4 November 2023

National Stock Exchange of India Limited
“Exchange Plaza”,
Bandra - Kurla Complex,
Bandra (E),
Mumbai – 400 051

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Sub: **Transcript of Analyst / Investors Call (Regulation 30)**

Ref: “Vodafone Idea Limited” (IDEA / 532822)

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the analyst / investors call held on 30th October, 2023 relating to the Company’s performance for the second quarter and half year ended 30th September 2023.

The same is uploaded on Company’s Website : www.myvi.in

The above is for your information and dissemination to the members.

Thanking you,

Yours truly,
For **Vodafone Idea Limited**

PANKAJ KAPDEO
Digitally signed by PANKAJ KAPDEO
Date: 2023.11.04 10:59:22 +05'30'

Pankaj Kapdeo
Company Secretary

Encl: as above

“Vodafone Idea Limited Q2FY24 Earnings Conference Call”

October 30, 2023

Moderator: Good afternoon, ladies and gentlemen, this is Ziko, the Moderator for your conference Call. Welcome to the Vodafone Idea Limited Conference.

For the duration of this presentation, all participant lines will be in the listen-only mode. After the presentation, a question-and-answer session will be conducted. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

We have with us today Mr. Akshaya Moondra – CEO of Vodafone Idea Limited; and Mr. Murthy GVAS – CFO of Vodafone Idea Limited along with other key members of the senior management on this call.

I want to thank the Management Team, on behalf of all the participants, for taking valuable time to be with us. Given that the senior management is on this conference call, participants are requested to focus on the key strategic and important questions to make sure that we make good use of the senior management's time. I must remind you that the discussion on today's call may include certain forward-looking statements and must be viewed therefore in conjunction with the risks that the Company faces.

With this, I now hand the conference call over to Mr. Akshaya Moondra. Thank you, and over to you, sir.

Akshaya Moondra: Thank you, Ziko.

A warm welcome to all participants to this earnings call. Last week, our Board of Directors adopted the unaudited results for the quarter ending September 30, 2023. All the results related documents are available on the website and I hope you had a chance to go through the same. Let me provide a brief on our strategic initiatives and key highlights for the quarter. Post this, I will handover to Murthy to share details on the Company's financial performance.

Let me first talk about recently concluded India Mobile Congress

The company through partnerships and with ecosystem players has developed a diverse range of use cases across enterprises, consumers and Community development, showcasing the transformative power of next-gen technology and the 5G network. The Vi booth presented an array of cutting-edge solutions under the theme 'Innovation for a Better Life'

We also showcased first ever advanced IoT solution 'Sanchaar Shakti' to make the ports of the country smarter, connected and more efficient at par with the world-class infrastructure. Developed in partnership with a couple of start-ups, Sanchaar Shakti solution is designed to propel the Hon'ble Prime Minister's ambitious Gati Shakti master plan into a reality by enabling an end-to-end journey of seamless flow of goods from port to the last mile with IoT, private 5G shaping and next-gen technology. As one of the pioneers in delivering IoT enabled growth in India, we are committed to continue developing an IoT-centric ecosystem and empowering MSME's in their digital transformation journey with our ready for next solutions.

We are poised for next phase of growth with next gen technologies that will usher in a connected world with boundless digital innovative solutions across various sectors. We are confident about bringing a significant transformation in customer experience, drive operational efficiency and improve business performance for our partners and consumers which further will positively impact the growth of the Indian digital economy.

Further, we showcased our curated ReadyForNext2.0 solutions like CPaas, Colocation & Cloud services, which can help SMEs on their digitization journey. We continue to use the innovation in technology for public good across livelihood, education and digital-financial literacy.

<u>Moving on to update on our strategic pillars, the first priority area for us is focused network investments</u>

While our network investments have been impacted on account of liquidity constraints we continue to upgrade the existing non 4G sites to 4G by spectrum refarming. Over the last one year, we have added more than 800 unique 4G towers and over 5,800 4G broadband sites. As a result our broadband coverage as well as capacity has expanded. This helps us in utilizing our capex effectively while ensuring that we continue to offer superior customer experience in these areas as we continue to follow a focused approach to investments, biased towards our 17 priority circles which contribute over 98% of our revenue and around 92% of Industry revenue.

Our relentless pursuit to offer better 4G experience to our customers is clearly visible through these network investment initiatives. We also have the highest rated voice quality in the country as per TRAI's "MyCall" app data for 30 out of 35 months between November 2020 and September 2023. On 5G, we are in discussion with various network vendors for finalisation of our rollout strategy. We continue to work with various partners to develop use cases and build device ecosystem.

Moving on to market initiatives

Our brand "Vi", continues to garner good reception, building brand affinity across all customer segments in the country. The company continues to make extensive progress on the marketing front by communicating key differentiators to consumers, entering into alliances and introducing various innovative products and services.

We recently launched our new brand campaign - 'Be Someone's We', rooted in the company's vision of being a partner to its customers; in building a better today and a brighter tomorrow. Humans have inherently been social beings. Since the evolution of mankind, humans have always been together to survive and thrive. However, today's world poses new types of challenges. Several studies indicate that people from all walks of life, especially the Gen Z & millennials are struggling with challenges such as loneliness and social isolation impacting their overall well-being. This underscores the crucial need to establish genuine emotional connections in our ever evolving phy-gital world.

Bringing together the best of both worlds where physical and digital realms intertwine, our campaign is designed to deliver a powerful message of supporting one another through both good and challenging times, even with the smallest of actions. It draws inspiration from everyday life scenarios to illustrate how a network can serve as a bridge for forming human/social bonds, promoting inclusivity and fostering a sense of togetherness.

Further, we continue to work on our offering to make them more relevant to the changing customer needs and behaviour and recently revamped our offerings to make them more relevant to the customers. India is a diverse country, where cultures, languages, and even last names often overlap. However, all telecom companies have traditionally offered 'one-size-fits-all' kind of plans. We recognized basis Urban Consumer Insights Trends report FY23 that consumers need more 'Choice' and 'control' on the benefits. Accordingly, we have pioneered a new era of personalization offering the freedom to select and customize benefits tailored to customers' unique preferences, reflecting the spirit of India's diversity. This initiative enables our postpaid users the freedom to opt for exclusive lifestyle benefits across Entertainment, Food, Travel, and Mobile Security. Our focus is to empower our customers by granting them the autonomy to tailor their mobile experience to their unique preferences. By integrating preferred OTT subscriptions, enhanced security measures, and lifestyle privileges, we're delivering a holistic solution that resonates with the digital lifestyle of today's users. Vi

Max is a testament to our dedication to driving value, power, and convenience for our cherished customers, enabling them to flourish in the digital era.

We continue to focus on getting more customers on 4G/Unlimited plans for further ARPU improvements. We have seen ARPU growth for nine consecutive quarters now. Q2FY24 ARPU stands at Rs. 142 compared to Rs. 139 in Q1FY24; a QoQ growth of 2.1%. On a YoY basis, ARPU has increased by 8.7%. You may recollect that at the end of last quarter, we had changed entry level pricing where the validity of Rs. 99 plan was reduced from 28 days to 15 days in 4 circles. We have expanded this to 15 circles during the current quarter and we continue to observe the space and will make further interventions as we go forward. However, given that many of these tariff interventions are taken during the month of August, the complete impact of these interventions is not reflected in this quarter. That said, tariff rationalization on the higher usage plans and moving to a structure of paying more for using more remains critical to ensure the operators make reasonable returns on their massive network and spectrum investments.

Moving on to Business services

Business Services or enterprise segment, is one of our strength areas owing to our long standing relationships with our enterprise customers as well as our ability to leverage from the experience of Vodafone group in various global markets. We continue to make progress in line with our stated strategy of transformation from Telco to TechCo for our enterprise offerings. Our planned expansion of services beyond connectivity has seen good traction and we continue to work with multiple partners to make our offerings more relevant to enterprise customers.

In this fast-evolving digital era, enterprise needs have broadened for various services and solutions be it security, connectivity, or cloud. To cater to these growing needs and as part of our ongoing portfolio expansion, we have partnered with Yotta Data Services to enhance our data center Colocation and Cloud services portfolio. This partnership will augment our extensive market presence with Yotta's strong position in high-quality data centers, cloud infrastructure and service delivery capabilities to aid the digital transformation journey of Indian enterprises. We are well-positioned to offer end-to-end solutions including colocation, managed hosting, public cloud, direct cloud connects and security on our high-speed network across the country.

We continue to strengthen our focus on the MSME segment through our 360 degree program Ready for Next 2.0. The program continues to support MSMEs in digital adoption, transforming their businesses and helping them unlock the growth potential of their business.

<u>The next strategic initiative is driving partnerships and digital revenue streams</u>

We have set a strong digital roadmap for the company and have been executing the same through strategic partnerships, in our continuing journey of being a truly integrated digital services provider. Over the last few quarters, we have significantly expanded our digital portfolio with addition of music and video streaming, gaming and e-Sports, jobs, education and digital advertising and we continue to add various features to our offerings. We are building most of these offerings on our Vi App,

Based on the transformation Vi App & Vi Movies & TV app saw last year, we have seen significant improvement in our customer ratings on Play Store taking our app ratings to the best in Industry. We continue to maintain the same trend.

On the consumer side, we launched Vi One – a converged proposition offering mobility, fixed broadband & content under a single plan during the quarter. It is an industry first proposition for the pre-paid customers. It is a pilot launch with our subsidiary You Broadband in 12 cities across 3 circles and now we are in the process of expanding it to other markets with other partners. This brings to the consumers a unified proposition offering mobility, broadband & content as one package, i.e. through a single plan - bringing convenience & value to the consumers.

We would like to reiterate that we will continue to have a disproportionate focus to build a digital ecosystem with our partners, enabling a differentiated experience for Vi users, which will help us to drive customer stickiness as well as provide incremental monetization opportunities.

We have a strong pipeline for Q3. We are in the final stages of launching propositions for connected TV, cloud gaming and a few new categories, where we have signed some strategic partnerships to drive monetization. You will hear some news coming around that very soon.

<u>Moving on to other highlights</u>

The 4G subscriber base continued to grow for the ninth successive quarter and stood at 124.7 million as on September 30, 2023 vs 122.9 million in Q1FY24. An addition of 1.8 million 4G subscriber during the quarter is highest 4G subscriber addition in last 8 quarters. With improving operations, we have seen lowest quarterly subscriber decline of 1.6 million since merger. The overall subscriber base stood at 219.8 million.

Revenue for the quarter stood at Rs. 107.2 billion, a QoQ improvement of 0.6% aided by better subscriber mix and 4G subscriber additions. ARPU improved to Rs. 142, up 2.1% QoQ vs Rs. 139 in Q1FY24 primarily aided by change in entry level plan, 2G to 4G upgrade and migration of subscribers to higher ARPU plans.

The overall data volumes were up 2.0% QoQ and we continue to see the increase in the data usage per broadband customer which now stands at ~15.8 GB/month.

With that, I handover to Murthy who will share the financial highlights for the quarter.

Murthy GVAS: Thank you, Akshaya. A warm welcome to each of you.

<u>Quarterly Performance</u>

As Akshaya mentioned, revenues for the quarter stood at Rs. 107.2 billion, a quarter-on-quarter improvement of 0.6%, aided by better subscriber mix and 4G subscriber additions. This is also the 9th consecutive quarter of growth in ARPU and 4G subscribers.

Quarterly EBITDA excluding IndAS 116, CAPEX improved from Rs. 20.2 billion in quarter one FY24 to Rs. 20.6 billion in quarter 2. The reported EBITDA stood at Rs. 42.8 billion as compared to Rs. 41.6 billion in quarter one FY24. Further, the depreciation and amortization expenses and net finance costs for the quarter are Rs. 56.7 billion and Rs. 65.3 billion respectively. Excluding the impact of IndAS 116, the depreciation and amortization expenses and net finance costs for the quarter stood at Rs. 41.8 and Rs. 56.3 billion respectively.

Following the Supreme Court ruling in October 2023 relating to the tax methodology on the revenue share license fees, a tax provision for the past periods of Rs. 8.2 billion and related interest has been considered in this quarter. The CAPEX spend for the quarter stood at Rs. 5.2 billion. The total gross debt excluding lease liabilities and including interest accrued but not due as at 30th September stood at Rs. 2,127.8 billion comprising of deferred spectrum payment obligations of Rs. 1,351.3 billion and AGR liability of Rs. 681.8 billion that are due to the Government, debt from banks and financial institutions of Rs. 78.6 billion and OCDs amounting to Rs. 16.1 billion. The net debt stood at Rs. 2,126.6 billion. The debt from banks and financial institutions has reduced by Rs. 72.2 billion during the last one year.

With this, I hand over the call to Ziko and open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: First is on the subscriber side. We had a lower decline this quarter and 4G additions also improved over last few quarters, and one of our peers who has reported their number on Friday also showed higher subscriber addition. Is it a market wide phenomena and what is driving higher subscriber growth in the industry?

Akshaya Moondra: It is a mixture of a few things combined together. One is that, of course, the market intensity is higher and the overall customer acquisitions and maybe the additions of customers in the industry is also increasing. As I have also probably said in the past is that the subscriber trends we see over the last few years is a mix of new subscribers coming in and multiple SIMs being consolidated. It is a little difficult to assess what is the impact of SIM consolidation. But I think probably that impact has reduced over a period of time, we should start seeing the real subscriber growth figures. As far as Vi's performance is concerned, I think besides the normal performance improvement that we are focusing on in terms of getting better subscriber additions during the quarter and I think after a long time while the figure is quite nominal, we've also seen a positive trend on the consumer side of the postpaid business. So, I think that is also helping, but one of the main reasons for the trend in this quarter is that we have participated in a government scheme and that has brought in significant number of new subscribers including 4G subscribers, so that is one of the things which has helped us in this quarter. But even without that, we would have seen an improving performance in this quarter over the previous quarter.

Sanjesh Jain: Fair enough. Second on the cash management side, I think bank debt with the Q2, we said that a significant pressure on us will be behind. So, now for second half, what is the bank payment left and how do we plan to incrementally utilize the capital with the repayment pressure coming down? Will it significantly go towards increasing the CAPEX?

Akshaya Moondra: No. We continue to incur some minimal CAPEX and that will continue as to the necessary CAPEX in terms of where we are operating today. However, our growth CAPEX in terms of expanding our 4G coverage and also rolling out 5G which will go side by side will happen based on the new funding being tied up. In the interim, since our cash generation will now be more than our debt servicing, we intend to use this for meeting our regular requirements, regular CAPEX and then to some extent this will go towards reducing the vendor outstanding. But any significant CAPEX will happen after the new funding is tied up.

Sanjesh Jain: And on the funding side, is it fair to assume that we are closer in terms of procuring the funding now?

Akshaya Moondra: I had alluded in the last call that we have made progress after the government conversion had happened. Discussions are progressing and we've again made progress since our last earnings call. I would expect that we should be able to conclude these discussions, which are relating to the equity investors in this quarter, which is also what I had indicated in the last quarter. With the banks, the discussions have happened earlier and currently the focus is on tying up the equity investment basis which the banks will process the request for bank funding and process their internal approval.

Sanjesh Jain: Fair enough. One on the IoT side, the capability showcases also coming from the technology transfer from Vodafone PLC because I think they are one of the largest as far as IoT goes?

Akshaya Moondra: Yes, that is right. We benefit a lot from what is happening at Vodafone Group and their leadership position in the IoT segment. And I would describe this as two different parts. One is the volume driven IoT segment, which is generally going in metering and PoS applications where it doesn't require any significant support from Vodafone Group as it is more Indian business and that is supported by the India team. But if you look at the automotive sector, Vodafone Group is kind of leader in that. So, wherever value added IoT applications are involved, we do benefit from them and that is the reason why we also have the leadership position in the automotive sector in India today.

Sanjesh Jain: Got it. One last bookkeeping question, Akshaya. This Rs. 822 crores of tax liability or what we have recognized, how much of it is interest cost and how much of it is principal?

Akshaya Moondra: I'll request Murthy to respond to that.

Murthy GVAS: So, Sanjesh, the 8.2 billion is actually the tax charge and interest is additional.

Sanjesh Jain: Okay, this is only the tax charge and interest will be over and above.

Murthy GVAS: Yes, that's right.

Sanjesh Jain: And we have not provisioned for it, Murthy?

Murthy GVAS: We have provisioned for it.

Sanjesh Jain: But not through P&L or it is sitting in the interest cost?

Murthy GVAS: It is sitting in the interest cost.

Sanjesh Jain: And what will be that number?

Murthy GVAS: We will not be able to share that with you separately because it is a mix of various things. The tax figure was more relevant.

Akshaya Moondra: Anything which is provided right now will give you a benefit later on. Since in our position we are not recognizing a deferred tax asset at this point of time so that contra effect is not appearing and I would say some of these provisions have also been taken on a bit of a conservative side. We believe that it could actually be lesser than this, but I think there are many interpretation issues and I would say this has been taken more on the conservative side.

Sanjesh Jain: And Akshaya, this should be paid in the cash immediately if it crystallizes or can you adjust against the deferred tax you have?

Akshaya Moondra: One is that we have large amount of tax refunds which we still have to receive from the tax department. Again, this is multiple years and it's a complicated thing, but to my mind, most of it, if anything happens which will take some time because just to be clear, these calculations if somebody has to do they date back to the year 2000 and you do a cumulative calculation from that time. We've done a quick calculation. I think these can convert to actual cash outflow once the tax department has done their working, they kind of come up with what their interpretation and calculation and there will be some difference of opinion on the interpretation, so I think it will take some time but most likely, and Murthy can add to that whether this would largely offset the tax refunds rather than resulting in incremental cash outflow.

Murthy GVAS: Yes, that's right. Sanjesh, the tax refunds are higher than this amount, but currently we have not seen the demand. So, till such time, there's a trigger either at an ITAT or a High Court pertaining to that year because of other disallowances, then that will lead to the tax officer recomputing tax liability. This will not lead to any outflow immediately.

Moderator: Thank you. Our next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: First one, how is the launch of 5G by competition impacted you so far? Are any of the corporate customers demanding that you offer 5G and would you say that like so far the impact is not much or it's something which is becoming worrisome?

Akshaya Moondra: Kunal, as you can understand, this is something which we track on a regular basis and we do believe that we will need to have 5G, but until now we have not seen any significant impact of 5G not being with us and being with competition. And the reason for that is that let's say, if we look at our trends of churn for 5G device owners and non-5G device owners, there's no significant difference which would be relevant. Also if we look at the postpaid subscribers, which then generally is seen as a kind of surrogate for the higher ARPU subscribers or people with more 5G devices, actually in that segment in this quarter we have after a long time seen a growth in the net ads in the consumer segment. So, really speaking, both these are indicators that this is not impacting us so much. And the reasons for that are that while 5G is a good technology, whether consumer feels the difference is one thing. And second, as we have discussed that while today people are not paying for 5G usage as and when it comes to time for payment of 5G usage, currently, the experience on a small handset device is not that different. But your data consumption for watching, let's say YouTube video would be much higher. It is one of the challenges which ultimately will be there and those who understand it, they may find that. Of course, as the networks get a little more ubiquitous, experience of people on 5G will improve. So, I would say it will deliver a good experience over a period of time, but whether people are driven by the need for 5G, we've not seen any significant impact until now.

Kunal Vora: Thanks for that. Second one is on SG&A costs down this quarter. Last year, this number had seen a sharp increase. Do you see the numbers stabilize or moderate going forward?

Akshaya Moondra: The SG&A cost, generally, on the customer acquisition part, which is the part of this cost, the cash cost would have gone up a little bit in this quarter. But if you recollect, last quarter we had made a change in the life of customer. Because of which, the deferment being lesser, the impact on the P&L was higher. So, this quarter, there is no impact because of the change in life. So, from a P&L charge, it is appearing better and we've also taken some initiatives to reduce the cost on the SIM side. So, just from a pure market activity, given that our gross adds are higher in this quarter, our overall market-based customer cost of acquisition has increased. But that has been offset by other savings, largely in cost savings, as the deferment being higher in this quarter because last quarter we had changed the life of the customer.

Murthy GVAS: Also, there have been certain cost initiatives on the content side, which has led to certain savings, which we expect to continue.

Kunal Vora: Okay, thanks. And is there any change in competitive intensity in the market?

Akshaya Moondra: It is somewhat higher than what we saw in the last quarter particularly on the industry side.

Kunal Vora: Thanks. And you had announced the promoters would support Vodafone Idea to the extent of Rs. 2000 crores. Is there any update on this and you made a payment of Rs. 1,700 crore to government recently. Did you get any funding from promoters?

Akshaya Moondra: No. In the last quarter, we had gotten a letter from the promoters that they will support us to the extent of Rs. 2000 crore. Till date they have not actually contributed anything. We had gotten some bank funding to tide over the short term mismatch that we had in the last quarter. The promoters' commitment is there. They have said that they will support as and when required. And we expect that this promoters' contribution should also come alongside the tie up with the external investor.

Kunal Vora: But is that subject to external funding coming in, or even without that, the Rs. 2000 crores will come?

Akshaya Moondra: It is not subject to that. But the expectation is that both can happen together, but it is not subject to that. Most likely this will conclude in this quarter. That's our expectation.

Kunal Vora: And any impact of Jio Bharat that you've seen so far?

Akshaya Moondra: Actually not very much, and the best indicator of that would be that, this was the quarter where we did most of our intervention of changing the entry level pricing, and that would probably have been a factor because the Jio Bharat phone was targeted more towards the people who were on entry level pricing or let's say, who were on the non-unlimited plan. So, if that was going to happen, significant impact or any impact at all, I think it would have reflected some impact on as we took the changes in the entry level price. Since that has not happened, that is one very clear indicator from an external perspective. But let's say this is not the subject of discussion anymore because it's not had any impact, so to say.

Kunal Vora: And lastly on the Supreme Court decision, would you be looking to contest it or do you think it does not really have any meaningful cash impact to like?

Murthy GVAS: So, we are evaluating that and we'll take some time on this.

Moderator: Thank you. Our next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah: So, one question. We went back to Supreme Court filing a curative petition with respect to the differences or errors in the AGR liability. So, just want to understand what is the difference that we are envisaging? And why we are going back after almost a gap of 2.5 years since this amount was crystallized over the last Supreme Court judgment?

Akshaya Moondra: Before I answer this question, let me just say that the matter is before the Supreme Court. And so any response that I'm giving should be seen in light of the fact that this is subjudice. I'm just trying to provide as much clarity and information on the subject, but ultimately the final result will be what the court decides. Having said that, if you remember that, we have been at multiple times saying that there are errors in the demands and the Supreme Court judgment, which was given in 2020, had kind of mentioned that the demand which was captured in the affidavit filed by the DoT in the court at that time where this information was sought was kind of fixed, although DoT in their own filing the affidavit, they had said these are provisional in nature. Now post that, we had filed a review petition against the judgment of October 19, which was disposed of. And then we had filed another review petition post the judgment of 2020. This was filed in 2021. That review petition has not been disposed off. And since that was taking some time, we thought that at this point of time it would be best to file a curative petition because looks like the review petition one was rejected. In any case, we had to address that. And the other one was not progressing. So, one thought earlier was that both the review petitions we disposed of, they were relating to the same matter and then file the curative, but since that was taking some time, we finally decided that we should file the curative petition. In terms of the fact that there were errors and demands, this has been a matter of public knowledge. In fact, when the judgment was announced, DoT had asked us to do a self-assessment exercise, which was then kind of not proceeded with because that was the court direction. We had also filed our figures of self-assessment and all. So, it is clear knowledge that there are some errors in those demands and we have requested the Supreme Court to allow the DoT that if there are any errors in these demands, they can be corrected because I don't think any government would like to recover demands which are not right. The second prayer in the curative petition is also seeking waiver of penalty and interest thereon. And the rationale for this is that since till the time the last judicial pronouncement of this was given by the Tribunal, I think somewhere in 2015 the matter was largely divided in favor of the industry. So, really speaking, there was no opportunity to pay because the matter was decided in favor of the industry largely, and at that time TDSAT had directed the DoT to issue fresh demand based on the TDSAT judgment at that time. However, since DoT had gone into appeal in Supreme Court, they had not raised any revised demands at that point of time. So, basically the intention of the service providers is that there should not be any penalty levied, interest itself is the time value of money is being covered by that, and in this case the interest itself was penal in nature. So, in summary, there are two prayers, one is allow and direct the DoT to make correction in the demands which they had provisionally raised earlier. And secondly, waiver of the penalty and interest on penalty there.

Himanshu Shah: Sure, sir. This is very helpful and very clear. Just a small follow-up on this. Will there be any kind of hearings on the curative petition or the court will just review the filings and basis that they will unanimously decide on the curative petition, whether to give any kind of revision or not, this is one? And are there any timelines with respect to the curative petition outcome?

Akshaya Moondra: Himanshu, I'm not an expert on the subject, so don't hold me to what I'm saying, but my best understanding today is that first the court has to decide whether they will admit the curative petition or not, and that is the first decision to be taken. If it is decided that it will be taken, our sense is it would most likely be heard in the court, but I'm not sure about that. In terms of timelines, I think we cannot comment on the timeline that is for the court to decide.

Himanshu Shah: Very helpful. So, with respect to one equity funding from external parties, any color you can provide on the quantum of fundraise that we are looking for from external parties?

Akshaya Moondra: I think Himanshu, while we are working on specific figures, given the nature of these discussions and the sensitivity around them, I would avoid answering that question at this point of time. But let me just put it this way if it is of any help that we have a business plan with an investment plan and basically the total equity plus bank funding that we are targeting is of a nature that we should be able to use that funding to make the investments and then improve the operations to a point where the balance sheet of the Company is addressed to an extent that we then become self-sufficient both in terms of cash generation from business being able to meet our requirements largely and if there is any gap to be able to raise new funding. So, all that I can say is that we are looking at an overall funding which will meet our requirements where currently our cash generation is less till we get to a point of self-sufficiency based on our projects.

Moderator: Thank you. Our next question is from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir: First question was on your network coverage. So, while I see your coverage both in terms of population coverage as well as consensus towns have improved or at least remain stable, but your unique sites have to some extent, although very little but kept reducing. Are these overlapping sites therefore that we are reducing because also your total broadband sites have reduced or how should we see going forward in terms of our unique sites coverage expansion?

Akshaya Moondra: The real figure to be seen in terms of network coverage is the network coverage in terms of population, which is improving. And the point you are mentioning is mostly technical. What is happening is a lot of 4G is coming out of a 2100 frequency band being deployed for 4G. So, let us say that if in a particular circle we had deployed some 2100 for 4G already, but we're using one carrier of 2100 for 3G because that was the need based on the 3G devices in that location or in that circle. That would be counted as one 3G site in 2100 and one 4G site in 2100. Now, if that spectrum is refarmed to be used completely for 4G, then what you would say is that the number of 4G sites remains the same, but the number of 3G sites reduces. So, what is happening is that the overall broadband sites would show a reduction. So, that part is only technical. I think our capacity has been constantly increasing.

Our coverage is increasing, though marginally and this reduction in broadband sites is more technical because of what I explained to you.

Aliasgar Shakir: Understood. This is very clear. And what about the unique towers, although that has reduced by a very little amount, but that has also been reducing every quarter. So, how should we read that?

Akshaya Moondra: So, let me answer that based on what I can tell you and if there's anything that Murthy or others would like to add, they can do so. One of the reasons is that currently we are not rolling out new physical site, that is very few and some of these sites which are getting closed down are also because of landlord issues or those kinds of issues. So, some closures keep happening for that reason, and I think it should be largely representative of that reason unless Murthy wants to add something on that part.

Murthy GVAS: So, if we look at these numbers on a quarterly basis, there's hardly any difference except for a few and that I think is just normal.

Akshaya Moondra: So, that must be because of these, either because there is some safety concern, which government authorities kind of say this has to be closed or there is any landlord issues and the landlord says that we don't want to continue with that site. I think a minor reduction is happening probably on that count and since our new rollout is minimal at this point of time, you may be seeing a decline. This closure of sites happens with everyone, but because they rolled out more sites, so it may not be appearing so in the other case.

Aliasgar Shakir: Got it. This is clear. Second question is on the subscriber churn and dilution. While you did emphasize that you may have not seen as much impact in the low subscriber category because of the competition, but more so because of the revision in the price plan that you have done. Having said that, the 4G subscriber base has seen improvement. So, if you can just give us the overall perspective in terms of dilution, where are we seeing this, is it mainly only in the lower ARPU category and the premium segment we are gaining customers or how should we look at this, if you can just share some light?

Akshaya Moondra: While in this quarter we have had a price intervention, generally speaking, post-December 21, there has not been any significant price intervention except this one where we changed the entry level pricing. And if ARPU is improving in that scenario, it is based on some interventions and upgrade of subscribers. So, it is very clear that on an overall basis, the subscribers are getting added to the higher ARPU category. In terms of churn, you're right that we are seeing most of the churn at the lower ARPU categories and some of it might have also been accelerated by the change in entry level price. So, I think that lots of subscribers churn is happening at the lower ARPU segment. So, I don't know was this your question and have I answered it or you're wanting to understand something?

Aliasgar Shakir: Yes, so point is basically at the premium end we have been able to more or less protect the customer base.

Akshaya Moondra: That's right. And as I said, in this quarter, we have also seen after a fairly long period of time, we've seen an overall decline in the number of subs and also on net addition in the postpaid sum, that's a marginal number. But that has happened after a long period of time. And that clearly shows that in terms of attractiveness of our proposition as far as subscribers are concerned, we are moving in the right direction.

Aliasgar Shakir: Right, got it. And just last bookkeeping question. So, we have about Rs. 7,174 crore of debt which is coming up due before 30th of September, 2024. So, would you be able to share, is this entirely coming on the 30th? Or it is coming in tranches and what are those dates and is this bank debt or are there any government obligations also part of this?

Akshaya Moondra: Let me try and answer to the extent I can and then Murthy can add on to that. So, firstly, this is spread over a period of time. Secondly, this is excluding the covenant breach related reclassification. It includes Rs. 1,600 crores of OCDs, which were issued to ATC. And if those get converted, then this will not need to be serviced. So, that is one part. The rest is bank debt, which is spread over, which is in the nature of amortizing this. I think one main figure would be that there is Rs. 2,000 crores of debt which we had taken in the quarter gone by as we said for taking care of the short term funding gap. And that will be repaid in next quarter, which is Q4 FY24. So, that is a larger debt servicing, otherwise the remaining debt is more of an amortizing nature. Murthy, is it right that 7,174 includes the OCDs of ATC?

Murthy GVAS: Yes, that's right.

Aliasgar Shakir: So, rest of the nearly Rs. 5,500 crore is spread across different periods of the year, right? And out of that Rs. 2000 crore as you mentioned is one tranche which will come in 4Q?

Murthy GVAS: Yes, that is the single large tranche. The rest of it is mostly amortized.

Moderator: Thank you. Our next question is from the line of Santosh Sinha from Emkay Global. Please go ahead.

Santosh Sinha: My question is regarding this Rs. 822 crores tax charge post Supreme Court judgement, so how judgement will actually impact the P&L going forward. That is my first question and second is regarding any major cash payment that has to be done in 12 months. So, these are my two questions.

Murthy GVAS: The first is that you see what the Supreme Court said is that the revenue share license fee, the tax allowability of that would be in line with the upfront license fee that was paid at the time of acquiring any license. And since that's happening now, then what will happen is that if you take a 20-year period of a license, then in that case one will tend to get 1/20th in the first year, 1/19 plus the 1/20th in the next year. So, it's basically a waterfall that will happen and the second half of the license period, one gets better tax allowability as compared to the first half of the license period. As far as we are concerned, given that we are into losses, this is a onetime charge for the past years until such time that we get back to profitability while the taxable computation would obviously be a little lower than your book loss, it does not result in any tax outflow. This would possibly affect organizations and entities which have a taxable profit rather book profit because to the extent the tax profit would be higher.

Moderator: Thank you. Our next question is from the line of Sohan Joshi from ASC Consultants. Please go ahead.

Sohan Joshi: Just one confirmation. In one of the previous questions, you said that since you have a good amount of cash now available because sizable chunk of the debt has been paid and you will be clearing the outstanding dues of the vendors. So, is it that before receiving those external funding and promoters funding, we are targeting a certain higher percentage for clearing the vendor payment so that the balance funding will then be entirely deployed for the growth CAPEX only?

Akshaya Moondra: Whenever anybody is providing capital today, the basic driver of that capital is that it should be invested in growth CAPEX because that is the main reason why the lack of investment is preventing our ability to compete in the market, primarily the lack of 4G coverage. So, any new funding which is coming either from equity or from banks, the main objective of that funding is growth CAPEX. However, given the fact that we have accumulated some vendor overdue and which is also happened somewhat because of the fact that we have continued to pay the bank debt on schedule on a regular basis, we are in discussion with our funding providers that some part of that we earmark to clear the part of the vendor overdue and the rest will be cleared over a period of time out of the internal cash generation.

Sohan Joshi: That was helpful, sir. The second question, we have a significant stake in one of the vendors' entity. So, up to last year there were plans that we might plan to sell out some stake in Indus. Is it that we might go ahead next year to sell out some of the stake in Indus or will continue the current capital allocation only?

Akshaya Moondra: Vodafone Idea does not have any stake in Indus. That stake in Indus is led by Vodafone Group. I cannot comment on behalf of Vodafone PLC. That is a question that can only be answered by them.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question and answer session. I now hand the conference over to Mr. Akshaya Moondra for closing comments.

Akshaya Moondra: Thank you, Ziko. With improving operations, we saw the lowest quarterly decline in subscribers post merger. We have reported 9 quarters of sequential growth in ARPU and 4G subscribers. We remain focused on providing competitive data and voice experience at locations where we are present and are building a differentiated digital experience adding several digital offerings in the recent quarter. Our share in gross customer addition continues to remain higher than our customer market share for last several quarters, clearly reflecting our ability to compete in the market once the investments are in place. We continue to remain engaged with our lenders for further debt fundraising as well as with other parties for equity or equity linked fundraising to make required investments for network expansion and 5G rollout to compete effectively. We have been improving our performance with limited investments and we are very confident that with the investments coming on stream, we will be able to make more meaningful improvements in our overall performance. Thank you all for joining us on this call. Have a very good evening. Thank you.

Moderator: Thank you. On behalf of Vodafone Idea Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.