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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: Transcript of the Earnings Call for the second quarter (Q2) ended September 30, 2022

Dear Sir/ Madam,

Please find attached the transcript of earnings call conducted on October 28, 2022, for the second quarter ended September 30, 2022.

Kindly take the same on records.

Thanking you,

Yours faithfully,
For Indus Towers Limited
(formerly Bharti Infratel Limited)

Samridhi Rodhe
Company Secretary

Encl: As above

Indus Towers Limited

(formerly Bharti Infratel Limited)

Conference Call Transcription

Event: Transcript of Indus Towers Limited Second Quarter Ended September 30, 2022 Earnings Conference Call

Event Date/Time: Oct 28, 2022/ 1430 hrs IST

CORPORATE PARTICIPANTS

Mr. Tejinder S Kalra

Chief Operating Officer – Indus Towers Limited

Mr. Vikas Poddar

Chief Financial Officer – Indus Towers Limited

Mr. Dheeraj Agarwal

Head Investor Relations - Indus Towers Limited

CORPORATE CALL PARTICIPANTS

Mr. Kunal Vora

BNP Paribas, Mumbai

Mr. Tanay Shah

Dolat Capital, Mumbai

Ms. Falguni Dutta

Jet Age Securities Private Limited, Kolkata

Mr. Pranav Kshatriya

Nuvama, Mumbai

Mr. Rakesh Sethia

HDFC Mutual Funds, Mumbai

Mr. Ravi Agarwal

UTI AMC Ltd, Mumbai

Mr. Aazeb Anwarali Parbatani

Omcara Capital, Mumbai

Mr. Utkarsh Mehrotra

Schonfeld, Singapore

Mr. Arun Prasath

Spark Capital, Chennai

Mr. Vivekanand Subbaraman

Ambit Capital, Mumbai

PRESENTATION

Vandana – Moderator

Good afternoon, ladies and gentlemen. I am Vandana, the moderator for this conference. Welcome to the Indus Towers Limited Second Quarter Ended September 30, 2022 Earnings Call. For the duration of the presentation, all participant 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 culminated post an announcement. Present with us on the call today is the senior leadership team of Indus Towers, Mr. Tejinder Kalra - COO, Mr. Vikas Poddar - CFO, and Mr. Dheeraj Agarwal - Head Investor Relations.

Before I hand over the call, I must remind you that the overview and discussions 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. Tejinder Kalra. Thank you, and over to you, Mr. Kalra!

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

Thank you Vandana. Good afternoon, everyone, and a very warm welcome to all of you. Hope all of you guys had a great Diwali. Thank you for joining us on the Earnings Call of Indus Towers for the quarter ended September 30, 2022. Joining me today are my colleagues Mr. Vikas Poddar - CFO and Mr. Dheeraj Agarwal - Head Investor Relations.

You all must be aware that following Bimal's exit, myself and Vikas are jointly responsible for the functioning of the Company till such time a permanent replacement is put in place. The board is evaluating all talent options and we will make an announcement soon once the right successor is finalized.

Before I begin our agenda today, I would like to reiterate Indus Towers' commitment to work towards Government's digital inclusion goals by enabling connectivity across the nation. Our team of bravehearts with their commitment and dedication is the main driving force behind our achievements as we continue to deploy towers in the most remote areas with diverse topographies to bring connectivity. During the quarter, we installed towers in the remote locations such as border areas in J&K, Namsai area of Arunachal Pradesh, Tirthahalli in Karnataka thus enabling internet and mobile connectivity in these areas. At the same time, we also braved severe floods and heavy rains in several areas during the quarter and yet our field force was unwavering in their commitment towards maintaining the network. We remain steadfast in our resolve to continue our efforts in the future as well.

Now moving on to the key things I would like to discuss today, I start with major industry developments. The Government continues to take steps to simplify and accelerate the deployment of telecom infrastructure in the country in order to facilitate swift rollout of 5G services. The launch of GatiShakti Sanchar portal has eased the right of way application process through a single window. This significantly eases the site acquisition process and leads to a much faster creation of 5G infrastructure in the country. This is indeed a great positive step.

Now from a 5G rollout perspective, I would like to highlight the successful auction of 5G spectrum in August followed by the start of 5G services in less than three months. The two main operators have already announced pan-India roll out of their 5G services in the next 18 months. This shows the commitment of the Government and the telecom industry towards making 5G a reality soon across the country. It also underlines the role of infrastructure players in providing 5G ready sites at speed and Indus Towers is already progressing well on this path of preparing its sites for 5G implementation. In terms of the opportunity, we expect initial benefits to be in the form of revenue from additional loading. There will be need for more capacity with increase in adoption of 5G services which will eventually drive the demand for setting up more new sites.

Now taking cues from the global 5G adoption, the trend remains encouraging. As per the statistics mentioned in the Ericsson Mobility report, global 5G subscriptions grew by 70 million in the June quarter to 690 million and are expected to reach around 4.4 billion by the end of 2027. Additionally, the number of commercial 5G service providers also increased from 210 in March 2022 to 218 in June 2022. The report also estimates that 5G penetration in India will reach 40% to about 500 million subscriptions by 2027 as we also highlighted in our previous earnings call.

The data consumption story in India also continues to be robust and 5G network rollout will further the adoption, and this is going to increase the data momentum growth even further. The total data consumed across the top three operators combined grew by 20% year-on-year in the June quarter, the average data consumed per user per month across the top three operators stood at more than 19 GB for the quarter exhibiting a year-on-year growth of over 19%. As per industry observers Ericsson and Nokia, India's data usage is almost the highest in the world and the average data consumption per user per month is expected to increase to about 40 to 50 GB in the next five years. The constantly growing demand for data and upgradation to 4G and 5G should continue to drive the demand for capacity addition both in the form of loading and new sites which remains a primary growth driver for Indus Towers.

From an operational performance perspective, we witnessed a healthy growth in addition of macro and leaner towers. During the quarter, we registered a net addition of 1,452 macro towers and 1,746 corresponding co-locations. Our total towers and co-locations at the end of Q2 was 187,926 and 338,128 respectively, each growing by 2.4% and 1.7% on a year-on-year basis. Our industry leading tenancy ratio was largely flattish at 1.80.

In addition to macro towers, we also added 1,535 co-locations on leaner towers in Q2 compared to 1,021 co-locations in Q1. As highlighted in our previous calls, we continue to see good traction in our leaner towers, we expect the demand for leaner structures to grow further with the increase in densification requirement and subsequently our leaner structure portfolio to contribute meaningfully to our business performance.

I would also like to move now to the ESG, which is one of our key priorities as a responsible organization. Our efforts are directed towards identifying and targeting material points in environmental, social and governance dimensions, which will help the Company in its sustainability journey. I am pleased to share with you that we have identified key points across dimensions and finalized the targets. We have also finalized the implementation road map to achieve these targets and started working on it. In the upcoming quarter we would be sharing progress on all these targets.

I would now request Vikas to take you through the operational and financial performance of the quarter ending September 30, 2022 and I look forward to your questions. Over to you Vikas. Thank you all.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Thank you Tejinder and very good afternoon to all the participants on this call. I am pleased to share with you the financial results of the second quarter ended September 30, 2022. Before I go to the financials, let me spend a minute on our operational performance wherein we have seen a pickup in our tower and co-location additions in quarter two as Tejinder mentioned. We close the quarter with the total tower and co-location count at 187,926 and 330,128 respectively each growing at 2.4% and 1.7% year-on-year basis and 0.8% and 0.5% on quarter-on-quarter basis. Over and above the net addition of 1,746 co-locations on macro towers, we have also

added 1,535 co-locations on lean towers and as we have highlighted in the past, demand for leaner structures is rising based on the customer requirements.

Moving onto the financial performance, Our reported revenues grew by 15.9% year-on-year to Rs.79.7 billion wherein the core revenue from rental was up by 12.5% year-on-year to Rs.47.8 billion. Our revenues include the impact of both the tapering of exit revenues and as shared by us earlier the company had settled its old dues with its customers and deferred the recognition of the revenues arising out of such settlements till the time of ultimate collection. A part of revenue from this settlement was recognized in Q4 of last fiscal based on the payment received as we had highlighted in our commentary for Q4. In quarter two of FY2023 the impact of deferred recognition on gross revenues and core revenues was Rs.11 billion and Rs.5.5 billion respectively. Adjusted for both, the exit revenue and the impact of deferred recognition, our gross revenue and core revenues grew by 2.1% and 3.5% respectively year-on-year.

On a quarter-on-quarter basis, our reported gross revenues and core revenues from rentals grew by 15.5% and 13.3% respectively. Again, after adjusting for the aforementioned two factors, gross revenue and core revenue were up 1.4% and 2.3% respectively.

Reported EBITDA was down 22.7% year-on-year and 21.1% quarter-on-quarter to Rs.28.1 billion. Our EBITDA margin declined 17.6 percentage points year-on-year and increased 1.6 percentage points quarter-on-quarter to 35.3%. EBITDA was impacted due to increase in provision for doubtful debts, which is accounted under other expense as we explained in the last quarter's earnings call. In this quarter, we have made a provision for doubtful debt of Rs.17.7 billion. This number appears high as part of the payment received during the quarter was towards settlement of past issues, which otherwise would have been received against the receivables outstanding, thus resulting in lower provision for doubtful debt by about 11 billion. Adjusted for the impact of one-off items like the lower exit revenue, the provision for doubtful debts and deferred recognition, EBITDA was up 1.1% year-on-year and 2.1% quarter-on-quarter.

Our reported energy margins were at 14.6% in quarter two. The energy margins were also impacted due to deferred recognition. We continue to drive sharp focus on optimizing energy cost by taking appropriate measures especially towards reducing diesel consumption.

Our reported profit after tax declined by 44.1% year-on-year and grew by 82.7% quarter-on-quarter to Rs.8.7 billion. Adjusted for one-off items, our profit after tax was down 3.5% year-on-year and up 6.4% on a quarter-on-quarter basis.

Our cash flow from operating activities for the quarter stood at Rs.11.2 billion in quarter two of fiscal 2023 compared to Rs.19.4 billion in quarter two of last fiscal 2022. Our free cash flow for the quarter was at Rs. -4.7 billion which was impacted by the collection challenges we currently face and also the higher Capex cash flows during the quarter. Our reported pre-tax return on capital employed and post tax return on equity for the past 12 months were lower on both year-on-year and quarter-on-quarter basis at 19.2% and 24.2% respectively, again impacted by the provision for doubtful debts.

Next I would like to provide an update on the receivable situation. Our reported trade receivables increased by Rs.2.5 billion during the quarter. Adjusted for the provision for doubtful debt and the payment receipts towards settlement of past issues, our receivables increased by Rs.9.4 billion. We are closely engaged on this matter and working towards the payment plan made by the customer as they have agreed to pay a substantial part of the billed amount till December 2022 and 100% thereafter. It would also clear all its accumulated outstanding dues as on December 31, 2022 between January 2023 and July 2023. We continue to work on improving our receivable position and keeping a close eye on the situation.

In summary, our strong operational performance during the quarter is quite encouraging from the demand standpoint. Our financials continue to be impacted by the collection challenges we face from one of our customers. With the 5G rollouts already in motion, we remain optimistic and prepared for the opportunities presented to the telecom infrastructure space as a whole.

I would now request the moderator to open the floor for question and the answers please. Thank you.

Vandana – Moderator

Thank you very much sir. We will now begin the question-and-answer interactive session for all the participants who are connected to the audio conference service from Airtel. Due to time constraint, we would request if you could limit the number of questions to two to enable more participation, hence management will take only two questions per participant to ensure maximum participation. Participants who wish to ask questions may please press “*” “1” on their touchtone enabled telephone keypad. On pressing “*” “1” participants will get a chance to present their questions on a first in line basis. To ask a question participants may please press “*” “1” now. The first question comes from Mr. Kunal Vora from BNP Paribas from Mumbai. Mr. Vora you may please ask your question now.

Kunal Vora – BNP Paribas - Mumbai

Thanks for the opportunity. My first question is on the dues receivables. So, Vodafone Idea has offered convertible debentures to American Towers. Have you considered that as an option, and how comfortable would you be in receiving payment other than cash?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Thank you Kunal, thank you for the question. So, we are aware of the developments that have happened with our competitor. I think for us, we have not really considered this as an option. We already have payment plan agreed with the customer which we have already shared. So, we would really want to see that payment plan materializing and so far we have not really considered any option of convertible debentures.

Kunal Vora – BNP Paribas – Mumbai

But what gives you the confidence that they will be able to make the payment?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Well, the confidence is basically from the fact that there have been positive developments. Couple of months back we had seen the reforms package. We have also seen Government support to the sector, apart from that we have also seen the customer participating in the 5G auctions, and still investing in the markets. We are quite closely engaged and monitoring the situation. Of course, they have also indicated that they are working on the funding plan and they are close to finalizing that as well. I think we are watching the situation closely and we are seeing improvement and hopefully we will see the payment plan materializing as I said.

Kunal Vora – BNP Paribas – Mumbai

My second and last question, wanted to understand how you are looking at the revenues coming in from the 5G roll out. The operators have talked about rolling out pan India 5G by end of FY2024. So how should we expect your revenues over the next few quarters, would you say any lift from 5G roll outs and would it be front loaded or would it be backend loaded.

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

Thanks for the question and see from a 5G perspective as we have said earlier the initial revenue from 5G is going to come in from loading of 5G equipment on the existing sites and that is the trend we are currently seeing from the orders that we have received from the customers. We already are doing RFAs around those sites and the revenue realization will eventually build up. The same way as we have seen on the 4G sites, standalone 5G sites eventually will come, but that looks to be sometime away or a few quarters away and once the data traffic on the 5G network continues to build up. So, in order to build for capacity and for any coverage of hotspots, there may be a need of standalone sites initially and then eventually those 5G standalone sites will also come. So, we see a positive development on our revenue in the next quarter once the loading builds up on these existing sites and then after about a year and a half or so some more standalone 5G sites coming up as well.

Kunal Vora – BNP Paribas - Mumbai

That's it from my side. Thank you.

Vandana – Moderator Moderator

Thank you, Mr.Vora. The next question comes from Mr. Tanay Shah from Dolat Capital, Mumbai. Mr. Shah, you may ask your question now.

Tanay Shah - Dolat Capital - Mumbai

Thanks for the opportunity. Sir, my first question is regarding the recent NCD raise of Rs. 2,000 Crores. Can you give us a color as to the purpose for which the fund is being raised?

Vikas Poddar – Chief Financial Officer– Indus Towers Limited

Yes, so I think first of all this is driven by one of the requirements that we have from the regulator wherein Indus is classified as a large corporate and we are required to comply with the provision of raising minimum 25% of our incremental long-term borrowing by way of debt securities. So as per that circular we are really expected to comply with the provisions and our NCD issuance of Rs. 2,000 Crores we have basically taken approval from the Board and we would be issuing the NCD's in tranches in order to comply. So this was basically a regulation that was applicable on a block of two years starting FY2022. So FY2023 is our second year wherein we need to comply and then even subsequently the same regulation would still be applicable in 2024 and 2025. So we will be issuing tranches as and when necessary. And as far as the usage of the fund is concerned, of course we will be using this towards our investment in growth and obviously you can see the roll out activities picking up, so we will certainly need the funding for our Capex.

Tanay Shah - Dolat Capital - Mumbai

Sure, fair enough, and Sir, my second question is regarding the deferred revenue recognition, I just missed that part. Can you just clarify if it was about Rs.11 billion and Rs.5.5 billion that you said at the beginning of the call?

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

Yes, we had a deferred recognition of Rs.11 billion in our total revenues and Rs.5.5 billion in our core service revenue. So rs.5.5 is of course part of the 11 billion.

Tanay Shah - Dolat Capital - Mumbai

Understood, fair enough. Thank you so much that is it from my end. Thank you.

Vandana – Moderator

Thank you very much Mr. Shah. The next question comes from Ms. Falguni Dutta from Jet Age Securities Pvt. Ltd. from Kolkata. Ms. Dutta you may ask your question now.

Falguni Dutta – Jet Age Securities Private Limited - Kolkata

I just have one basic question, the revenue that we mentioned, revenue from rentals is Rs.4,780 Crores for the quarter and the gross revenue is Rs.7,960 Crores. What comprises the difference there?

Vikas Poddar – Chief Financial Officer– Indus Towers Limited

So, basically within our gross revenue we have two sources, so one is the rental that we earn from our towers and then we also have our energy revenue which is largely coming from the pass through of the energy cost that we bill to our customers. To make it simple for you Falguni, the difference between the two lines is the energy revenue.

Falguni Dutta – Jet Age Securities Private Limited - Kolkata

So this energy revenue would mean the cost that we incur is just a breakup of the revenue between cost and the net that we get to understand it correctly. Because the energy cost is the cost we would be incurring which we are passing on to the consumers so one is that and the other is the net rental composition if we were to understand the gross revenue breakup, is that correct?

Vikas Poddar – Chief Financial Officer– Indus Towers Limited

That is right yes.

Falguni Dutta – Jet Age Securities Private Limited - Kolkata

Thank you, Sir.

Vandana – Moderator

Thank you very much Ms. Dutta. The next question comes from Mr. Pranav Kshatriya from Nuvama, Mumbai. Mr. Kshatriya you may please ask your question now.

Pranav Kshatriya – Nuvama - Mumbai

Hi! Thanks for the opportunity. I am just trying to get a sense on the realization. So we have seen the realization coming to around Rs.41,500 or thereabouts for the past two quarters, if I adjust for that one-time revenue. Should we take this as the base revenue and

subsequently the rent revenue per tenancy to grow from here or there will be some impact of renegotiation happening as and when those tenancies complete their tenure and hence we might see the renegotiation impact going on. Just trying to get a sense on that?

Vikas Poddar – Chief Financial Officer– Indus Towers Limited

Let me put it this way, the average revenue per tenancy of Rs.47,000 that you see is obviously overstated because of the deferred recognition. We also mentioned in our previous calls that this also reflects the renewal discount that we have already agreed with our customers that is roughly Rs.500 per tenancy from an overall portfolio perspective so that is also baked in the numbers. Coming to the deferred recognition and the sort of jump that we see in the average revenue, I think that has pretty much come to an end and we have received all the payments pertaining to those settlements. So going forward our average revenue should get back to much more normal levels and as far as the future renewals are concerned, like we have shared in our previous calls, this renewal discussion and agreement that we have reached is a very good reference point, is a very good sort of benchmark for all future renewals, and we do not expect any major change to happen. Any future renewal coming up in the subsequent years will also be pretty much on the same lines and to that extent we will see some movement. So there is basically growth coming from 5G loading and so on which will obviously take our average revenues up and there will be in future may be renewals and things like that. So it will be a mix of couple of things. Does that answer your question Pranav?

Pranav Kshatriya – Nuvama - Mumbai

It does, and my second question would be on how should we see the energy margin trending, is there any renegotiation or anything happening on that front?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

I will probably just touch upon this energy margin and then I will maybe request Tejinder to also add a color from operations perspective. So energy margin in this quarter of course is very positive because of the deferred recognition. We continue to be on a pass through model with our customers, and like I have always said in the past, pass through means no gain, no loss but because we have usually some difference arising because of the actual cost and the expected cost and by the way these actual cost or expected cost can vary because of several factors that we face in our business, there could be seasonality, there could be high diesel consumption sometimes due to weather disturbances, there could be timing differences in electricity bills and so on. So we do face these gaps and that really causes the energy margin to fluctuate. We are trying our best to sort of drive a reduction in diesel which will obviously have a huge bearing on these gaps and further I think you heard Tejinder talking about the ESG initiative, so even our ESG initiatives and all the focus on the operational efficiencies would help us in bringing this under control going forward. Anything you want to add Tejinder?

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

No, you largely covered it Vikas and I think this energy margin is as Vikas rightly said is a function of the actual cost incurred versus the expected cost at the operator side and there could be variations at times given the weather disturbances which we continue to face. The sites need obviously a 24/7 operations and if the EB (electricity from grid) availability at the sites is not consistent throughout, you need to resort to the diesel generating sets and therefore the diesel consumption during bad weather times and long EB outages tends to fluctuate and therefore the expected cost versus the actual costs vary. This leads into some kind of reconciliation challenges with the customer as well and which ultimately gets ironed out over time but reflects in the quarterly outcome. So broadly that is where we are, but we are obviously on a continuous journey towards reducing diesel as much as we possibly can through a lot of diesel replacement solutions and also EB continues to improve year-on-year which obviously helps towards the ESG initiatives that we have embarked ourselves on.

Pranav Kshatriya – Nuvama - Mumbai

Sure, thank you and all the very best.

Vandana – Moderator

Thank you very much, Mr. Kshatriya. The next question comes from Mr. Rakesh Sethia from HDFC Mutual Funds, Mumbai. Mr. Sethia, you may ask your question now.

Rakesh Sethia – HDFC Mutual Funds - Mumbai

Thank you for the opportunity. Can you help us understand based on your initial discussion how large the 5G roll out order for you guys, I mean, how should one think about it, what percentage of the sites, what percentage of the co-location probably would have

loading let us say in the next 12 to 18 months. If you can share some of details around that, and secondly would it be possible for us to quantify a ballpark what kind of a revenue upside are we looking from the 5G rollout?

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

Thanks for the question Rakesh. See typically the way we have seen these technology shift rollouts happening, the operators over a period of time will tend to cover 5G on all the sites they have with us or they have in the network. We have seen this already happening in the 4G space so 100% of the operator sites have 4G rolled out on them. This has obviously taken a long while and now they are beginning to set up standalone 4G sites as well. So over a period of time, I think the 5G curve follows a similar pattern, we already have seen good amount of orders coming in from the operators. The announced position from the operators is that within 18 months starting from September end they want to actually cover out almost 500 towns in the country which would largely cover the entire coverage area that they have. So I would expect a good percentage of the sites already being deployed with 5G and then as the capacity builds up on these sites and data consumption scales up, they would possibly then be coming up with new 5G sites or standalone 5G sites as well, but as I said earlier this would take a little bit more time beyond 18 months period of roll out that we are talking about.

As for the extent of loading that one can expect, I mean we had already indicated in the previous call that we expect the 5G loading revenue to be higher than the 4G revenue level that we are seeing. This is largely because of the higher power loading that is coming onto the sites and then the operators because they have chosen a sub gigahertz frequency. Some loading from the additional antennas because 700 gigahertz would need a separate set of antennas in some cases. So that kind of antenna loading that will come on the sites as well. So a substantially higher loading compared to the 4G loading that we already have would come as the 5G loading revenue builds up.

Rakesh Sethia – HDFC Mutual Funds - Mumbai

On the first part would it be possible to quantify that based on your initial discussions what percentage of the sites we are talking about, I mean understanding that eventually 100% of the sites will move to 5G like it happened in the 4G, but I am just trying to understand, what is the near-term plan. The reason I am asking is of course we can go to 500 towns, but the operators would always have a choice I mean they can go cluster by cluster, they may not need to do 5G on the entire town in one go. So I was just trying to understand from a near-term perspective let us say over the next 12, 18 months are we talking about 100% of the 5G site or we are talking about probably fraction of those site, is there any visibility you have around the same based on your initial discussion with the operators?

Tejinder S Kalra – Chief Operating Officer – Indus Towers Limited

See obviously the operators are also yet finalizing the overall plan, but from the initial understanding that we get from them over an 18-month window my understanding is anywhere in the vicinity of about 50% to 60% of the sites the operators maybe covering. I will not be able to give you any operator specific details but that is largely looking to be the plan operators are talking about 500 odd towns that would be the minimum they would need to do.

Rakesh Sethia – HDFC Mutual Funds - Mumbai

Secondly on the loading revenues if you can also sort of clarify my understanding was that the antennas are much lighter weight in the 5G technology. Does it that have any bearing the way 5G loading or the loading revenues work for us or that will not have any bearing.

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

See while the 5G antennas or even the integrated antennas that you have on the 5G side, yes they are lighter in weight but as I said the power that we need to set up at the sites or the power load of the sites is higher in case of 5G and a big chunk of the way the loading revenue is structured there will be component coming from the power side as well. So since the power is higher therefore the loading revenue will be higher we are expecting somewhere in the vicinity of 5% to 10% of our average revenue to be coming from 5G overall over a period of time.

Rakesh Sethia – HDFC Mutual Funds - Mumbai

So you are talking about the energy part of the revenue right or we are talking about the aggregate energy plus non energy part.

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

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No, I am talking about the rental part of the revenue or the base revenue.

Rakesh Sethia – HDFC Mutual Funds - Mumbai

Understood thank you so much.

Vandana – Moderator

Thank you very much, Mr. Sethia. The next question comes from Mr. Ravi Agarwal from UTI AMC Ltd, Mumbai. Mr. Agarwal, you may ask your question now.

Ravi Agarwal - UTI AMC Ltd - Mumbai

Thank you for the opportunity. My question is largely around the Vodafone and its receivables. So I would just try to bifurcate the questions in to a couple of ways. First is can you just tell me how much was the original total receivable from Vodafone Idea before the write-off which was taken in the first quarter, the provisions which were made in the first quarter and how much is the outstanding right now after the second quarter's provision and what is the total receivable position still outstanding from Vodafone and what is the ageing. So that is the first question and I will come back with the second question after this.

Vikas Poddar – Chief Financial Officer– Indus Towers Limited

Ravi unfortunately we cannot disclose customer wise information so your questions regarding what is the receivable of Vodafone and how much is outstanding after the provision and ageing etc., unfortunately we would not be able to answer that in specific terms.

Ravi Agarwal - UTI AMC Ltd - Mumbai

So should we expect any further write-offs because what we understand from the previous one is that no major write-off would be coming in the next quarters or largely all the write-offs have been accounted for and now this quarter even seeing a larger provision. So how much can we expect in the second half of this fiscal.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Let me explain and this is very important point you have raised. So I think first of all we have already shared the payment plan that we have agreed with the customer and as per the payment plan like I mentioned, and I would like to just sort of reinforce and reiterate that the payment plan also includes payment of the accumulated receivables in the seven months from January 2023 and July 2023. So currently we are providing because there is a delay and there is an ageing issue and we are basically providing in order to hedge our balance sheet and de-risk the receivable situation, but based on the payment plan, currently we are not expecting any write-offs. The payment plan envisages collection of the full dues and hopefully there will not be any write off involved.

Now coming to the other point within this question that you raised which is about the large provision in quarter two, I would like to explain that while from an optic perspective you see Rs.17.7 billion provision for doubtful debts, but if you recall I did explain that part of the payment that we collected were basically towards the settlement of past issues which otherwise if we had not settled that then those collections would have been applied towards the outstanding receivables and if that was the case then our provision for doubtful debts would have been much lower so the Rs.11 billion that I have mentioned which we collected towards the past dues would have been applied towards the current dues. So to that extent, I think it is a bit technical. The real bad debts or the real provision for bad debt needs to be looked at in conjunction with both the numbers. Does that make it clear Ravi?

Ravi Agarwal - UTI AMC Ltd - Mumbai

So the provision towards the current receivables would be at just around Rs.6.7 billion is that the number that as we work around?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Yes if you look at it that way. Yes it would be Rs.6.7 billion if we basically take the total collections in this quarter which is certainly lower than that what we had in the previous quarter.

Ravi Agarwal - UTI AMC Ltd - Mumbai

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So the previous quarter's Rs.1,200 crs was nothing towards the past receivables and this Rs.1,700 crs contains around Rs.1,100 crs of write-off from the past receivables. Now the understanding is correct that the entire past receivables have been written-off and from the current new billings the payment plan will take care of that.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Just a correction Ravi, you said the entire past receivable has been written off it is not the case of write-off like I said we do not have any write-off. What I mentioned was the past issues has been resolved and we had deferred the recognition till the time of ultimate collection in this quarter since we have collected the full amount, we have recognized and hence to that extent the payment received towards our normal receivables is less.

Ravi Agarwal - UTI AMC Ltd - Mumbai

Now coming back to the second question now what is the future accounting policy we are looking to adopt I mean just wanted a clarification about the deferred revenue and how are we looking to account for the new billings which would be done and plus how would the energy charges be dealt with.

Vikas Poddar - Chief Financial Officer – Indus Towers Limited

Well as far as the accounting policies are concerned, we do not have really any change in our accounting policy. We basically had deferred the recognition like I said because we wanted to be sure about the collection and that has been the policy so there is no change. What really could change is because we are constantly reviewing and reassessing the situation and like I shared in the previous quarter, we did adopt a more stringent ECL computation and as a result, we had made a provision of doubtful debts of about Rs.12 billion in the previous quarter that was based on the stringent ECL computation which was a bit of a change. We will keep reassessing and in third quarter if we feel that things are not progressing as we expect that we might adopt a more stringent approach again but as of now there is no change and if there is any change we will certainly let you know.

Ravi Agarwal - UTI AMC Ltd - Mumbai

Sure, thank you so much Sir.

Vandana – Moderator

Thank you very much Mr. Agarwal. The next question comes Mr. Aazeb Anwarali Parbatani from Omcara Capital, Mumbai.

Aazeb Anwarali Parbatani – Omcara Capital – Mumbai

Thank you for the opportunity. My question is medium-term of the Vodafone Idea. Firstly I want to ask that the payment plans which you have committed today which you have disclosed in the media also, as they agreed upon that means how the Vodafone Idea and how the management is giving the answers to your basically the forma which you have given to them in terms of the payment plan and secondly what percentage of revenue is basically contributed by the Vodafone Idea in your total revenue because you have stated that you are going to stop the services if they are not able to pay by the month of November or by the month of December so can you give some brief on that thing also?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

So Aazeb on the first point the payment plan is basically what the customer has proposed and that payment plan was discussed in our Board and we have agreed in order to support the customer as a temporary support. As far as the percentage of revenue is concerned, I think like I said unfortunately I am not able to disclose or share any customer specific information here so we may not be able to share what is the percentage of revenue from Vodafone and sorry could you just repeat your last question?

Aazeb Anwarali Parbatani – Omcara Capital – Mumbai

My question is that what is the topline revenue which we are saying that we are not able to disclose in the call. My next question is in terms of the dividend policy looking forward in FY2023 and FY2024 in terms of the dividend announcement because you are facing pressure from Vodafone Idea. So how the dividend policy is going to be in FY2023?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

So coming to dividend I think our policy is very clear the dividend this of course is linked to our free cash flow and we will certainly assess the free cash flow situation at the end of the year and make the decisions accordingly but we are fully committed to the policy and currently there is no change in the policy.

I think Aazeb you also mentioned about Indus stopping services I just want to put it on record that, that is purely speculation we have not mentioned this anywhere or made any such statements. So I just want to make sure that it is noticed that it is purely speculation. We are working with the customer to execute the payment plan and trying our best to make things normal.

Aazeb Anwarali Parbatani – Omcara Capital – Mumbai

To that extent, can you share your view on the call if it can be sorted out in the next three, four months or six months so that at least we have some idea also because we see now investors are waiting for this so at least you can give some tentative timeline let us say in the next five months, six months that this will be settled.

Vikas Poddar – Chief Financial Officer– Indus Towers Limited

From a timeline perspective I just want to reiterate what we shared earlier from a timeline perspective the payment plan is getting a substantial part of our monthly billing every month till December 2022 and from January 2023 we expect two things to happen as per the payment plan. We expect 100% collection of the monthly billing and whatever will be the accumulated outstanding as on December 31, 2022, our payment plan basically says that those outstandings will be cleared in a phased manner over seven months starting January 2023 till July 2023. So I think from a timeline perspective this is the process that we have agreed and this is the best indicator of the current situation.

Aazeb Anwarali Parbatani – Omcara Capital – Mumbai

Yes, Sir thank you for answering the questions and all the best to you. Thank you.

Vandana – Moderator

Thank you very much Mr. Parbatani. The next question comes from Mr. Utkarsh Mehrotra from Schonfeld, Singapore. Mr. Mehrotra, you may ask your question now.

Utkarsh Mehrotra - Schonfeld - Singapore

Thanks for the opportunity. Just one question from my side. So previously we had some collateral which basically helped us offsetting delay in getting the amounts from one of our three counter parties but going forward given the fact that there has been an inordinate delay and them raising capital so in a worst case scenario do we have anything similar plan going forward or how are we thinking about the worst case scenarios in case there is further delay in them raising the capital. Thank you.

Vikas Poddar – Chief Financial Officer– Indus Towers Limited

Utkarsh I think first of all regarding the security that we had, as we had shared earlier the entire security was restructured and we received the money in the quarter four of last fiscal and also in this current quarter through basically the equity injection that the promoters have done. So we received almost Rs.37 billion in March and then some more funds in the month of July, so currently our primary pledge or the security that we had has been completely monetized and is no longer there. Now coming to the worst case scenario like I said we are closely monitoring, we are also assessing our exposure and we will be making the right calls on the provisioning and if our ECL computation and methodology and our practices need to be tightened, we will also adopt that in this quarter depending on how things progress. So really it is very difficult to predict what would be the scenario because that would be crystal gazing so I think to a large extent we will keep watching and by the way the significant provisions that we have made in the last two quarters have already given us a very significant hedge on our balance sheet and I think to that extent the risk is less.

Utkarsh Mehrotra - Schonfeld - Singapore

Got it thank you.

Vandana – Moderator

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

Arun Prasath – Spark Capital - Chennai

Thank you for the opportunity. Sorry last time the call got disconnected. I think my question is similar to the line of other participants regarding receivables is mostly answered but just to summarize what you are saying is that by December 2022 the receivable should peak out and then post that it will only decrease is it a right understanding?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Yes, that is the expectation Arun based on the payment plan that we have released.

Arun Prasath – Spark Capital – Chennai

Secondly on the leaner towers you shared some data points this time. Can you give a little bit color on what is the cumulative leaner towers count and cumulative co-location count on those leaner towers.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Yes. So I think we have started reporting lean towers from previous quarter. So this quarter like I said it is close to 1,500 the previous quarter was 1,000 and then we also had a few sites that we rolled out in the last year. So I would say the base of lean towers is somewhere in the range of 3,000 or little over 3,000. It is still a small number compared to our total portfolio but this is certainly picking up and we will see this segment growing much faster in the coming quarters.

Arun Prasath – Spark Capital – Chennai

This is not part of the total towers reported or total co-location, is it right?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Yes, what we report is the macro towers and because the segment is very small, the segment of lean is very small right now it is not significant and hence not included in the reporting.

Arun Prasath – Spark Capital – Chennai

Thank you very much.

Vandana – Moderator

Thank you very much Mr. Prasath. We do have a follow up question from Mr. Kunal Vora from BNP Paribas, Mumbai. Mr. Vora you may ask your question now.

Kunal Vora – BNP Paribas – Mumbai

Thank you for the follow up. So you did a booking of Rs.1100 Crores of past dues of which Rs.550 Crores pertains to energy and there is no additional cost which has come against that. How should we look at this does it mean that the cost has already been booked in the past and the energy margins which we are looking at for the past quarter they would have been better considering this additional revenue.

Vikas Poddar - Chief Financial Officer – Indus Towers Limited

Yes, so Kunal the way it works is I mean whenever we have these gaps as Tejinder and I spoke about which is the gap between what is expected and what is actual and so on, we do have these sort of deferred recognition. We defer the revenue recognition till the gap is resolved and it had really accumulated, and we resolved this. So certainly, I mean if we were to really go back and look at each of

those periods where we had deferred the recognition, certainly the energy margin would change slightly. So you are right that the Rs.5.5 billion that is sitting in the energy revenue does not have a corresponding cost because these are basically the revenues coming from the past periods.

Kunal Vora – BNP Paribas – Mumbai

So similarly like you have seen in last two, three years the energy margins have been consistently negative. So it is possible that we could have some offset of that also in the subsequent quarters.

Vikas Poddar - Chief Financial Officer – Indus Towers Limited

Well like I said I mean we did sort of resolve a lot of these past issues as part of the one-time settlement that we did. So I do not think we expect to really see such lump sum recognitions going forward, but of course this gap of expected and actual obviously continues in the diesel world so to that extent I think some reversals will keep happening, some recognitions will keep happening, but I do not expect such large quantum.

Kunal Vora – BNP Paribas – Mumbai

Lastly on Capex, can you talk about your expectations going forward considering that large 5G investment will be underway from telcos will that require some additional investment from your end as well.

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

Let me take that Vikas. Kunal on 5G side while since I said 5G is coming as a loading on our existing site, it could be a combination of new investment should the site need some electrical infrastructure to be upgraded or some mounts to be put up and so on. So some sites maybe already ready to receive the 5G equipment and there could be additional capacity sitting on some of those sites because we are ultimately into sharing business and some sites may already carry that capacity, but in some sites where we are kind of already sitting at the edge from a capacity perspective, we may need to increase the electrical infrastructure and therefore investment to that extent may be required for mounting the antennas or the radio equipment on the towers through some mounts so it could be a kind of averaged out cost on the towers when one is talking about hosting the 5G equipment.

Kunal Vora – BNP Paribas – Mumbai

Understood that is it from my side. Thank you.

Vandana – Moderator

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

Vivekanand Subbaraman – Ambit Capital - Mumbai

Hi! Thank you for the opportunity. I have only one question when you spoke about the loading needs about 5G you mentioned that the frequencies you mentioned about 700 megahertz, you mentioned about multiple antenna requirements and power requirements. Could you highlight the differences between 4G loading and 5G loading in the context of the revenue opportunity for you as far as 5G is concerned and why you believe that 5G will be a bigger loading opportunity for you than 4G. Thank you.

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

See the difference between 4G and 5G in terms of the equipment or the split radios, there is none so there is a split radio when it is coming if it is coming on the 5G space. In 5G, typically there are two types of equipments when it is in the 700 megahertz space you have separate antennas and separate radios going up similar to what you see in the 4G space. When it is in the 3.3 gigahertz space 5G solution, you have the antenna and the radio integrated and both of them are going up on to the tower from a 5G rollout perspective. The power load of that equipment is little higher compared to what you see on the 4G radio side and therefore, as I said earlier, the rental revenues because loading revenue constitutes a big chunk of load and power the way it is structured from a TOCO perspective because of the higher power load of the sites the IP fee from a loading perspective is higher for 5G compared to the 4G. I hope that answers your question.

Vivekanand Subbaraman – Ambit Capital – Mumbai

Just one small follow up. So Jio is the only one that has 700 megahertz, and they talk about carrier aggregation, so where they say that they are able to utilize all three bands of spectrum in tandem. So does this still entail separate antenna and loading equipment the 700 megahertz or are they talking about some other technology here?

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

See carrier aggregation is primarily combining different frequencies and different carriers to give a better output that primarily what carrier aggregation is, but ultimately each spectrum frequency that needs to be fired would need a radio. If it is 700 they need 700 megahertz radios to fire the 700 spectrum and if it is 900 or 1800 or 2100 or 3.3 each one of them have separate radios, the radios need to be deployed at the site and then those different frequencies get aggregated which is what is carrier aggregation to give a better throughput or better capacity and so on. When it comes to the antennas I mean there are only two ways either you deploy standalone two port 700 megahertz antennas or the tower or you have multiport antennas already deployed in which 700 band is covered that means you have a wide band multiport antenna which would cover from 700 to let us say 3300 if that is available already at the sites which in Jio's case some sites they have then they do not need to put up additional antennas otherwise they will have to.

Vivekanand Subbaraman – Ambit Capital – Mumbai

Okay this is clear thank you so much.

Vandana - Moderator

Thank you very much Mr. Subbaraman. At this moment I would like to hand over the call proceedings to Mr. Tejinder Kalra for the final remarks.

Tejinder S Kalra – Chief Operating Officer– Indus Towers Limited

Thanks Vandana. So to sum up our strong performance during the quarter is very encouraging and we expect the increased demand for telecom infrastructure to continue. On the receivables front, we are constantly engaging with the customer and monitoring the situation vigilantly. We are excited about the 5G roll out scaling up across the country which we believe would act as the next leg of growth for the entire telecom industry. Thank you all for joining the call today. Good luck to us.

Vandana - Moderator

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