May 07, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001

The National Stock Exchange of India Limited
Exchange Plaza, C-1, Block – G, Bandra Kurla Complex,
Bandra (E), Mumbai - 400051

Ref.: Indus Towers Limited (534816/ INDUSTOWER)

Sub.: Transcripts of the Earnings Call on the Company's performance for the fourth quarter (Q4) ended March 31, 2024

Dear Sir/ Madam,

Please find attached the transcripts of Earnings Call conducted on May 01, 2024 on the Company's performance for the fourth quarter (Q4) ended March 31, 2024.

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **Indus Towers Limited**

SAMRIDHI RODHE
Digitally signed by SAMRIDHI RODHE
Date: 2024.05.07 21:54:13 +05'30'

Samridhi Rodhe
Company Secretary & Compliance Officer

Encl.: As above

Earnings Conference Call Transcript

Event: Indus Towers Limited Fourth Quarter and Full Year ended March 31, 2024 Earnings Conference Call

Event Date/Time: May 1, 2024 / 1430 Hrs IST

Transcript of Indus Towers Limited Fourth Quarter and Full Year ended March 31, 2024 Earnings Conference Call

CORPORATE PARTICIPANTS

Mr. Prachur Sah
MD & CEO – Indus Towers Limited

Mr. Vikas Poddar
CFO – Indus Towers Limited

Mr. Tejinder Kalra
COO – Indus Towers Limited

Mr. Dheeraj Agarwal
Head Investor Relations - Indus Towers Limited

CORPORATE CALL PARTICIPANTS

Mr. Sachin Salgaonkar
BofA/Mumbai

Mr. Manish Adukia
Goldman Sachs/Mumbai

Mr. Arun Prasath
Avendus Spark/Chennai

Mr. Kunal Vora
BNP Paribas/Mumbai

Mr. Vivekanand Subbaraman
Ambit Capital/Mumbai

Mr. Sanjesh Jain
ICICI Securities/Mumbai

PRESENTATION

Sunita– Moderator

Good afternoon, ladies and gentlemen. I am Sunita, the moderator for this conference. Welcome to the Indus Tower Limited fourth quarter and year ended March 31, 2024 earnings call. For the duration of the presentation all participants' lines will be in the listen only mode. After the presentation, the question-and-answer session will be conducted for all the participants on this call. In case of a natural disaster the conference call will be terminated post an announcement. Present with us on the call today is the senior leadership team of Indus Towers - Mr. Prachur Sah, MD and CEO, Mr. Vikas Poddar, CFO, Mr. Tejinder Kalra, COO and Mr. Dheeraj Agarwal, Head Investor Relations. Before I hand over the call, I must remind you that the overview and discussion today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face. I now hand over the call to our first speaker of the day Mr. Prachur Sah. Thank you and over to you Mr. Sah.

Mr. Prachur Sah – MD & CEO- Indus Towers Limited

Thank you, Sunita and a very warm welcome to all participants. Joining me today are my colleagues Vikas Poddar, CFO, Tejinder Kalra, COO, and Dheeraj Agarwal, Head Investor Relations on the call. I am pleased to present our business performance for the quarter and year ended on March 31, 2024.

We are pleased to have delivered a stellar year with our yearly tower additions being one of the highest, in fact the highest ever in our history. This has also helped us surpass the milestone of 200,000 towers in our portfolio. The progress we made on each of the strategic priorities which we had outlined at the start of the year, centered around market share, cost efficiency, network uptime, and sustainability has been pivotal to this achievement.

Keeping with the momentum observed during the year, tower additions in Q4 were our highest ever quarterly rollout. The strong additions continue to be aided by the accelerated rollouts by one of our major customers, especially in rural areas and significant increase in our share of customers rollout. With regards to collections from a major customer, we sustained 100% collection against our billing during the year and also made some collection against the past dues. We are pleased to see the recent positive developments at the customer's end around its fund raise and we remain engaged with the customer for clearance of our past dues.

Before we delve into the details of our core business areas, I would like to express my sincere gratitude to our field forces for their commitment towards helping Indus bridge the digital divide. In the quarter gone by, our field force exhibited exceptional courage and perseverance to install two towers in the mountainous regions of Nilgiris district which is situated at the highest altitude above sea level in Tamil Nadu. Enabling connectivity in the remotest of areas and difficult terrains by installing a huge tower is truly remarkable and reflects the commitment of our people on the ground.

The year gone by saw several encouraging developments on the regulatory front and reemphasizes the Government's commitment towards facilitating the swift rollout of telecom infrastructure across the country, keeping sustainability in view. The landmark Telecommunications Act 2023 aimed at easing Right-of-Way challenges and ensuring network and infrastructure security among other things came into effect during the year and was notified in Q4. The Green Open Access policy aimed at incentivizing the use of cleaner sources of energy has been notified by more than 12 states. Additionally, the composite billing scheme for multiple power connections, the option to apply for a power connection for telecom infrastructure through Gati Shakti Sanchar Portal and mapping of different ministries to the Gati Shakti Portal to apply for Right of Way were other key highlights of the year.

On the topic of 5G, rollouts by the top two operators continued at an accelerated pace in Q4 as well taking the total count of 5G Base Transceiver Stations or BTS deployed to over 435,000. The large rollout of 5G services by operators during the year has added to our loading revenues and helped us deliver strong growth. The wider adoption of 5G is expected to spur the demand for newer sites in order to facilitate network decongestion. We remain confident in our ability to make the most of the opportunity on offer, given our leadership in the passive infrastructure space.

The accelerated pace of 5G infrastructure deployment is expected to be supported by swift adoption by users, and statistics mentioned in the Nokia MBiT Index Report 2024 give credence to the same. As per the report the total 5G subscribers stood at 131 million in 2023 and are expected to grow to 575 million by 2026. The device ecosystem for 5G is also progressing well with 17% of the active 4G devices now capable of offering 5G. The contribution of 5G to total data traffic has increased from 1.7% in 2022 to 15% in 2023.

The data consumption trend remains strong, underpinned by both the swift proliferation of 5G and the ongoing migration of users from 2G to 4G. For the top three operators, the average data consumed per user per month grew by 14% year-on-year to 24 GB in the December quarter and the total data consumption grew by 24% year-on-year in the same period. The confluence of robust data usage and surging 5G adoption presents a compelling opportunity for the passive infrastructure industry and given our pole position in the space, we believe we are well positioned to cater to this demand.

As touched upon earlier, we delivered our highest ever tower additions in Q4 as well, in line with the trends of the year. Our macro tower and co-location additions for Q4 more than doubled compared to the same period last year and our full year additions were more than 3.5x compared to the previous year. In Q4 we added 7,961 macro towers and 7,909 corresponding co-locations supported by a combination of strong customer demand and our ability to increase our share in the business of the customer. Total macro towers and co-locations in Q4 increased by 13.9% and 7.5% each on year-on-year basis to 219,736 and 368,588 respectively. On a full year basis, tower and co-location additions were at 26,862 and 25,757 respectively. Our industry-leading tenancy ratio stands at 1.68.

In terms of leaner towers, co-location additions were at 692 in Q4 resulting in the overall base increasing to 10,686. Including leaner towers our net co-location additions were at 8,601 in Q4 compared to 8,568 in Q3.

Moving on to a progress update on our four key strategic priorities namely market share, cost efficiency, network uptime and sustainability.

Firstly, on market share, as I alluded to earlier, our quarterly macro tower and co-location additions more than doubled over the same period last year. This was underpinned by substantial improvement in our share in the business of our major customers whose aggressive rollouts continued in this quarter as well. At the beginning of the year, we focused on improving the time to market of our products further in order to increase our competitiveness. To this end, we formed a dedicated team to expedite the deployment process through continuous monitoring and proactive logistics management. Supplementing this have been our efforts towards strengthening our partner ecosystem, systematic resource planning, streamlining of product offering and the digital interventions we have been taking across our value chain. We expect the rural rollouts of our major customer to continue in the near term at least, providing us with significant headroom for growth.

Secondly, regarding cost efficiency, we remain focused on optimizing both operating and capital expenses. One of the major contributors to our operating cost is diesel and we have taken various initiatives to reduce its consumption. These measures include augmentation of energy storage solutions, increasing the use of renewable energy solutions and conversion of sites from indoor to outdoor which helped us reduce our diesel consumption by 6% in Q4 on a year-on-year basis. With a sharp focus on expanding our renewable energy portfolio, we more than doubled our quarterly run rate and added more than 8,000 solar sites in Q4.

In terms of capex, we have been focusing on various aspects such as product standardization, resource planning to optimize spend per site and refurbishing existing infrastructure for efficient upgrades. Supplementing this were the technological interventions including the automation of processes and use of artificial intelligence and machine learning to enhance the life cycle of equipment.

Thirdly, moving to network uptime, a metric which is critical to customer satisfaction. In Q4 of this year, we managed to further improve our industry high uptime to 99.97%. We were able to achieve these numbers despite the heavy rains seen in areas of Uttar Pradesh and northeastern states as well as the power outrages caused by severe heat in the areas of Punjab and Haryana which underscores the perseverance and determination of our field force.

Coming to ESG, a strategic priority for the organization. We want to create an agile and future ready business model that will preserve the environment, promote inclusive culture, strengthen communities, and create resilient value chains. To this end, in the year, we launched our 'Zero Goal Hai' or 'Zero is the target' campaign with the aim of achieving zero emissions, zero harm, zero waste, zero bias and zero tolerance to non-compliance.

On the Environment front, we are driving multiple interventions to reduce our GHG emissions by increasing the share of renewable sources of energy in our overall energy portfolio and reducing our diesel consumption. During the year our solar portfolio increased more than 10-fold to 14,731 sites. We reduced our diesel consumption by about 7% during the year despite increase in overall energy consumption. We also participated in the CDP that is Carbon Disclosure Project survey, which is a snapshot of a Company's performance on environmental action. We are pleased to have scored 'B-' which underscores that we are addressing the environmental impacts of our business and ensuring good environmental management.

We are pleased to see our gender diversity almost double from 6% at the beginning of the year to close to 12% at the end of the year. We have always been dedicated towards creating a workforce where women thrive through our focused hiring programs, inclusive policies, and supportive work environment and we will continue to work in this space along with our entire ecosystem to continue driving this program.

Our CSR initiatives have helped us positively impact more than 40 million lives across India through our flagship program Saksham and Pragati which focus on girl child education, digital literacy, and livelihood promotion amongst others.

To create a safer work environment, we launched electrical and road safety campaigns for our field force and ESG training for our entire workforce, including partners.

During the quarter we also launched a sustainable procurement policy which reiterates our belief that the sustainability practices of our business partners would play a major role in the long-term success of our business. We believe these programs will promote safe practices and a deeper appreciation of Environmental, Social, and Governance issues.

Our efforts towards ESG are being recognized as we were judged 'Best Emerging Company of the Year' at the prestigious Transformance forums. We were also pleased to have won the Gallup Exceptional Workplace award for the 11th consecutive year.

I would now request Vikas to take you through our financial performance for the quarter and year ended on March 31, 2024, and I look forward to your questions. Over to you Vikas. Thank you.

Mr. Vikas Poddar– CFO – Indus Towers Limited

Thank you, Prachur, and Good Afternoon everyone. I am pleased to share with you the financial results for the quarter and year ended 31st March 2024. Before presenting the financial performance, I would like to reiterate our exceptional operational performance during the year, with a large number of tower additions recorded each quarter.

Coming to the financial performance for Q4, our reported gross revenues were at Rs.71.9 billion, growing by 6.5% year-on-year. The core revenues from rental grew by 7.7% year-on-year to Rs.45.8 billion aided by strong tower additions and 5G loading. On a quarter-on-quarter basis our reported gross revenues were almost flat while core revenues from rental were up by 2.2%.

Moving to profitability, the reported EBITDA for Q4 grew by 19% year-on-year and 13.3% quarter-on-quarter to Rs.41 billion. EBITDA margin was up 6 percentage points year-on-year and 6.7 percentage points quarter-on-quarter to 57.0%. Similar to the previous quarter, we recognized collection of more than 100% of average monthly billing against the past overdues from a major customer resulting in write back of provisions for doubtful debt. Adjusted for these factors EBITDA increased by 8.5% year-on-year and 3.3% quarter-on-quarter.

Energy margins improved sequentially from -2.7% to -2.1% in Q4 driven by seasonality and also the initiatives we have taken to reduce our diesel consumption and other energy expenses.

Our reported profit after tax stood at 18.5 billion growing 32.5% on year-on-year basis and 20.3% on quarter-on-quarter basis. Please note that Q3 FY 2024 Profit after Tax was impacted by matters pertaining to entry tax resulting in an increase in depreciation and interest cost. Normalized for this and other aforementioned factors the Profit after Tax increased by 5.2% year-on-year and 4.3% quarter-on-quarter.

I will now move to the full year performance for fiscal 2024. Please note that FY 2024 included the one-offs I mentioned before. And as a reminder, FY2023 included one-time revenue recognition of about Rs.11 billion from settlement of old dues and its profitability figures were marked by the provision for doubtful debt of about Rs.53 billion and impairment of revenue equalization reserve of Rs.4.9 billion. On a full-year basis, our reported gross revenues grew 0.8% year-on-year to Rs. 286 billion and core revenues were up 1.7% year-on-year to Rs.177.3 billion. Adjusted for one-offs gross revenues and core revenues were up by 4.7% each on year-on-year basis. On a reported basis, EBITDA increased by 50.4% to Rs.146.9 billion and Profit after Tax grew to almost 3x to Rs. 60.4 billion. Again, adjusted for one offs and provisions, EBITDA was up by 4% and profit after tax was down by 1.2% year-on-year.

The reported pre-tax return on capital employed and post tax return on equity for the rolling 12 months were at 19.4% and 25.1% respectively.

We generated free cash flow of Rs. 3.3 billion in Q4 and our total free cash flow stood at Rs. 1.8 billion for the year. On account of accelerated rollouts by our major customer, our capex remained elevated in Q4 as well. We believe that the investments we have made to capture this growth opportunity will stand us in good stead for the future given the long-term nature of our business and will help create value for our shareholders. Our trade receivable increased by Rs.4.3 billion mainly due to the timing difference as the provision write back occurred in Q4 while the collections against the past dues were made in April.

With regards to the outstanding overdues from a major customer, we are pleased to see progress in its fundraising. We expect that these developments will help the customer clear our past dues and also provide us with a growth opportunity given the customer is planning to make investments in its network expansion.

To conclude, we are excited to have delivered a solid operational and financial performance during the year, with the latter being also aided by steady collections and part clearance of the past dues from a major customer. We expect the rural expansion of a major customer and 5G rollouts to continue to act as significant levers of near-term growth. The positive development around the financial situation of one of our major customers is another pleasing aspect that we expect to benefit from.

With this, I would now request the moderator to open the floor for questions and answers please. Thank you.

Sunita– Moderator

Thank you very much sir. We will now begin the question-and-answer interactive session for all the participants who are connected to audio conference service from Airtel. The first question comes from Mr. Sachin Salgaonkar from BofA Mumbai. Mr. Salgaonkar you may ask your question now.

Mr. Sachin Salgaonkar –Bofa/Mumbai

Hi, thank you for the opportunity and congrats for a great set of numbers. I have two questions. First question, I just wanted to understand and you guys mentioned about one of your customers raising funds, so from that aspect any changes in outlook, any colour you could give in terms of how tenancies and rentals for you guys could improve and as far as the pending dues are concerned, should we expect some kind of an amount to come every quarter with an interest agreement or is it that you might get one-off amounts on a regular basis, and second question is would love to know your thoughts on outlook for capex as well as dividends.

Mr. Prachur Sah – MD & CEO- Indus Towers Limited

I will take the first question and then I will ask Vikas to take the second question on dividends. So on the customers question on dues and tenancies, at this point of time, we are currently working with the customer to define how this is going to work, but we expect our dues to be cleared. We are in touch with our customer to do that and of course as the dues are getting cleared and the network expansion activities will happen, we expect the tenancies to grow positively. At this time, it is too early to commit on the numbers as we are in discussion with the customer.

Mr. Vikas Poddar– CFO – Indus Towers Limited

So on the capex outlook, I think we have seen sort of almost three to four quarters of very strong tower rollouts. I think the momentum has not slowed down so we do expect the momentum to continue for a few more months and quarters, so from that perspective I think there will be sort of a high capex phase for some more time. On the dividend outlook, I think as you can see from the results the free cash flow performance for FY 2024 has been low and that is largely because of the elevated capex which in a way is a good thing because capex is really for the long-term growth of the business, it is an annuity business as you know so whatever we invest today will certainly give us the cash flow for the next 10 years and because it is a long-term contract, I mean it is always good to capture the business up front. So I think this year has been a year of low cash flow, but as Prachur said I think we are engaging with the customer and especially after their good development on the fund raise and so on, there is a possibility that our cash flow situation might improve in FY 2025 in which case certainly dividend will be an important consideration and our Board will take the call at the right time, Sachin.

Mr. Sachin Salgaonkar – Bofa/Mumbai

Thank you. Just a followup out there by what time could we get more clarity in terms of the incremental business you guys are getting or you know when the pending dues will be cleared, is it a few months or there could be a risk that this might move on to may be a few quarters.

Mr. Prachur Sah – MD & CEO- Indus Towers Limited

We are working with the customer so I cannot commit time but from our point of view now that the fund raise has occurred, we expect the discussions to happen sooner rather than later so I think we are already in touch with them so we will keep you posted as it comes. I cannot give you a time frame right now but it should be quick.

Mr. Sachin Salgaonkar – Bofa/Mumbai

Thank you and all the best.

Sunita – Moderator

Thank you very much Mr. Salgaonkar. The next question comes from Mr. Manish Adukia from Goldman Sachs, Mumbai. Mr. Adukia you may ask your question now.

Mr. Manish Adukia – Goldman Sachs/Mumbai

Hi, Good Afternoon. Thank you so much for taking my questions. My first question is your comment around market share where you mentioned that you have had an increase in market share, just wanted to understand, this is pertaining to one large customer of yours or is it at an industry wide level? What I am trying to understand is are you also seeing share across the number one customer also in the industry or is it just restricted to Bharti Airtel from market share standpoint, that is one. And the second question on new rollouts from Vodafone Idea post their fundraise, is it safe to assume that most of these new rollouts will be in the form of incremental tenancies and you are unlikely to need to set up new towers for Vodafone Idea, just your thoughts on that.

Mr. Prachur Sah – MD & CEO- Indus Towers Limited

So Manish on the first question I think the market share comment stands for the entire market. I think to be honest all the new tower growth is primarily driven by one major customer. So I would say the market share comment is holistic, so I think whatever new builds have been built in the market, we have taken a larger portion of the share because it has been driven by that one major customer. From a second question point of view, as I told earlier to Sachin as well that it is too early to say whether the rollout will be new towers or new tenancies and when the dues will get cleared so let us understand what the customer strategy is and then we will be able to give you a better position in terms of whether it is going to be new towers or tenancies so once we have the clarity we will come back to you.

Mr. Manish Adukia – Goldman Sachs/Mumbai

Sure, thank you for the colour. Just a clarification on the first response of yours. So from our understanding last 12 months have also been a period of incremental rollout of 5G for Reliance Jio as well, so basis your comment like I am just trying to understand because you also would have rolled out a number of towers in the last 12 months and your rollouts are pertaining to only one customer so how would that translate to industry wide market share just trying to reconcile that.

Mr. Prachur Sah – MD & CEO- Indus Towers Limited

So, Manish, I think there are two separate aspects - one is the new build rollout which is not driven by the 5G rollout. There are two aspects of the rollout one is the 5G rollout which typically happens on the towers that is already on the ground, which comes in the form of loading that happens on the existing towers so whichever customer be on our towers, we have rolled out 5G for both the customers wherever we have tenancies. When I am discussing market share, I am talking about the new build rollout which is not directly correlated to a 5G, but a regular rollout which serves the 4G and 2G customers, so I think that is the market share I am talking about is the new build towers.

Mr. Manish Adukia – Goldman Sachs/Mumbai

Understood thank you so much for clarification. All the best.

Sunita – Moderator

Thank you very much Mr. Adukia. The next question comes from Mr. Arun Prasath from Avendus Spark, Chennai. Mr. Prasath you may ask your question now.

Mr. Arun Prasath – Avendus Spark/Chennai

Good afternoon, thanks for the opportunity. Sir my first question is you mentioned that there is a receivable increase mainly because the collection happened in April so can you just clarify, is it not the case in the last quarter also you will do the billing by quarter end and the collection will happen in the next, so is it the recurring phenomena or is there anything one time which has led to the receivable increase.

Vikas Poddar – CFO – Indus Towers Limited

So, Arun I think just to sort of refresh the memory, last quarter there were sort of two things that happened. We collected some part of the overdues or the backlog and at the same time there was an interest adjustment and as a result there was basically an increase in receivables on account of that interest adjustment as well. So, this time in this quarter there is basically not much of that interest adjustment. It is more about the collection which has happened in April, but the implication of that on our provision has been recognized in Q4 itself so that is why you see some amount of receivables increasing, but that is only timing because we have already collected the amount in the month of April.

Arun Prasath – Avendus Spark/Chennai

Okay just to get better clarity suppose your billing is for Rs.100 and if the customer is paying say Rs.105, Rs.100 you will collect it you will want it towards the current invoice and Rs.5 you will reverse the previous provision, directionally is the right way to think?

Vikas Poddar – CFO – Indus Towers Limited

Sorry could you just repeat that again Arun.

Arun Prasath – Avendus Spark/Chennai

So, if the billing is happening for say Rs.100 and the collection is happening for Rs.105, the Rs.5 will be the reversal in the provision is the right way to think directionally.

Vikas Poddar – CFO – Indus Towers Limited

Yes, so anything which is more than 100% is basically applied towards the old receivables for which we are carrying provisions so that leads to write back of provisions.

Arun Prasath – Avendus Spark/Chennai

So, your 100% calculation is on the amount due or of the amount invoiced?

Vikas Poddar – CFO – Indus Towers Limited

Yes, Arun, basically this 100% is based on the average billing so there are certain nuances to this. I suggest maybe we can take you through the reconciliation offline, but all I want to mention is in this quarter we have collected more than 100% and that has resulted in some provision write back as you can see in our P&L.

Arun Prasath – Avendus Spark/Chennai

Thank you and cumulatively so far since this receivable issue started, we had provisions cumulatively around Rs.5,500 Crores? Of that we have collected around Rs.370 Crores in this quarter that is the bottom-line right, and we will expect to collect more out of this Rs.5,500 Crores in the coming quarters?

Vikas Poddar – CFO – Indus Towers Limited

So, I think broadly and directionally you are right but like I said I mean if you want very specific recon of the numbers we can take it offline, but yes directionally you are right, there is a reduction in our provisions. The original number was Rs. 57 billion. It is now down to Rs. 54 billion.

Arun Prasath – Avendus Spark/Chennai

Understood. Now secondly if you look at your one of the large customers, if you look at the RHP document which is talking about the utilization of the funds it does not talk about the repaying operational vendors like us. It is talking about future capex so where is this confidence that we will be able to collect? Is it because it does not look like it will be paid through the fund raised so it has to come from the natural operational cash flows for the customer or do we have some other way of collecting?

Prachur Sah – MD & CEO- Indus Towers Limited

Arun to be honest I think I would not guess on behalf of the customer in terms of how the overdues will be cleared. I think we are working with them on how the overdues will be cleared but where the cash comes from, I do not think we will be able to comment on that one. So our confidence comes from the fact that we are engaged with them to see how the overdues can be cleared and we will keep you posted.

Arun Prasath – Avendus Spark/Chennai

Okay and lastly on the growth that we are we are anticipating because the customer will do more capex on expansion from our side all our towers which we have done in the past does it require some additional capex to support more loading in anticipation of this customer expanding or that part of the capex is done and our capex is more towards the new sites?

Prachur Sah – MD & CEO- Indus Towers Limited

No Arun, even in loading based on the site configuration there may be some capex required. So I think there is not a general statement that I can give. It is based on the site-by-site configuration on what is required on the site to provide the additional loading. So I think in some sites it may be lower but some sites may be higher as well, so I think it is a mix.

Tejinder Kalra — Chief Operating Officer – Indus Tower Limited

Yes, just to add on to what Prachur said obviously every tower has a certain loading capacity and you know with various tenants on the tower different loading capacities are utilized so depending upon what new requirement comes from this customer either we strengthen or a little bit of incremental capex or no capex could be a situation but depends upon tower to tower.

Arun Prasath – Avendus Spark/Chennai

Understood so all this means that we are kind of nearing peak capex and possibility of say the dividend will also be there given that the uncertainty is more or less now reduced, that is a fair assumption?

Prachur Sah – MD & CEO- Indus Towers Limited

No I think for the dividend Vikas already answered the question. As we said I think our elevated capex remains and we have a visibility for the next few quarters as well where the rollout momentum will continue and depending on how the overdue clearance or when the overdue clearance happens, I think that will be a discussion that will happen in the Board in terms of how we can give the dividend.

Arun Prasath – Avendus Spark/Chennai

Alright fair. Thank you very much and thanks for the clarification. All the best.

Sunita – Moderator

Thank you very much Mr. Prasath. The next question comes from Mr. Kunal Vora from BNP Paribas, Mumbai. Mr. Vora, you may ask your question now.

Kunal Vora – BNP Paribas/Mumbai

Sorry I was on mute. Sir, my first question is on the average rental per tenant for FY 2025, how should we look at that number trending? Directionally will it be stable or increase or decrease if you can just tell us based on like whatever renewals are coming up and your expectation on average rental.

Vikas Poddar – CFO – Indus Towers Limited

So, I think ARPT, Kunal, has been fairly stable. I think except for one factor which is within our macro also you know we have different designs of towers and as a result there is a mix impact that we see and obviously the new rollout is leaning more towards designs that are more agile and nimble and as a result carry a lower rental so to that extent there are some minor movements in the ARPT but otherwise ARPT other than the mix is fairly stable so no major movement anticipated there.

Kunal Vora – BNP Paribas/Mumbai

Sir, for the old macro towers do we see some rental escalation every year? I understand the mix part that new towers are coming with like slightly lower rentals but for the older towers?

Vikas Poddar – CFO – Indus Towers Limited

The older towers are basically following the MSA construct and we have the normal contractual escalations built in so they go through the normal MSA process.

Kunal Vora – BNP Paribas/Mumbai

Which is what, around 2.5% annual escalation?

Vikas Poddar – CFO – Indus Towers Limited

That is right.

Kunal Vora – BNP Paribas/Mumbai

Understood okay and on capex, I understand you already discussed but like just if you can provide like what kind of visibility do you have at any point in time? Is it for three months, six months, one year, so like we will get at the beginning of FY 2025 it will get like the orders for 15,000 to 20,000 towers put together which is like the key tenant might be willing to add over the next one year so if you can provide what kind of visibility do you have for FY 2025 compared to FY 2024, and also if the tower additions get back to the run rate which you had earlier which is what you had in FY2021, FY 2022 and FY 2023 would the capex also come down sharply by like say 50% maybe in second half of FY2025 or FY2026? What kind of decrease you can see as and when the tower additions moderate?

Prachur Sah – MD & CEO – Indus Towers Limited

Kunal I can tell you that normally as any Company, we also work with our customers to get a forecast for the year, so I think as Vikas mentioned in the commentary, the order book looks very strong for the remaining part of the year, so I think the capex will remain elevated for the next few quarters and by the time the year ends, we will get more understanding on the customer plans for the subsequent years so I think FY 2025 still remains a high rollout year for us in terms of towers.

Kunal Vora – BNP Paribas/Mumbai

Understood as strong as FY 2024 or even stronger or like you can provide some color on this?

Prachur Sah – MD & CEO – Indus Towers Limited

I think Kunal we hope to be stronger, but I think it remains quite uncertain.

Kunal Vora – BNP Paribas/Mumbai

Understood okay I will not probe further on that. The last question, you can talk about like the MOU which you signed with NTPC on renewable energy-based power project, how does it align with like what you are doing and what would be the return expectation?

Prachur Sah – MD & CEO – Indus Towers Limited

Yes so I think Kunal, the MOU that we have signed actually as I mentioned one of the key deliverables both in terms of energy, cost efficiency and our ESG commitments, our plan is to increase the renewable portfolio and as you know the Green Open Access policy has been rolled out and 12 states have adopted it, so directionally with this MOU what we are looking at not just with NTPC, with other players as well on how we can get into an agreement with them on the Green Open Access based on the capacity they have and how we can get both the arbitrage and improve on carbon footprint, so I think it is an initial MOU. We will see how we can deploy at scale and increase our renewable portfolio across the board.

Kunal Vora – BNP Paribas/Mumbai

Can you help me understand the financial implications - what kind of capital deployment might happen? Whether there will be any revenue implications or is it not really material from modeling perspective?

Prachur Sah – MD & CEO- Indus Towers Limited

No, I think it will impact the cost efficiency. The exact numbers of capex and how much will be the cost is probably the next stage of the MOU right depending on which state we deploy because every state has a different tariff structure and also the agreement of the PPA price with the players. So I think I cannot comment on exactly what the benefit would be but as we move forward on the next stage from the MOU, we will be able to go state by state and quantify what benefit we will get from both cost efficiency perspective and carbon.

Vikas Poddar – CFO – Indus Towers Limited

Yes, just to add I think this is a bit early stage as far as our initiatives on Green Open Access or renewable energy is concerned. So I think the commercials on both sides, on the renewable Company side as well as on our customer side, they need to be sort of firmed up and that is going to take some time so that is work in progress. So I think in terms of the financial impact and so on it will be too early to really call out anything but as and when we sort of make progress on this we will update you.

Kunal Vora – BNP Paribas/Mumbai

Understood but just like say follow-up on that like you had an older initiative you are working on Smart Cities like where is that now? I mean like it has been many years now we have not really heard much about it. Is it having any impact at all or it is not something which is a priority now?

Prachur Sah – MD & CEO- Indus Towers Limited

I think to be honest Smart City and Green Open Access are not related but just to give you an update on Smart City. Smart City as a project even from the GOI, Government of India side as well has taken a little bit of a back seat so whatever our commitments were made on the Smart City, we have executed and whatever revenue but it is not material enough but I think the Smart City initiative was very much dependent on what the Government of India was planning to do. I think that has scaled down a bit so I think whatever limited we have in terms of our scope we are executing.

Kunal Vora – BNP Paribas/Mumbai

Understood. That is it from my side. Thank you, Sir.

Sunita – Moderator

Thank you very much Mr. Vora. The next question comes from Mr. Vivekanand Subbaraman from Ambit Capital, Mumbai. Mr. Subbaraman you may ask you question now.

Vivekanand Subbaraman – Ambit Capital/Mumbai

Thank you for taking my question. For this dues pending operator, so when they expand their network do they have a choice of expanding their network in terms of population coverage expansion only through lean sites and not through macro towers, that is question number one. Secondly as far as the overdue amounts are concerned how should we think about that amount and the aging of that? I understand that there is some amount that is there in the trade receivables segment or reporting and then there is a balance sheet provision also that has been made so there has been amounts that are written off so in your discussions with this operator how are the payment terms being worked upon and is there any discussion on the accrued interest as well?

Tejinder Kalra – COO – Indus Towers Limited

Vivekanand, I will just take the first part when you say whether they have a choice to do the expansions only through lean towers and so on. See typically different types of tower structures have a coverage need or a capacity need or what kind of terrain is to be covered and since the operator will plan their network depending upon where they want to strengthen their network, I do not think it is one type of structure that would suffice. They would need multiple solutions to bring in that capacity or coverage need and therefore to our understanding different types of structures would be required. We have a full portfolio so whatever the customer needs to expand their network and coverage and capacity we have all the solutions available to support them and therefore we are at least fully geared up to do that.

Prachur Sah – MD & CEO- Indus Towers Limited

On the second question Vivekanand as I answered earlier, I think the terms of payment and the overdue clearance, I think we are in discussion with the customer. I would share it as we have a more firm answer and as we get the overdues cleared. So I think I cannot comment much on the structure per se at this time, from an unwinding point of view.

Vivekanand Subbaraman – Ambit Capital/Mumbai

Okay fair enough. Just one follow up on the macro towers versus lean towers point so currently you have lean co-locations of around 11,000 but when you look at the total towers that you have they are around 2.2 lakhs so from your vantage point the lean towers as a percentage of the total portfolio that you have is not very significant right so it is maybe just 5% of the portfolio but as a percentage of let us say an operator's network is this much bigger in percentage terms? Is it like operators now have 10% to 20% of their network on lean towers? I am just trying to understand the other side so that when we look at the rollout plans of let us say the third operator now that they have the funding how to think about the incremental tenancy for you on your macro towers where you are incurring large amount of capex and on the lean towers?

Tejinder Kalra – COO – Indus Towers Limited

See, let us put it this way. As I said, different towers have different capabilities. A macro tower gives a larger height. It gives a larger throw and therefore depending upon what frequency they are radiating on they will need certain number of towers. We can do a wider coverage through a taller tower. Leaner towers obviously have much lower height. They have a smaller configuration, smaller loading capacity and so on. Therefore depending upon where they are going to expand whether it is rural or semi-urban or whatever typically macro sites are a better solution. If one is just trying to add capacity into a dense area and so on, leaner tower is the solution so as I said earlier it will clearly depend upon where they want to focus, what pockets they want to densify and grow and therefore different solutions for those kind of needs.

Prachur Sah – MD & CEO- Indus Towers Limited

I think but the portfolio will remain balanced.

Tejinder Kalra – COO – Indus Towers Limited

That is true. We have not seen across operators a big swing in terms of lean versus macro. It depends upon where they want to add capacity or coverage.

Vivekanand Subbaraman – Ambit Capital/Mumbai

Fair enough. Just pressing a little bit on the provisions and the receivable from this operator right so the way to think about collections from them now is to look at your trade receivable which is there on the balance sheet and the amount that you provided for against bad debts both right you are looking to recover? I am just trying to understand that when you say that you are confident of recovering this amount, I am trying to understand whether this includes the amount that you have written off from the balance sheet and the balance sheet recorded trade receivable or is it just the trade receivable on the balance sheet.

Vikas Poddar – CFO – Indus Towers Limited

No, you are right Vivekanand I think obviously the recovery will be the gross figure. By the way I mean technically we have not written off any receivable. We have only provided to de-risk our balance sheet, but we are very much pursuing the payment of full amount.

Vivekanand Subbaraman – Ambit Capital/Mumbai

Right okay that is very clear. I think there are some media reports that are perhaps carrying an erroneous number in terms of outstanding? I mean if you clarify on this then it will certainly help in the general public's understanding of how much you can potentially recover from the said customer. Thank you so much.

Vikas Poddar – CFO – Indus Towers Limited

Yes sure I mean maybe offline if you can let us know Vivekanand which media reports you are referring to, we can certainly see how we can correct it.

Vivekanand Subbaraman – Ambit Capital/Mumbai

Sure, okay thank you thank.

Sunita – Moderator

Thank you very much Mr. Subbaraman. The next question comes from Mr. Sanjesh from ICICI Securities, Mumbai. Mr. Sanjesh you may ask you question now.

Sanjesh Jain – ICICI Securities/Mumbai

Good afternoon all. I have got couple of them. The first is on the ARPT. I know you touched upon it but a little bit more clarification this quarter, it was flattish quarter-on-quarter despite single tenancy tower going up and we have a strong 5G loading which is adding to the revenue and not to the tenancy that means effectively it should reflect in ARPT but despite both the things we have a flattish ARPT? I understand that you said there is a change in the mix but again is that change so drastic that it is actually the rentals are lower than macro rental to an extent that it is pulling given the loading revenue effectively down in the ARPT conversion?

Vikas Poddar – CFO – Indus Towers Limited

So if I take that Sanjesh I think we had sort of tried to explain this even some time back so basically in ARPT there are again lot of moving parts so of course there is a 5G uplift that we see in the ARPT, but at the same time there is a sort of downward pressure coming from the mix as I was explaining because most of the new rollouts that we are doing are low rental rollouts. There is also the element of every month and every quarter some tenancies coming up for renewal and we are sort of following the same framework we had signed with our customers back in FY2022 whereby we had given them some renewal discounts and so on so basically there are some of these main factors which are creating downward pressure and of course the loading is helping us so the net result is broadly we are seeing a very stable ARPT scenario.

Sanjesh Jain – ICICI Securities/Mumbai

Fair enough. Just one more on that what is the renewal tenancy expected to come up in FY 2025?

Vikas Poddar – CFO – Indus Towers Limited

Well, we have roughly 8% to 10% of our portfolio getting renewed almost every year Sanjesh so we had a bulk renewal in FY 2022 and thereafter till about next two to three years we have pretty much 8% to 10% or 12% coming up for renewal every year.

Sanjesh Jain – ICICI Securities/Mumbai

Okay so that phenomena will stay for say next another two to three years at least if not more?

Vikas Poddar – CFO – Indus Towers Limited

It is an ongoing phenomenon I would say because I mean typically our contracts are 10 years and the Company has been in existence for longer than that and every year we have been building towers so there will be some renewal or the other every year so it is an ongoing phenomena.

Sanjesh Jain – ICICI Securities/Mumbai

Got it and this is getting renewed again for the 10 years right?

Vikas Poddar – CFO – Indus Towers Limited

Yes, that is right.

Sanjesh Jain – ICICI Securities/Mumbai

So, the cycle remains very smooth and stable?

Vikas Poddar – CFO – Indus Towers Limited

Yes, that is right.

Sanjesh Jain – ICICI Securities/Mumbai

Second on the leaner towers, so we have been seeing smaller companies being quite more aggressive on the small cell side and we have seen numbers being quite strong for some of them. Where are we in this cycle? We earlier alluded that we were focused on rolling out macro sites so these small cells have for a while taken a back seat and you were still evaluating the business which you want to establish in the small cell. Now that you expect macro rollout to be stronger even for next two to three years is it fair to believe that small cell rollout would remain in the same range as what we are doing today?

Prachur Sah – MD & CEO- Indus Towers Limited

Sanjesh, first of all I think the rollouts for macro will continue as I said earlier. Now from a leaner tower perspective and small cell are two separate things. I think on the leaner towers while you mentioned that the smaller companies were making but I think we have done quite a big rollout on the leaner tower this year as well if I am not wrong close to 4,500 leaner towers in place so I would expect that we have bounced back very strong as far as leaner tower is concerned and we expect to do even better in the coming years in terms of percentage of share available. Now if you talk about small cells or indoor solutions as well I think maybe we were a little bit slow earlier but I think our plan remains that we will be aggressive while we do macro as well leaner towers so we remain hungry for the market share for the entire portfolio.

Sanjesh Jain – ICICI Securities/Mumbai

Got it. Just one last question from my side, any plans for the new business introduction? We have spoken this earlier? I think you were also intending to do some strategic meet to highlight the path for the Indus. Now that we will be generating good amount of cash flow do we have any more plans to build any business across the tower?

Prachur Sah – MD & CEO- Indus Towers Limited

Sanjesh as we mentioned earlier we will continue to look at all those opportunities as they come right and there are a couple of them that have been currently discussed with the board as well however given the fact that the current growth on the towers remains very strong, I think from an execution point of view the focus remains to grab the market share as it is an annuity business and we do not want to divert the focus but from a new business point of view the time will come when we will need to look at more and we are currently discussing and we will bring to you in case we do something substantial on that front?

Sanjesh Jain – ICICI Securities/Mumbai

Fair enough. Thanks for taking my questions and appreciate all the answers. Best of luck for the coming quarters.

Sunita – Moderator

Thank you very much Mr. Sanjesh. At this moment, I would like to hand over the call proceedings to Mr. Prachur for the final remarks.

Prachur Sah – MD & CEO- Indus Towers Limited

Thank you, Sunita. So, to sum up, the year 2023–2024 was exceptional with record tower additions driven by our major customer’s network expansion strategy and Indus’ role as their trusted partner. Looking ahead, we anticipate to continue the expansion in the near term further bolstered by the ongoing 5G rollouts. We also look forward to the recent positive developments at one of our major customers end. All in all, we have multiple growth levers in terms of new tower and co-location additions and increasing loading revenues along with improving collections against the past dues. We are confident in our ability to capitalize on these opportunities in a sustainable manner given our strong foundation. I again thank you all for joining the call. Have a good day.

Sunita – Moderator

Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines. Thank you for connecting to audio conference service from Indus and have a pleasant evening.
