Adjudicating Officer, Designated Appeals Committee and TDSAT.
- Right of way (RoW)
  a. The RoW permission mechanism is defined for both public and private properties.
     i. For public property – permission in a time-bound manner.
     ii. For private property – negotiation and mutual agreement.
  b. Provision for establishing common ducts in infrastructure projects on an open-access basis.
- Universal Service Obligation Fund (USOF)
  a. The Universal Service Obligation Fund to be renamed as 'Digital Bharat Nidhi'.
  b. Its scope has been expanded to include underserved urban areas, in addition to rural and remote areas.
  c. It can also be applied to support R&D in telecom services, pilot projects and more.
- User-related
  a. It is mandatory to use verifiable biometric-based identification for the identification of users.
  b. A statutory duty is imposed on users to provide correct information.
  c. A framework for the protection of users from certain specified messages (in consonance with TRAI's regulations) is in place.
- National Security
  a. Provisions for lawful interception.
  b. Statutory framework for trusted source regimes.
- Civil Penalty and Offences
  a. Contraventions like providing telecom services without authorisation, unlawful interception and obtaining SIMs through fraud or cheating have been recognised as criminal offences and will attract imprisonment and/or a fine.
  b. However, some other contraventions listed in the Third Schedule, like the use of SIMs in excess of the prescribed number, contravention of the provisions of Section 28 (measures for protection of users) and more would attract civil penalties.

E Spectrum Auctions 2024

- DoT, on March 08, 2024, issued the Notice Inviting Applications (NIA) for the auction of all the available spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz, 3300 MHz and 26 GHz bands.
- The cumulative reserve price of the 10523.15 MHz spectrum put to auction is ₹ 96,317.65 Crore.
- The last date for bid submission is May 06, 2024 and live auction likely in June, 2024.

F TRAI Recommendations on the 'Introduction of Calling Name Presentation (CNAP) Service in Indian Telecommunication Network' dated February 23, 2024

- The CNAP service allows subscribers to see the caller's name along with the calling number.
- TRAI has recommended that the service should be offered to subscribers on a voluntary basis.
- The caller's name should be sourced from the name provided by the CAF for individual subscribers, whereas entities with bulk or business connections can use a 'preferred name'-such as a trademark or trade name.

G TRAI Recommendations on "Usage of Embedded SIM for Machine-to-Machine (M2M) Communications" dated March 21, 2024

- Provisions for integration of the SM-DP of Indian TSP with the foreign SM-SR will be included in telecom licenses.
- TSPs with UASL, UL/UL-VNO (Access), UL/UL-VNO (M2M) and registered M2MSPs can own and manage SM-SRs in the country.
- The 901.XX IMSI (global IMSI series) allocated to Indian entities should not be permitted for providing M2M services in India.
- Any M2M eSIM in an imported device on international roaming should be mandatorily reconfigured into profiles of Indian TSPs within 6 months of activation of roaming or on change of ownership of the device, whichever is earlier.
- The Indian TSP/M2MSP will have to integrate its SM-SR with the SM-DP of Indian TSPs within 3 months of the request of the concerned OEM/M2MSP.
- The Indian TSP/ M2MSP will have to switch its SM-SR with the SM-SR of another Indian entity within 6 months of the request of the concerned OEM/M2MSP.

Financial Review

Particulars	FY 2023-24		FY 2022-23	
	₹ Mn.	USD Mn. *	₹ Mn.	USD Mn. *
Gross revenue	70,888	857	65,790	819
EBITDA before exceptional items	34,905	422	28,884	359
Interest, Depreciation & Others before exceptional items	22,642	274	21,546	268
Profit before exceptional items and Tax	12,263	148	7,338	91
Profit before tax	9,233	112	7,338	91
Tax expense	4,189	51	1,846	23
Profit for the year	5,044	61	5,492	68
Earnings per share (In ₹ / USD)	10.09	0.12	10.98	0.14

*1 USD = ₹ 82.74 Exchange Rate for financial year ended March 31, 2024 (1 USD = ₹ 80.37 for financial year ended March 31, 2023).

The Company achieved revenues of ₹ 70,888 Mn., for the year ended March 31, 2024, as compared to ₹ 65,790 Mn. in the previous year, this represents a growth of 7.7%. This growth was driven by customer additions and sustained ARPU improvement.

The Company incurred operating expenditure (excluding access charges, cost of goods sold, license fees and Charity and Donation costs) of ₹ 23,098 Mn.-an increase of 7.4% over the previous year.

EBITDA stood at ₹ 34,905 Mn., increasing by 20.8% over the previous year on reported basis. The Company's EBITDA margin for the year reached 49.2% as compared to 43.9% in the previous year, demonstrating continued focus on driving cost optimisation and improving operational efficiencies.

Depreciation and amortisation costs for the year were higher by 12.0% to ₹ 17,392 Mn., as the Company continued to strengthen its network coverage and provide ubiquitous connectivity.

Consequently, EBIT for the year was at ₹ 17,513 Mn., growing by 31.2% and resulting in a margin of 24.7% vis-à-vis 20.3% in the previous year.

Net finance costs totalled ₹ 5,250 Mn., lower by ₹ 764 Mn. compared to previous year, primarily due to the repayment of NCDs.

Consequently, the profit before taxes and exceptional items amounted to ₹ 12,263 Mn., compared to a profit of ₹ 7,338 Mn. in the previous year.

Exceptional items (net of tax) during the year stood at ₹ 4,071 Mn., majorly due to interest charge pertaining to tax treatment of adjusted revenue linked variable license fees.

After accounting for exceptional items and Taxes, the resultant net profit for the year ended March 31, 2024, was at ₹ 5,044 Mn., as compared to a net profit of ₹ 5,492 Mn. in the previous year.

The capital expenditure for the financial year ending March 31, 2024, was ₹ 20,235 Mn.

Key ratios:

Key Ratios	Units	FY 2023-24	FY 2022-23	YoY %
Capex Productivity	%	56.55	57.22	-1
Opex Productivity	%	32.58	32.70	0
Interest Coverage Ratio	Times	6.23	5.02	1.21
Net Debt to Shareholders' Equity	Times	1.69	1.92	(0.24)
EBITDA Margin	%	49.24	43.90	5
Net Profit Margin	%	7.1	8.3	-1
Return on Shareholders' Equity	%	11.40	13.95	-3

Liquidity & Funding

As on March 31, 2024, the Company had cash and cash equivalents amounting to ₹ 398 Mn. and short-term investments of ₹ 2,376 Mn. During the year ended March 31, 2024, the Company generated operating free cash flow of ₹ 14,670 Mn. The net debt excluding lease obligations for the Company stands at ₹ 45,573 Mn. as on March 31, 2024, compared to ₹ 51,678 Mn. as on March 31, 2023. The net debt for the Company, including the impact of leases stands at ₹ 78,273 Mn. as on March 31, 2024. The Net Debt-EBITDA ratio including the impact of leases as on March 31, 2024, was at 2.24 times as compared to 2.81 times as on March 31, 2023. The Net Debt-Equity ratio was at 1.69 times as on March 31, 2024, as compared to 1.92 times as on March 31, 2023.

The Company has redeemed 15,000 listed, unsecured non-convertible debentures of face value of ₹ 1 Mn. each aggregating to ₹ 15,000 Mn. with interest on January 19, 2024.

Segment-wise Performance

Mobile Services

Overview

The Company has been consistently delivering on its stated strategy to attract and retain high value customers and premiumise portfolio. Hexacom has been able to offer best in class 5G experience at the lowest cost of ownership with deployment of non-standalone network architecture. Life-high revenue market share, industry leading ARPU growth and strong data customer addition is a testament to our strategy and relentless focus on delivering superior experience to our customers. As on March 31, 2024, our customer base stood at 27.34 Mn. The minutes on the network have increased by 9.3% to 352 Bn. The Company had 19.77 Mn. data customers at the end of March 31, 2024, of which 19.48 Mn. were mobile 4G+5G customers. The increased penetration through bundles with high inbuilt data has also led to the total MBs on the network growing by 21.1% to 4,910 PB.

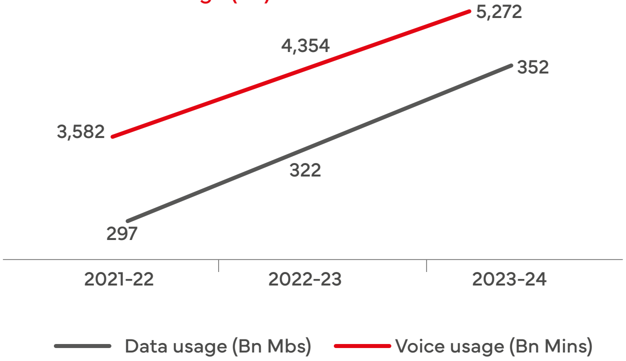
The Company's focus on acquiring and retaining quality customers and a relentless obsession with customer experience have resulted in a strong 4G and 5G customer base. Our premiumisation agenda to upgrade customers to higher value plans has been working well and contributing to ARPU growth. During the year, the segment revenues surged by 7% to ₹ 69,211 Mn. as compared to ₹ 64,624 Mn. in the previous year due to the focus on acquiring quality customers and driving premiumisation. The segment witnessed an uptick in the EBITDA margin that reached 49.4% during the year, compared to 44.0% in the last year.

EBIT margin for the year increased to 25.0%, compared to 20.43% in the previous year.

The Company had 25,704 network towers, compared to 21,672 network towers in the last year. Mobile broadband (MBB) base stations were 79,835 at the end of the year, compared to 70,057 at the end of the last year.

Particulars	FY 2023-24	FY 2022-23	Y-oY Growth
	₹ Mn.	₹ Mn.	%
Gross Revenues	69,211	64,624	7.1
EBIT	17,307	13,200	31.1

Data and Voice usage (Bn)



Homes and Offices

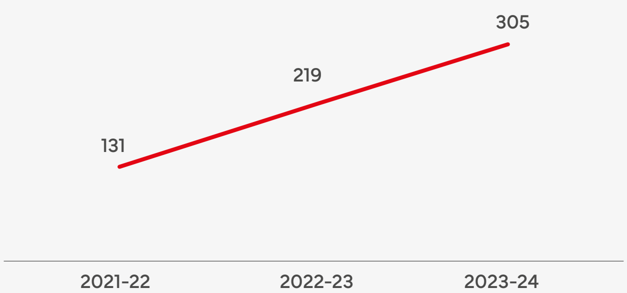
Overview

Homes and office services continues to accelerate rollouts on the back of an innovative asset-light local cable operator partnership model, which is now present in 93 cities. The customer base stands at 305 thousand, as compared to 219 thousand at the end of the previous year. During the year we scaled up our operations as we launched Airtel fibre in 6 new towns and increased our coverage by rolling out new fibre across major cities of operations, helping the county advance towards realising the vision of Digital India.

Revenues from Homes and office services stood at ₹ 2,059 Mn. for the year ended March 31, 2024, as compared to ₹ 1,543 Mn. in the previous year, representing a growth of 33.4%. EBITDA margin during the year was 34%.

Particulars	FY 2023-24	FY 2022-23	Y-oY Growth
	₹ Mn.	₹ Mn.	%
Gross Revenues	2,059	1,543	33.4
EBIT	205	151	35.8

Homes Suscribers: ('000)



SCOT analysis

Strengths

- **Leading player:** The Company is among the leading mobile operator with strong revenue market share in the areas where it operates.
- **Premium brand:** The Company offers services under the 'Airtel' brand, which is a well-known brand across the geographies where it has a presence.
- **Service portfolio:** The Company provides mobility, fixed line and broadband services in Rajasthan and the Northeast region, serving nearly 28 Mn. customers.
- **Convergence play:** The Company delivers comprehensive B2C offerings, including mobility and homes broadband services, along with bundled content offerings and Digital TV services, by leveraging its partnership with Bharti Airtel. The company's strategy to attract high value homes with an array of services presents a significant opportunity for convergence propositions under Airtel Black.
- **Future-proof network:** Over the years, the Company has deployed an extensive network infrastructure and continuously expands it to meet the growing demand for connectivity and high-speed data. By leveraging digital tools and data science for end-to-end management of networks, Bharti Hexacom has simplified network complexity.
- **Leverage from the parent:** The Company's relationship with Bharti Airtel Limited yields significant synergies, including access to digital infrastructure, an experienced management team and more.
- **Strong balance sheet:** The Company generated healthy operating cash flow amid high capex spends. Crisil has reaffirmed the Company's long-term credit rating at AA+ (Stable).

Opportunities

- **Industry structure:** In an already consolidated industry in terms of operators, there remains growth potential as operating regions have relatively lower tele-density compared to the national average.
- **Tariff Improvement:** India's mobile ARPU is significantly lower than its global counterparts, despite having one of the highest data usage. Considering evolving customer needs and the continued need for investments in networks and technological advancements, tariff repair improves financial health and creates value for stakeholders.
- **Tele-density:** With Rajasthan's tele-density of 82.16% and the Northeast region at 80.55%, compared to the national tele-density of 85.69%, there is scope for penetration improvement.
- **Smartphone penetration:** Higher smartphone adoption presents opportunities for incremental revenue as customers transition from feature phones to smartphones.
- **Post-paid penetration:** Post-paid customers constitute only ~4% of India's total mobile customer base. Bharti Hexacom's family plan offerings and converged plans under Airtel Black have the potential to improve post-paid penetration and drive revenue growth.
- **Home broadband landscape:** Fixed line penetration remains in low single digits in the Company's operating regions. Furthermore, growing demand for ultrafast internet and connected devices offers long-term growth opportunities.

Challenges

- **Supply chain limitations:** Network and non-network deployments may face delays due to shortage of required materials, exacerbated by global disruptions which may lead to cost inflation.
- **Low return ratios:** Substantially low ARPU and the continued capex requirement for expanding coverage and technological advancements can suppress return ratios.
- **5G monetisation:** Material use cases for 5G are awaited, apart from FWA, for monetizing the investments made in 5G spectrum and network rollout. These factors, coupled with free 5G data offerings in certain bundled plans, present a challenge.
- **Low return ratios:** Substantially low ARPU, along with the ongoing capex requirements for expanding coverage and technological advancements can suppress return ratios.

Threats

- **Intense competition:** The entry of disruptive players can lead to significant price erosion, adversely impacting the Company's profitability.
- **Adverse regulatory framework:** Changes in regulations, policies that are unfavourable for the industry can affect the Company's operations. Political instability, which leads to economic uncertainty, can negatively impact business.
- **Currency exposures:** Global macroeconomic uncertainties, trade tensions and commodity headwinds may pose a risk of currency fluctuations.
- **Pandemic/Disaster/War:** Adverse situations such as war, civil unrest, natural disasters, pandemics or other unforeseen phenomena can disrupt the Company's operations.

Risk and Mitigation Framework

Responsibility and accountability:

- **The Board of Directors -** The Board of Directors is the apex body that reviews critical risks as well as deliberates and approves action plans to effectively mitigate those risks. The Board conducts an annual evaluation of Bharti Hexacom's risk management framework. This is complemented by periodical evaluation and assessment by the Risk Management Committee (RMC). The RMC formulates a detailed risk management policy and monitors its implementation. The Chief Risk Officer, while working closely with the RMC, independently conducts a complete review of the risk assessments and associated management action plans.
- **The Company's Management -** The Circle CEOs of Bharti Hexacom's businesses are responsible for managing the strategic risks that may impact their operations. These risks are generally identified by their team and the leadership at the national level. The management team draws on internal audit reports to identify risks and scans internal and external environments to ascertain developments that could pose material risks to the Company. Internal audit reports are also considered for identifying key risks.
- **Operational Teams -** The Executive Committees (EC) of Rajasthan and the Northeastern telecommunication Circles manage risks at the operational level. The EC has local representation from all functions, including central functions such as Finance, SCM, Legal and Regulatory and customer-facing functions such as Customer Service, Sales and Distribution and Networks. The Circle CEO is responsible for engaging functions and partners to manage risks. They also identify risks and escalate those to the central teams for agreement on mitigation plans.

Risk identification process

a. Scan the entire business environment, internal and external, for potential risks.

b. Classify the various risks in terms of probability, impact and nature.

c. Develop an objective measurement methodology for such risks.

d. Fix the accountability of people and positions to implement the mitigating action plans.

e. Agree on detailed action plans to manage key risks.

f. List and prioritise the key risks to be addressed and managed.

g. Approve resources, including budgets for risk management.

h. Review the progress of action plans, take stock of gross and net exposures and mandate corrective actions.

i. Report progress to the Board and the Audit Committee/ Risk Management Committee.

j. Report specific issues to the Audit Committee or the Risk Management Committee.

1 Regulatory and Political Uncertainties (Legal and Compliance)

Outlook > Stable

a. Definition

The Company majorly operates in seven states of India. Some of these regions are prone to political instability, civil unrest and other social tensions. Such conditions tend to affect the overall business scenario. In addition, regulatory uncertainties and changes, including escalating spectrum prices, subscriber verification norms and penalties, coupled with EMF norms, among others, are potential risks to the business.

b. Mitigating actions

As a responsible corporate citizen, the Company proactively engages with key stakeholders in the states in which it operates while also continuously assessing the impact of the changing political and social scenario. The Company contributes to the socio-economic growth of the states in its area of operation through high-quality services to its customers, improved connectivity, direct and indirect employment and contributions to the exchequer. Additionally, it maintains cordial relationships with governments and other stakeholders. The Circle CEOs are directly accountable for maintaining neutral government relations. The Company supports quality education across communities where the Bharti Airtel Foundation operates.

The Company, along with its parent, Bharti Airtel Limited, works with industry bodies, including the Cellular Operators Association of India (COAI), Confederation of Indian Industry (CII), Associated Chambers of Commerce of India (ASSOCHAM), GSMA, Internet Service Providers Association of India (ISPAI) and Federation of Indian Chambers of Commerce and Industry (FICCI), on espousing industry issues like penalties, right of way and tower sealing, among others.

The regulatory team, along with legal and network teams, keeps a close watch on compliance with regulations and laws, besides ensuring that the operations of the Company are within the prescribed framework and that a business continuity plan is in place that can be implemented wherever required.

c. Material issue for the Company

Regulatory compliance

Corporate governance and business ethics

2 Economic Uncertainties (Operational)

Outlook > Emerging

a. Definition

The Company focuses on growth opportunities in Rajasthan and Northeast regions, that are characterised by low-to-medium mobile penetration, low internet penetration and relatively lower per capita incomes, thus offering more growth potential. Slowing down of economic growth tends to affect consumer spending and might cause a slowdown in the telecom sector.

In the greater part of the previous year, there has been also some challenges in the Global Supply chain market due to geo political tensions, inflationary price pressure, recessionary environment and uncertain disruptions. Ensuring supply security has always been the core of our supply chain strategy.

b. Mitigating actions

As a regional player with presence across seven states, the Company has diversified its risks and opportunities across markets. To mitigate currency risks, it follows a prudent risk management policy, including hedging mechanisms to protect the cash flows. A prudent cash management policy ensures that surplus cash is up-streamed regularly to minimize the risks of blockages at times of capital controls.

To mitigate supply chain risks, company had implemented various digital systems and processes to ensure any disorder in the Global supply can be timely addressed and jointly mitigated with our partners. In addition, company also developed an ecosystem of suppliers, where majority of our partners are now manufacturing indigenously. The company's Supply Chain strategy aims at ensuring optimum & timely supplies through Innovation & process simplification in order to develop a sustainable supply chain network.

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

c. Material issue for the Company

Regulatory compliance

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

Outlook > Stable

a. Definition

Telecom networks are subject to risks of technical failures, partner failures, human errors, wilful acts or natural disasters. Equipment delays and failures, lack of spare parts, energy or fuel shortages, software errors, fibre cuts, lack of redundancy paths, weak disaster recovery fallback and partner staff absenteeism, among others, are a few examples of how network failures happen. This risk may have negative financial implications. The Company's IT systems are critical to running its customer-facing and market-facing operations, besides running internal systems. In some geographies or states, the quality of last-mile IT connectivity is sometimes erratic or unreliable, which affects the delivery of services, for instance, recharges, customer queries, distributor servicing, customer activation, billing and more.

b. Mitigating actions

The Company operates a state-of-the-art Network Operations Centre to monitor real-time network activity and take proactive action to ensure maximum network uptime.

Network planning is increasingly being done in-house to ensure that intellectual control over the architecture is retained within the Company. The Company continuously seeks to address issues (such as congestion, indoor coverage, call drops, modernisation and upgrades of data speeds, among others) to ensure better network quality. Its recent efforts include the transformation of 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 by embedding redundancies and carrying out internal checks to ensure that all preventive and corrective actions according to the process are in place to ensure network availability and quality for end users.

Tighter SLAs are reinforced with network partners. The performance of the Company's Network team is measured based on network stability, customer experience and competitor benchmarking. The Company follows a conservative insurance cover policy that provides value cover equal to the replacement value of assets against risks, such as fire, floods and other natural disasters. Disaster management guidelines have been shared with all stakeholders to ensure that all actions are in place, covering risk identification, preparedness for disasters, resource allocation, emergency response and reporting and disaster recovery. A Network Recovery Plan (NRP) is being followed by both circles in accordance with the BCP guidelines.

The Company's philosophy is to share infrastructure with other operators and enter into SLA-based outsourcing arrangements. It seeks to share relationships on towers, VSAT, data centres and other 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 and secondary links, among others. Similar approaches are deployed for IT hardware and software capacities; further, internal IT architecture teams continuously reassess the effectiveness of IT systems.

Operational processes such as alarm management, preventive maintenance and acceptance testing are being constantly automated with a vision to move towards zero-touch operations. The Company works with its partners to enhance network availability and reduce failures. Spare management and repair processes are also streamlined to ensure no spare shortages.

The continuous removal of single points of failure (SPOF) on fibre routes and equipment levels is being done. To improve transport resiliency, BSC, Core nodes Interconnectivity and signalling links are being shifted on the MPLS network.

An in-house developed workforce management tool now supports field and NOC teams to enhance productivity and facilitate the seamless flow of information to solve customer impact issues both proactively and reactively.

The Company continues to work towards climate-proofing the infrastructure by building geographical redundancies and resilience, multiple fibre paths for critical sites and strengthening tower infrastructure in cyclone- and flood-prone regions.

c. Material issue for Company

Network quality, expansion and satisfaction

4 Fiercely competitive battleground (Operational)

Outlook > Stable

a. Definition

The market continues to remain competitive in the acquisition space, with all operators trying to garner quality, high-value customers for their networks. Focus on cross-selling to gain a higher wallet share of customers has become the norm.

Quality network and competitive pricing remain the differentiating factors for customers to choose a particular network. The rollout of 5G sites, which began last year, remains the focus of network expansion.

Online content consumption is an area where our competition is spending heavily on acquiring exclusive content.

b. Mitigating actions

Coverage is the key aspect and deciding factor in selecting the network; therefore, it becomes increasingly important to roll out the network and expand coverage in rural areas. The Company continues to expand its coverage footprint in rural areas and its gap geographies.

The other important factor in deciding the choice of network is the ubiquitous data speed in rural and urban areas. While the use cases of 5G are still evolving, the Company continues to aggressively roll out 5G sites and provide unlimited 5G to aid customers in experiencing the 5G network.

The invigorated focus on Family plans and Airtel Black propositions is done with the agenda of cross-selling to customers and gaining a higher share of their wallets.

Additionally, the Company is fully engaged in ensuring that its consumers have a strong variety of content offerings to enjoy.

c. Material issue for Company

Corporate governance and business ethics

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

Outlook > Stable

a. Definition

Across markets, cost structures have been increasing both from volumes (new site rollouts, capacity) and/ or rate increases (inflation, wage hikes, energy and more). This is exerting pressure on margins and cash flows, thereby leading to a debt burden (leverage). The Company will continue to increase investments in its network to ensure quality of service, continue spending on distribution and maintaining world-class customer service.

b. 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 and business units. All functions/business units are targeting cost reductions and cost efficiencies. The Company continues to focus on capex optimisation through various programmes like tower-sharing.

Digitisation and automation with significant programmes on self-care, paperless acquisition, e-bill penetration, online recharges, transitioning to green energy sources, indoor to outdoor conversion and digital customer interactions are continuously monitored through the WoW initiatives.

The Company has been progressively keeping the debt levels within acceptable levels.

c. Material issue for Company

Innovation in product and services

Talent attraction and human capital development

6 Data Loss Prevention (Operational)

Outlook > Stable

a. Definition

Personal data is any data about an individual who is identifiable by or in relation to such data. In the online environment, where vast amounts of personal data are shared and transferred around the globe instantaneously, it is increasingly difficult for people to maintain control of their personal information. This is where data protection comes in.

Data protection refers to the practices and safeguards put in place to protect personal information and ensure that the concerned person has control over it. In short, the concerned person should be able to decide whether or not they want to share their information, who has access to it, for how long and for what purpose, as well as be able to modify some of this information and more. Data protection must strike a balance between the use of personal data for business purposes and ensuring compliance with applicable data privacy regulations.

Data privacy regulations have been passed by several countries, most notably the European Union, which passed the General Data Protection Regulation (GDPR) in 2018. India also passed the Digital Personal Data Protection Act in August 2023. The Company has already initiated its efforts to ensure compliance with the act. This risk may have negative financial implications for the Company.

b. Mitigating actions

The customer base of Bharti Hexacom has been expanding at a tremendous rate. The Company collects and processes personal data of its clients for various legitimate purposes. Also, it collects and processes the personal data of its employees, temporary staff and third-party personnel. The Company is committed to ensuring the privacy of personal data processed by implementing stringent processes and relevant technology controls.

The Company's privacy policy provides management direction and support to ensure the privacy of personal data collected to allow collection, processing, retention, dissemination and destruction of the personal information in accordance with the applicable data privacy regulations and contractual obligations.

Data loss prevention (DLP) is a strategy for making sure that those in possession of sensitive information do not advertently or inadvertently share that information outside the virtual boundaries of the corporate network. The term is also used to describe software products that help organisations control what data end users can transfer. The data loss prevention strategy has been designed to protect information at its most vulnerable points, that is, at the endpoint, the web layer and the email layer.

All endpoints are equipped with specialised data loss prevention (DLP) software. This software helps monitor various channels for potential data leakage. Should a potential violation be detected, an alert is generated and the potential incident is investigated. Similar solutions are deployed on the email gateway and web gateway to monitor emails and internet-bound traffic, respectively. A centralised monitoring team reviews the alerts and raises an incident for investigation and resulting action. All incidents are tracked to closure in a time-bound manner. Additionally, a monthly review of all incidents and their closure is conducted to enable the organisation to regularly refine its existing policies. The Company continuously evaluates the data protection landscape for new and innovative technologies to further strengthen data security.

c. Material issue for Company

Information security and customer data privacy

7 Inability to provide high quality network experience with exponential growth in data demand (Strategic)

Outlook > Stable

a. Definition

To keep pace with rising data demand from customers and to ensure competitive parity in traffic, telecom companies are required to invest heavily in building data capacities and expanding broadband coverage. Operators are adopting new strategies to provide unlimited voice and significant data benefits to customers. Additionally, contemporary customers are looking for a seamless mobile internet experience and are technology agnostic.

b. Mitigating actions

The Company has launched 5G in NSA mode at 3,500 MHz in ~7k sites across 418 towns and 6,673 villages across the seven states within one and a half years of the allocation of spectrum. This is one of the fastest 5G rollouts in the world.

The Company also has sub-Ghz spectrum in Rajasthan and the Northeastern region to enable deeper indoor penetration and cover a larger population footprint than ever before.

The Company has added an additional 3.8k new 4G sites in the seven states to expand its footprint and strengthen coverage in rural and urban areas. This step aims at enhancing the customer experience.

The Company added capacity to the network for fulfilling customer needs stemming from increased data consumption. Various tools, including the addition of TDD, L2100, Twin Beams, m-MIMO and Spectrum, were used to enhance the capacity.

The Company is continuing to step up backhaul readiness and capacities on sites with increased fiberisation and capacity expansion of transmission backbone and internet to cater to additional data load.

The Company has been investing in the digitisation of its operations using automation and machine learning practices. Artificial Intelligence and Machine Learning (AIML)-based solutions are being developed to improve the customer experience through faster resolution of complaints and queries, along with efficiency in the network.

The Company has been accelerating the broadband rollout (Fibre to Homes) in multiple cities through the LCO model, bolstered with its own rollouts.

c. Material issue for Company

Innovation in product and services

Enhancing customer experience and satisfaction

8 Gaps in internal controls (financial and non-financial) (Operational)

Outlook > Stable

a. Definition

The Company serves its customers with an extensive load due to the voice network and huge data carried on wireless networks. Gaps in internal controls and/or process compliances not only lead to waste, fraud and losses but can also adversely impact the Company's brand. Also, any gaps in compliance with laws, regulations or contractual obligations may result in penal consequences, work disruptions or reputational damage.

b. Mitigating actions

The Company's business philosophy is to ensure compliance with all accounting, legal and regulatory requirements proactively. Compliance is meticulously monitored at all stages of operation. Substantial investments in IT systems and automated workflow processes help minimise human errors.

Besides internal audits, the Company also has a process of self-validation comprising several checklists and compliances, as well as a 'maker-checker' division of duties to identify and rectify deviations early on. The Company has implemented a 'Compliance Tool' that tracks and provides a comprehensive list of all those external compliances that the Company needs to abide by, function-wise. The Compliance Tool's ownership lies with the head of the respective function, along with oversight by the Legal team to ensure compliance.

The Company has Internal Financial Controls and a Risk and Compliance team that have tested these controls. The Risk and Compliance Team has asserted that the Company has in place adequate tools, procedures and policies to ensure the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets and prevention and detection of fraud and errors. The Corporate Financial Reporting team has asserted the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

c. Material issue for Company

Corporate governance and business ethics

9 Lack of Digitisation and Innovations (Strategic)

Outlook > Emerging

a. Definition

The digital transformation of the telecom sector is already accelerating at a rapid pace, with new technologies becoming the fulcrum for competition in a landscape that now transcends connectivity. Customer expectations have shifted, with a growing demand for digital content, apps and mobile financial services. AI-powered solutions, ultra-low-latency edge solutions, innovative digital tools for everyday tasks, sovereignty needs, SaaS and other platform-based products are rapidly evolving. With the advent of Generative AI, it is evident how quickly technological evolution impacts existing functionalities, potentially rendering existing infrastructure obsolete and making agility critical. Internal business processes need to quickly adopt the digital transformation to be able to cater to changing customer needs. The slower pace of the internal transformation could lead to a company catching up to the fast-changing customer preferences and requirements.

b. Mitigating actions

The Company prioritises digitisation for its customers by undertaking several digital initiatives. A 'Digital strategy' for its business is embedded within the Company's 'Business strategy' and powered by an agile operating model, which is fuelling a culture of innovation and agility to respond to changes in the business environment. The Company prioritises digitisation for its customers by undertaking several digital initiatives in partnership with it's parent – Bharti Airtel Limited and it's associates. Digital strategy of the Company's new businesses is anchored in three pillars:

- Launch of new products with a digital-first approach
- Simplify the acquisition and experience of customers with omnichannel capabilities
- Make the core of business digital to improve experience and efficiency

The new product launch is powered by a digital-first approach to ensure a consistent experience at all touchpoints. The Company is driving the simplification of 'lead-to-order' and 'order-to-cash' cycles to boost conversions and improve service levels by empowering customers with the following initiatives -

- Digital discovery and buy
- Digital first onboarding and visibility
- Digital payments
- Digital self-serve platform

c. Material issue for Company

Digital inclusion and enhanced access to ICT

10 Climate Change and energy management (Strategic)

Outlook > Emerging

a. Definition

To counter changing climatic conditions and the re-occurrence of extreme weather events, the Company prioritises the development of new infrastructure in such a way that it can withstand evolving climate conditions. For existing infrastructure, some retrofitting would be required based on a field survey conducted by experts to make it climate-resilient. Such infrastructure has the potential to improve the reliability of service provision, increase asset life and prevent revenue loss.

Recently, the Company has witnessed a series of natural disasters, leading to severe impacts not only on livelihoods but also on engineering structures, which include telecommunication infrastructure. To mitigate the impact, especially caused by floods, heavy rainwater logging and cyclones, reengineering of infrastructure is recommended, particularly telecom infrastructure in these areas. This is because telecommunication plays a pivotal role at each stage of disaster management, from early warning and mitigation to response, extending to post-disaster recovery and rehabilitation as well.

The above climate-related risks may have negative financial implications for the Company. It may lead to the degradation of telecom infrastructure, adversely affect service availability and quality, increase business costs, impact maintenance and repair operations and pose health and safety risks to personnel.

b. Mitigating actions

To build the long-term resilience of its infrastructure amid extreme weather events, the Company has devised a climate-proofing plan. It has taken up formal science-based targets and implemented the ISO 14001 Environment Management System.

During its procurement process, the Company prioritises low-carbon technologies wherever feasible. Further, the Company tracks its assets and repairs or repurposes them before retiring them through a robust project management approach.

- Flood-prone areas design criteria:
  - New lean tower design with EPF at 3 m/ 5 m considering heavy flooding of areas near riverbanks or dam discharge streams.
  - Advance fuel filling on DG sets to avoid flood impacts.
  - Equipment to be preferably kept in higher-altitude areas to avoid the inundation of water.
  - Plinth to be kept high in flood-prone areas.
  - Plinth height (2 m), ToCo partners need to build the site with plinth depending on the area, historical data and the data published in the CWC report on the intensity of floods.
  - Passive infrastructure to be moved from ground to raised platform in high flood-prone areas.
  - Pathway access to passive infrastructure to be developed in low-lying areas.
  - Active infrastructure is to be moved to heights above the flood level in flood-prone areas.
  - Flood-resistant building materials, including concrete, masonry and composite materials, implement swales and drainage systems to be used.
  - Early flood warning systems are to be implemented.
  - Critical infrastructure or assets vulnerable to flooding (for instance, electrical equipment) to be retrofit.
- Water scarce areas design criteria:
  - Blue roofs, rainwater harvesting and reuse, greywater recycling and wastewater heat recovery systems to be installed.
  - Water-efficient fixtures and appliances are to be used.
  - Leak detection systems and regular inspections are to be implemented.
- Cyclone- and wind-prone areas design criteria:
  - TLVA/PLVA and tower strengthening activities are to be executed regularly based on historical data.
  - Storm-resistant building designs such as reinforced roofs, impact-resistant windows and secure foundations are to be adopted.
  - Towers in the cyclone-prone areas are to be designed to survive both high wind speed and peak wind speed.
  - Factor of safety in accordance with the IS codes to be considered while designing telecom infrastructure. (Zoning for Wind Load IS 875 Part-III and NBC 2016 indicate the wind speeds and wind load intensities in various parts of Rajasthan and the Northeast based on measured and collected data on wind speeds).
  - Along with Cell on Wheel removal and Microwave removal, unsafe towers are to be removed from high-wind areas.
  - Retrofit power equipment availability for ensuring immediate restoration with minimum cyclone impact.
  - RRUs to be installed behind the base station antenna to reduce wind exposure area.
  - MW of >1.2 m dia. to be avoided.
  - Microwave should be installed with supporting rod to avoid misalignment.
  - V clamp to be used instead of U clamp for improved grip.
  - Tower loading in terms of antennas and other equipment loads to follow the design document.
  - Preventive maintenance and health checkups for both active and passive infrastructure are to be conducted at regular intervals to mitigate the impact on operations.
  - For roof top tower (RTT), the base to be adequately designed to transfer load of tower on RCC grid of the concerned building with proper design check in compliance with the relevant IS codes.
  - Buildings taken on lease to have proper structural safety and is to be certified by the structural engineer of the Company.

- To ensure the safety of towers during disaster, the towers are to be designed by incorporating the provisions of the latest B.I.S. codes of practice governing the design.
- A structural safety certificate is to be obtained from a qualified structural engineer.

- Temperature-related design criteria:
  - White roofs or use light/highly reflective colours to bounce back solar radiation and reduce heat absorption.
  - Green roofs and vegetation for improving the insulation of buildings and heat removal.
  - Improve the glazing performance and install blinds/fixed external shading devices.
  - Heat-resistant materials are to be used.

c. Material issue for Company

Climate change and energy management of telecom infrastructure

Material developments in Human Resource

Bharti Hexacom prioritises creating an empowering and inclusive work environment that promotes the well-being and professional development of its employees. The Company focuses on attracting top talent and invests in their personal and professional growth while maintaining diversity, inclusion, and employee well-being at the core of its strategy.

The Company's people strategy had fueled intiatives in the following buckets to power the business strategy:

a. Organization and people effectiveness

Unlocking organisation and people effectiveness was achieved through multiple interventions. One of these was to set employees up for success from the beginning, with interventions that helped them understand the nuances of telecom and their ecosystem early on, resulting in a successful stint - decreasing both early and overall attrition.

Another priority was setting into motion a comprehensive talent plan to build future ready leaders with the right mix of experiences. Career frameworks, capability programs and holistic talent principles with a focus on individual development were put into place. Key talent was groomed through various learning interventions and career diversification, with a focus on depth and breadth of experiences.

For Bharti Hexacom's outsourced workforce, a focus is placed on strong fundamentals. Automated hiring and lifecycle management tools have been implemented. Consistent policies with a focus on safety and compliance are a key priority.

b. Inclusion Imperative

This was a seminal year for Hexacom in getting more women into our workforce. This was achieved through gender balanced hiring across levels, employee resource groups, promoting flexible work arrangements, establishing inclusive infrastructure and policies and promoting a culture of inclusion.

c. Exceptional Employee Experience

The Company has implemented various technological advancements to create a seamless employee experience. It uses an automated, data-driven talent acquisition tool to enhance the candidate experience and has implemented end-to-end lifecycle management tools and processes.

Tapping into the social aspect, Bharti Hexacom's employees also enriched the lives of people in the larger community with volunteering programs.

Looking ahead, Bharti Hexacom's focus will be on improving customer experience through its extended workforce, further enhancing employee experience through digital solutions and continuing to progress on its diversity and inclusion journey.

Internal Controls

- The Company's philosophy towards internal controls is based on the principles of healthy growth and a proactive approach to risk management. Aligned with 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; a fair presentation of Bharti Hexacom's financial results in a manner that is complete, reliable and understandable; and adherence to regulatory and statutory compliances that safeguard investor interest by ensuring the highest level of governance. The Internal Control framework has been set up across the Company. This framework is assessed periodically and performance is measured via objective metrics and defined scorecards.
- Accounting hygiene and audit scores are driven centrally through the central financial reporting team and the Airtel Centre of Excellence (ACE), both teams being responsible for the accuracy of books of accounts, the preparation of financial statements and reporting the same in accordance with the Company's accounting policies. Regulatory and legal requirements, accounting standards, and other pronouncements are evaluated regularly to assess their 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 ICOFR and such ICOFR was operating effectively as on March 31, 2024.

- The Company has in place an Internal Assurance (IA) function headed by the Internal Auditor. EY and ANB & Co. (ANB) are the Internal Assurance Partners of the Company. The internal assurance plan for the year is derived from a bottom-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. Based on the approved audit plan, IA partners conduct internal audits to review internal financial, operational, IT, regulatory compliance and anti-fraud controls on a periodic basis. Any material weakness or control gap is presented to the Audit Committee members every quarter and the management team ensures that the mitigation plans are being implemented to address the weakness or gap both incidentally and systematically. Additionally, separate quarterly Audit Committee meetings, if required, are also held to review the progress made on previous gaps identified by Internal Assurance. During these meetings, functional Directors are invited from time to time to provide updates on improvements in controls and compliance within their respective functions and updates on the progress of any transformational projects undertaken.

- A CEO and CFO Certificate, forming part of the Corporate Governance Report, confirms the existence and effectiveness of internal controls and reiterates their responsibilities to report deficiencies to the Audit Committee and rectify the same. The Company's Code of Conduct requires adherence to the applicable laws and company policies and also covers matters such as financial integrity, avoiding conflicts of interest, workplace behaviour, dealings with external parties and responsibilities to the community.

- The Airtel Centre of Excellence (ACE), based in Gurugram, Bengaluru and Chennai, is the captive shared service for financial accounting. The digitisation of ACE is being aimed at as part of the transformation agenda and includes initiatives such as system-based reconciliation and reporting processes with vividly defined segregation of duties. The Company operates on a single instance of Oracle, which ensures uniformity and standardisation in ERP configurations, charts of accounts and finance processes. The Company continuously examines its governance practices to enhance investor trust. Initiatives such as a virtual desktop interface for ultimate data security, self-validation checks, desktop reviews and regular physical verification are producing measurable outcomes through substantial improvements in control scores. The Oracle Governance Risk and Compliance (GRC) module has been implemented to strengthen existing controls pertaining to access rights for various ERPs, ensure the segregation of duties and prevent the possibility of access conflicts.