

Bharti Airtel (A)

By 2012, Bharti Airtel Limited (Airtel), a company founded less than 17 years earlier, had established itself as the leader in the Indian wireless telecommunications industry, a market crowded with well-known conglomerates, new entrants, and government operators. In March of that year, Airtel was among the largest companies in India, with a market capitalization of \$26.5 billion.

Airtel's rise to the top of the Indian business world was marked by consistent strong financial performance. In 2008, the company maintained EBITDA of 41% and net profit of 24%, considerably better than its peers worldwide. Annual return on capital employed (ROCE) was in excess of 30%. However, its numbers declined after 2008. EBITDA was 33.5% and net profit margin was 10.2% in 2011.¹ ROCE was 25% in 2010.² Still, these numbers were impressive given the global financial turmoil since 2008.

Airtel accomplished these achievements while penetrating both the rural and urban markets amid rapidly declining per-minute call pricing in India. The company relied on the same technology as its national and global competitors. Airtel's success confounded industry experts even as it deployed advanced technology in an emerging market, managed rapid growth in a capital intensive industry, and reached superior financial performance in the lowest revenue-per-minute call market in the world.

Country & Industry Background

India

India, at slightly more than one-third the land size of the US, had roughly four times the population. With a purchasing power parity (PPP)-adjusted gross national income per capita of \$3,700 in 2011 and the majority of the population living in rural areas, India was still an impoverished country. (**Exhibit 1** shows a demographic profile of India.) In 2009, nearly two-thirds of the population depended on agriculture for its livelihood and more than half the population — 700 million — lived on less than \$2 per day.³ Yet several of the companies that emerged in India over the previous two decades were world-class entities, including Tata, Wipro, and Infosys. From its independence from Britain in 1947 until its economic liberalization in 1991,

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