“Vodafone Idea Limited Q4 & FY23 Earnings Conference Call”

May 26, 2023

Moderator: Good afternoon, ladies, and gentlemen, this is Neerav, the Moderator and welcome you all to the Vodafone Idea Limited Conference Call.

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

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

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

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

Akshaya Moondra: A warm welcome to all participants to this earnings call. Yesterday, our Board of Directors adopted the audited results for the quarter and year ending March 31, 2023. All the results related documents are available on the website and I hope you had a chance to go through the same. Let me provide a brief on our strategic initiatives and key highlights for the quarter. Post this, I will handover to Murthy to share details on the Company's financial performance.

First of all, during the quarter, we have completed the issuance of equity shares to the government towards loan of Rs. 161.33 billion representing the NPV of interest related to deferred AGR and spectrum dues. We have also completed the process of issuing the OCD worth Rs. 16 billion to ATC India in February, 2023.

<u>Moving on to our strategic initiatives. Firstly it is about our focused investment approach</u>

We continue to follow a focused approach to investments, biased towards our 17 priority circles which contribute over 98% of our revenue and around 93% of Industry revenue. This helps us in utilizing our capex effectively while ensuring that we continue to offer superior customer experience in these areas as our network investments have been impacted on account of liquidity constraints.

To improve our 4G presence and 4G experience for our customers, we, continue to refarm our 3G spectrum to 4G and have closed around 1,850 3G sites during the quarter while we added around 1,950 4G sites, as a result our broadband coverage as well as capacity has expanded. Our relentless pursuit to offer better 4G experience to our customers is clearly visible through these network investment initiatives. We also have the highest rated voice quality in the country as per TRAI's "MyCall" app data for 25 out of 29 months between November 2020 and March 2023.

Moving on to market initiatives

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

A refreshed postpaid offering with more benefits, more data, more entertainment & more privileges – Vi Max postpaid, which helps with differentiated offering from competition was promoted extensively through TV, digital & retail channels.

In a cricket obsessed country, your company engaged with users through Vi 20 FANfest on social media and stayed one of the buzziest brand during the 1st Women's Premiere League (WPL) 2023. Vi #LoveTunes was done to engage with users and to promote our music offering on social during Valentine's day.

Our relentless pursuit on the marketing front is clearly visible with our top ranking at the ET Brand Equity – India DigiPlus Awards where Vi won Silver for Best Use of Performance Marketing and Bronze for Digital Campaign in the B2B Category.

We continue to focus on getting more customers on 4G/Unlimited plans for further ARPU improvements. We have seen ARPU growth for seven consecutive quarters now. Q4FY23 ARPU stands at Rs. 135 compared to Rs. 124 in Q4FY22; growth of 9.3% YoY, highest among wireless operators.

Our share of gross additions was higher than our subscriber market share, clearly reflecting our ability to effectively compete in the market.

Moving on to Business services

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

On IoT, we continue to maintain our strong position with innovative solutions for large enterprises as well as for small businesses and it continues to grow at a very healthy pace. In the Smart Utility space, we have an unparalleled track record in powering India's energy infrastructure by providing innovative IoT solutions and becoming a partner of choice for advanced metering Infrastructure (AMI) projects. We are currently working with over 25 power distribution companies and successfully connected 3 Million+ meters in the country. We aim to strengthen the Government's Digital India mission and transform the country's power distribution sector through our IoT solutions.

As part of our strategy to transform from a telco to a techco, we continue to build our cloud portfolio. We are working on our cloud strategy through a combination of our own assets and strategic partnerships in order to accelerate digital transformation for enterprises. Our comprehensive cyber security portfolio, Vi Secure, provides a range of reliable solutions that offers protection against multiple threats arising from network, cloud and end points, enabling businesses to achieve their digital objectives in a secure manner.

Our "ReadyForNext" program continues to support SMEs & MSMEs in digital adoption, transforming their businesses and making them future ready. Since its launch, ReadyForNext has helped in assessing the digital needs of more than 80,000 MSMEs in India, offering them the right set of solutions for their digital journey. The ReadyForNext campaign has been awarded on multiple national platforms like e4m Indian Marketing Awards, ET BrandEquity DigiPlus Awards and Mint Marketing Awards.

In the growing hybrid working scenario Vi Business Plus Mobility Bundling solutions are enabling today's mobile workforce to connect, communicate, collaborate and do a lot more with their postpaid plans. Bundled with benefits such as data pooling, mobile security, location tracking and entertainment, Vi Business Plus provides superior customer experience, with seamless and uninterrupted high speed data.

Vi Business is also an active participant in the fixed Data Connectivity business and continues to enjoy the confidence of some of the largest multinational and Indian organizations to connect their offices and various locations through its suite of ILL and MPLS / GMPLS solutions. Vi Business is also doing pioneering work in the space of Private Networks. Through our active and deep engagement with our large customer base, we aim to participate in building the private networks infra in the country in a relevant manner basis customer needs.

All these initiatives and efforts, enabled us to register an annual revenue growth of 18% plus (+).

Vi Business continues to garner recognitions at national and international levels. Our Carrier services has recently been awarded at an APAC level, with the A2P SMS Monetization of the Year Award (India) at Asian Telecom Awards 2023. At CIO Choice 2023, Vi Business has been chosen as the preferred partner of choice for SIP Trunk, Telecom Carrier (Mobile Access), Managed Mobility Services, Cloud Telephony and Telecom Carrier (International access) on the basis of an extensive pan-India CIO referral voting process that spans across industry verticals. At the Voice and Data Awards 2023, Vi Business has been recognized for innovation and excellence in Customer Service and for Vi Business Hub.

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

We have set a strong digital roadmap for the company and have been executing the same through strategic partnerships, in our continuing journey of being a truly integrated digital services provider. Over the last 5 quarters, we have significantly expanded our digital portfolio with addition of music, videos, gaming, jobs, education and digital advertising and we continue to add various features to our offerings. And, we are primarily building most of it on our Vi App, which saw around 30% YoY growth in MAUs in the last year.

We have seen a strong growth on each of the digital services during the year. Our digital engagement on these telco+ propositions has almost doubled through the past 1 year. This is being led mainly by

Vi Movies & TV and Music, both of which have shown strong growth on our platforms in the last quarter and the whole year. Music users as at the end of the year saw 63% growth year on year. Similarly, Vi Movies & TV showed a 32% growth in monthly active users vs exit FY22. This, of course, is on the back of various curated content and events we keep creating for our users.

On the video front, our strategy has been to provide curated premium content to our consumers. We continue to build partnerships with content producers to be able to deliver an enriching experience to our users. We have added new partners in the past quarter to build on our content repository. Through our partnerships, we not only offered premium entertainment content to our users, also for the first time, we offered LIVE T20 International 'league cricket' on Vi app to our users on the back of our partnership with Zee. We have seen highest growth on our video consumers in the past quarter.

One of our endeavor on Digital is to read the emerging trends and build relevant propositions to be able to drive meaningful engagement and create opportunities for better monetization. Snackable content as you all know has been in huge demand, which is 'shorts' or 'reels' that consumers can consume on the go in a very little time. We have recently launched a new channel – BYTES, on Vi app in partnership with NDTV to provide quick bytes of trending news & stories across sports, films & lifestyle.

As you would be aware, we had enhanced our gaming proposition with the launch of multiplayer games. On that front also, we continue to see strong growth. Expanding our gaming portfolio, we also introduced eSports on Vi App in partnership with one of the leading eSports start-up Gamerji. With the objective of democratizing eSports, we offer daily tournaments to our eSports fans across some of the marquee titles like Call of Duty Mobile, Asphalt 9, Free Fire Max, WCC3 & more.

While we continue to build new propositions for our consumers across various digital categories, we have also worked a lot on enhancing the digital experience of our consumers on our digital assets. This reflects in the fact that our App ratings have improved significantly in the last year. While Vi App moved up from 3.9 to 4.3 on the Google Play Store, Vi MTV moved from 3.7 to 4.1. Our apps rating is now amongst the best in Industry. Our endeavor is to consistently enhance this and deliver superlative experience to our consumers.

We had also talked about the launch of Vi Ads - our own Ad-tech platform, which is one of our key monetization drivers. "Vi Ads" is helping us drive the monetization of our digital assets as we continue to scale our footprint and are now able to drive good demand. Vi Ads is now empanelled with almost all of the key media agencies in the country and we are part of the media plan for some of the big brands in the country. We worked with over 35 top brands in the past 2 quarters. While we continue to drive demand from the large agencies and the big brands, our focus in the coming year is going to be on building a strong go to market for the Small and Medium Businesses.

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

Moving on to other highlights

On an annual basis, FY23 is the first year of annual revenue growth post-merger, clearly reflecting our ability to drive operational excellence, despite various challenges we faced. More importantly, our EBITDA of Rs. 83 billion and EBITDA margin at 19.7% were also highest since merger and our annual EBITDA registered a growth of 24.1%.

We continue to register improving 4G subscriber base for seventh quarter in a row with 1.1 million 4G customers added in Q4. The 4G base now stands at 122.6 million. However, the overall subscriber base declined to 225.9 million vs 228.6 million in Q3FY23. We registered the seventh quarter of average daily revenue growth despite subscriber loss.

The overall average daily data volumes for the quarter were up by 2.9% QoQ, while on a YoY basis the growth was 10.8%. We continue to see the increase in the data usage per broadband customer which now stands at ~15.1 GB/month. We have also seen an increase in voice minutes per sub by 1.6% QoQ.

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

Murthy GVAS: A warm welcome to each of you.

On the quarterly performance, the average daily revenue for the quarter improved by 1.4% compared to the last quarter. This is a seventh consecutive quarter where we have registered growth in average daily revenue and 4G subscribers.

Revenue for the quarter stood at 105.3 billion. EBITDA excluding 116 impact was up by 3.3% quarter-on-quarter at Rs. 20.7 billion as compared to 20 billion in Q3FY23, primarily due to lower network expenses partially offset by the increase in roaming and access charges.

As highlighted by Akshaya, the annual revenue improved for first time since merger, and grew by 9.5% from Rs. 385.2 billion in FY22 to Rs. 421.8 billion supported by tariff hikes, improving subscriber mix and 4G subscriber additions. Resultantly, Pre IndAS116 EBITDA for the year increased from Rs. 66.8 billion to Rs. 83 billion registering strong growth of 24.1% and EBITDA margin at 19.7%. Both EBITDA and EBITDA margin are the highest post-merger.

Excluding the impact of IndAS 116, the Depreciation & Amortisation expenses and Net Finance costs for the quarter stands at Rs. 42.4 billion and Rs. 40.2 billion respectively. The reported post IndAS 116 Depreciation & Amortisation expenses and Net Finance costs for the quarter stands at Rs. 57 billion and Rs. 49.1 billion respectively.

Capex spend for the quarter stands at Rs. 5.6 billion taking the capex spend for FY23 to Rs. 33.6 billion.

Following the conversion of loan relating to interest on deferred spectrum instalments and AGR dues into equity amounting to Rs. 161.33 billion to the Govt. of India, the total gross debt, excluding lease liabilities and including interest accrued but not due, as of March 31, 2023 stands at Rs. 2,092.6 billion vs Rs. 2,228.9 billion as of Dec 31, 2022. It comprises of deferred spectrum payment obligations of Rs. 1,307.1 billion and AGR liability of Rs. 655.5 billion that are due to the Government, debt from banks and financial institutions of Rs. 113.9 billion and Optionally Convertible Debentures (OCD) amounting to Rs. 16.1 billion.

With this I hand over the call back to Neerav and open the floor for questions.

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

Sanjesh Jain: So, what is driving the ARPU improvement for us beyond this 2G to 4G addition?

Akshaya Moondra: So, Sanjesh, ARPU is a result of multiple factors. One is that we have been focusing on quality and on renewal rates. As you get better quality of customers, the gap between the expiry and the renewal improves. It is a major factor which improves the ARPU. We have been focused on both the quality of our customer acquisition as I had alluded in the last call and also how to improve the renewal rate, so several interventions have been done in that direction. Second, of course, as we have mentioned that our 4G subscribers and UL subs have increased quarter-on-quarter and that helps the ARPU story. So, I would say these are the main factors which have benefited us on the ARPU front.

Sanjesh Jain: Second on the voice minutes probably post-merger this is a first quarter where the sequential voice minutes has grown, are we benefitting from Airtel increasing the minimum recharge from 99 to 155. Two set of question are we benefitting from Airtel taking the minimum recharge to a higher level. And #2 what's our thought process in terms of realigning the minimum recharge to a higher rate?

Akshaya Moondra: With the point you are making that why is the voice minutes going up, it is due to the number of UL subscribers going up. In the past for some time we were flat or declining and for the last two quarters we have seen an increase in the number of UL subscribers so that is helping voice minutes. Airtel's action would have impacted the churn a little bit, but it would not have impacted the increase in voice usage per sub really. In fact, people migrating to 99 plan actually should on a weighted average bring down the number of minutes of use per subscriber. So, that cannot result in the increase and the usage per se.

Sanjesh Jain: No, I was looking at more of the total usage, but I fairly understand.

Akshaya Moondra: The more important metrics to look at is what is happening to per sub consumption and that is increasing. You can see a significant improvement in the last two quarters which is largely supported by as I said, I mean the factors for this are the same as the ARPU that you are getting more UL subs, you are getting better renewal rates and if you get better renewal rates then the usage is also higher.

Sanjesh Jain: And any plan or thought process on realigning the minimum recharge?

Akshaya Moondra: Can you be little more specific?

Sanjesh Jain: So, are we planning to also increase the prices on the minimum recharge from the existing level to 155?

Akshaya Moondra: Let me just explain this in some detail. We have always stated that the tariffs in the industry need to go up. It goes without saying that the current tariffs are definitely not giving the adequate return on capital to anyone in the industry maybe you have not noticed that in Mumbai two days back we have changed the entry level pricing to some extent by reducing the benefit from the 99 products. The 99 product which was earlier on a 28 days validity, the validity on that has been brought down to 15 days so that price intervention has been done in Mumbai. We will continue to observe the space and make interventions as we go forward.

Sanjesh Jain: The next set of question is on the capex, this quarter capex looked quite lower than what we have been doing historically. How should we see capex say for FY'24 as we go for the next year?

Akshaya Moondra: As we have said in the past, the capex that we are incurring is more of a minimum sustenance capex. And for meaningful implementation in capex we have a business plan, for which we are in discussion with the banks and other sources of funding. Capex guidance we will be able to give once the funding is in place, but definitely we have plans to ramp up the capex mainly to bridge the 4G coverage gap. If I were to tell you today and we have been mentioning this over the last several quarters that today we have the best 4G speeds on our network wherever we are present, we have the best voice quality as reported by TRAI, as I alluded to in my opening remarks, we have the best ratings on our app and We are currently acquiring customers with the share of customer acquisitions being higher than our current customer market share.

So, really speaking you look at anything which matters in the market and it is going right for us. The only place where we are losing out is on loss of customers which we are not able to arrest which is a result of the fact that our 4G coverage is limited and we have not been making the required investments for last one, one and a half years. So, the investments will be made and that will start making a meaningful difference to our operations. But as I said other than the loss of subscribers if you look at any other matrices which I explained we are doing very well and we are confident that with the investment coming on we will be able to make significant improvements to our performance.

Sanjesh Jain: One last bookkeeping question. In this quarter finance cost has dipped very sharply. Does this also have a retrospective impact on the finance cost where we have booked the cost for the previous nine months, and now that the government has converted the interest into equity,, it's a balancing figure Q4. So, it's a cumulative impact of the entire year is that what seeing in the Q4 number. And what will be the steady state finance cost for us?

Murthy GVAS: So, Sanjesh you are right, given that we continued to accrue interest till the time of the order, therefore that amount was written back. And from the steady state perspective what was written back if you are not to consider, then going forward you will have that kind of an interest cost impact on a quarterly basis.

Sanjesh Jain: So, can you give us in this quarter what was the benefit of retrospective reversal of the interest cost?

Murthy GVAS: About Rs. 1,300 crores.

Akshaya Moondra: And generally speaking, Sanjesh going forward on a steady state without any forex impacts and one-offs, we would expect to have financing cost which is in the ballpark of Rs. 5,300 crores to Rs. 5,400 crores in a quarter.

Moderator: Thank you. The next question is from the line of Balaji Das from Allianz Services. Please go ahead.

Balaji Das: I have basically two questions like it's a hot topic actually you know maybe I still remember it, I think it's almost one year and I remember the former CEO mentioning about the funding we are so near and all other things but still the similar story. Like my entire family is using Vi everybody is just interesting on the 5G mark etc. so where exactly are we and are we having any option of promoter putting in funds or it's just the banks or is there FII something there is lot of rumors in the air actually. And we have never seen management speaking any single thing on that, so can you just give us small idea on where exactly are we in the terms of 5G?

Akshaya Moondra: Okay, Balaji let me just respond to your question as much as I can of course some of these are topics which I cannot disclose but let's say and you are right that this topic of funding has been discussed for fairly long period of time.

As we would recall that the funding discussions are on and anybody who is wanting to provide funding to the company whether it is debt or equity wanted to make sure that the reforms package was implemented in toto. And the conversion of shares or issue of shares to government got delayed. And that was the primary reason why we could not make any progress on that front. Now the government conversion has happened in February and post that since all the reform, most of the items on the reforms package were implemented, Mr. Birla has also rejoined the Board in April.

I would say post government conversion and these events we have been actively engaged with the banks. Promoters have contributed equity in the past and they are also ready to contribute some more equity. The third leg of funding has to come from external investors to bring in equity and currently multiple discussions are on. And these discussions have become active in the last one month or so post the government conversion.

We are progressing well on at least three discussions which are ongoing. And we expect to make progress on this and conclude funding. So, we are moving in the right direction. I would say that the implementation of the reforms package was a prerequisite for any conclusion to happen, that having happened we are now trying to work towards getting this to a closure.

Balaji Das: Just the supporting part of the same thing, like we got this 5G spectrum allocation last year, August, so we have an obligation to deploy at least in the minimum ticket by August. So, do we have a target by when we can plan and like so how are you looking at that part actually?

Akshaya Moondra: So, MRO is more a compliance requirement and we will work on that but as you said the entire family is asking for a 5G connection, so you are not focused on the MRO compliance but you are looking for a wider coverage. As you can say that our capex in any 5G will be dependent on new funding. The plans that we have shared with the banks and investors include 5G investments and good amount of 5G coverage. So, definitely 5G is a part of our plan. And we will be executing and implementing that immediately once the funding is in place -- you will have a 5G connectivity once we started this thing.

Balaji Das: And just the last part on this, we had the recent statement from DoT chairman we are expecting a revival plan within one month -- they can provide more clarity like how is the communication with DoT going on and is there any discussions on an advanced stage on the revival plan which the DoT is expecting from the management.

Akshaya Moondra: No, we continuously remain engaged with DoT, DoT is the largest stakeholder in our company today from all points of view. So, we are constantly engaged with them and we are updating them on a regular basis. One of the most important thing is that we are focused on our operations and the operations continue efficiently. And I have alluded in my opening remarks and the response to Sanjesh's question that we are actually operating efficiently and getting the right KPIs progression as far as operations are concerned. But as we said that for any meaningful improvement to happen in the performance investment is necessary and that remains the focus area for us, so we are working on that. And DoT is constantly updated on whatever actions we are taking to make that happen.

Moderator: Thank you. Next question is from the line of Vivekanand from Ambit Capital. Please go ahead.

Vivekanand: So, I can see that your sales and marketing spends as well as churn seemed to have moderated compared to where it was say in second quarter and third quarter. So, Akshaya would appreciate your comments on the on-ground aggression with respect to you know rotational churn and also the three players, how they are behaving in the industry right now as far as customer acquisition costs are concerned?

The second question is now that the tariff environment has been stable for a while, last tariff hike was taken in December, how are we thinking about the tariff outlook for the next six to nine months? Are there any considerations like potentially inflation subsiding or anything that the industry is waiting to really take the next step in increasing tariffs?

Akshaya Moondra: To your first question on the sales and distribution spends, so it is right that and I had alluded to this in my last call also that we have taken a number of intervention to reduce the, I would not say reduce the aggression but to improve the quality of gross additions. And we have also seen that other players have also been trying to do the same. I mean at some level if you see the industry spending anywhere between Rs. 12,000 to Rs. 14,000 crores a year towards customer acquisition cost. And what you see as a net addition to the industry is very little. So, it is very clear that there is a lot of expense being incurred which is just supporting rotational churn that needs to be addressed and that goes without saying.

So, what we have been doing is that we have been looking and we have done lots of analysis, lots of detailing to see where are these coming from and what are the cohorts, which on a long term basis are value destructive for us. They are giving us negative cash if you do an analysis over a six month or a 12 month period. So, we have taken actions to stop doing business with partners who are contributing to loss rather than adding value to us.

So, while we continue to be aggressive in the market, we are taking very conscious and deliberate actions to eliminate acquisitions as a cohort, you can't do it at an individual level but cohorts which are loss making for us we are eliminating that. We have also taken some interventions to see that the incentives being paid to the channel partners and all are done on a more realistic basis, sometimes there is a bit of an over exuberance in incentivizing the channel and we are saying that what is reasonable needs to be done.

We had also looked at rotational churn within the MNP segment also. And we found that generally it was believed that rotational churn is in the fresh segment and in MNP there is not so much rotation, but as things have happened or developed over the years and particularly in the last one year, we have also observed lot of rotational churn happening in the MNP segment. And we have also identified that and taken actions so that those kind of acquisitions are not incentivized. You reduce the incentive which is being paid for subscriber who are habitual rotational churn.

So, I would say many initiatives have been taken. We also see some initiatives being taken by some competition. And I do believe that the industry needs to move in a direction where we compete to acquiring customers on merit and not through the high cost through. So, we continue to work in that direction.

Vivekanand: On tariff side are there any considerations that perhaps the industry is looking for like perhaps inflation moderating or perhaps smartphone prices coming down to take the next steps as far as tariff hikes are concerned, given that the last hike is now fully in the base.

Akshaya Moondra: Okay, I don’t think it has to do anything with smartphone prices and I cannot speak for the industry but I can speak for us. Let me get to first the main principle that the tariffs need to go up. As I had mentioned in the last earnings call, telecom is an essential service and probably the cheapest priced essential service which actually brings you the maximum benefit. If you look at electricity for example, there is a base charge because whether somebody is using it or not the service provider incurs a cost of providing infrastructure to the customer. And so there has to be a minimal charge for availing the service whether you actually use it or not. And that is the basic concept of the entry level pricing.

More importantly the construct of the industry has been fairly distorted and I do believe that the biggest factor which has impacted the right ARPUs in the industry is this trend of daily limit 1GB per day or 1.5GB per day. So whether you use 5GB in a month or you use 28GB in a month, you pay the same which does not happen in any industry. And as I said, essential services like electricity is a very good example or you take gas supply, anything of that nature. So, we need to move in a direction where there is a fixed charge for availing the connection. And then you pay based on usage, usage with of course be a telescopic pricing. So, we constructively need to move in that direction as an industry.

In terms of our position, you are aware that we have lost some subscribers primarily because of lack of 4G coverage at this point of time and so we are watching the space. We would be happy to follow any tariff improvement actions by the market leaders because we do believe that the tariffs need to go up. At this point of time, we will not be able to take the lead on that. However, as we get back to the investment mode, and we are able to expand our 4G coverage we could also take the lead. But it goes without saying that there is an essential need to get the tariffs to reflect the cost that the industry is incurring.

Vivekanand: So, I understand that you are now only doing capex that is bare minimum or just necessary to do, right. But what we are seeing is that with your capex on an annual basis is much lower, I mean it has been declining every year for the last four year since merger. But now your subscriber numbers, your revenue trends seem to be fairly healthy. So, how should we interpret this, I mean on the one hand your capex is declining continuously and on the other hand we are seeing that your subscribers are now stable almost or only marginally declining and revenue trends also seem to be fairly healthy, even if we compare it with peers.

Akshaya Moondra: Thanks for recognizing that. The way I would describe it is that as long as the traffic growth is there at existing location, the way the pricing model in the industry has evolved, we should deploy more capacity on the same site as the cost is not very much given that most of the time we are just buying additional licenses and the hardware is already paid. The major part of capex comes only when you have to expand coverage.

So, really speaking even in that minimal capex that we have been incurring, we have been constantly increasing our capacity. And that is clearly reflected as our traffic has grown and we still continue to have the best 4G download speeds in the industry wherever we are operating. While we are incurring the minimal capex, we are ensuring that our customer experience wherever we are operating is not impacted. What we have not been able to do is expand our coverage or invest in 5G which are the two main things which will need to be addressed by the new funding.

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

Kunal Vora: My first question was on 5G. What's your device accreditation amongst your subscribers and have you seen any increase in churn amongst 5G customers? And have you done any survey on the customer expectations regarding 5G and how do they see you not having 5G and your thoughts on over the next one year, how do we see this impact?

Akshaya Moondra: So, the 5G devices on our network are in the ballpark of about 8%. In terms of customer until now has there been any impact in terms of churn? We have not seen any change in the trends and in fact this quarter you would have seen a reduction in our overall churn. So, definitely this is the latest quarter where large investments have been made by competition in 5G. So, it has not impacted our churn so definitely at this point of time it is not impacting our churn levels.

Currently also, there are multiple challenges in use of 5G as you are mostly aware that there is an issue with battery. Now of course the thing is the earlier challenge was that consumption went up but anyway now competition is giving 5G data for free, which again is then good for the consumer, but definitely as has been mentioned by competition that this is not sustainable. Ultimately, 5G data will have to be charged and if that starts getting charged, the challenge is that what is the benefit you get in terms of experience versus what is the additional data being consumed, because as is the case generally speaking for using 5G on your handheld device, you will not see a perceptible difference for the same application let's say video is the highest data consuming application, whether your speed may be fast, but you will watch this video at the same speed. So, that experience cannot change, of course there will be, if you measure the speed you will find the difference in experience. But generally, you will not find a difference in experience or a discernible difference in experience.

From an experience perspective it is not going to make a significant difference and there are currently teething issues with 5G in production. But these are a matter of time, these will go away. I guess we will need to invest in 5G because anybody who has a 5G when 5G networks stabilize they would want to have whether they use it or not customers would want to have the option of having 5G. It is not having any impact today and I don't see it having an impact in the next few months. But definitely if you look at over a longer period of time, everybody needs to have a 5G offering. Now what should be the depth and breadth of that coverage is something which will have to be iteratively determined over a period of time, but needless to say we are working on having a 5G offering as and when our funding is tied up.

Kunal Vora: And as and when you get funding what will be the priority, would you look to expand 4G coverage or would you start investing in 5G?

Akshaya Moondra: Both together.

Kunal Vora: My second question is on bank borrowings, it's down almost by Rs. 6,700 crore last one year. So, how has been the experience dealing with banks, earlier the expectation was that after the release of bank guarantees you should be able to get a roll forward of loans but that does not seem to be happening even now. And also, how much is due in the next 12 months?

Akshaya Moondra: We have never been talking about a roll forward of the loan. All that we have been discussing with the banks is new facility for capex for investment. So, we continue to pay all our debt as it falls due. the bank funding which I explained in detail earlier was not progressing because the government conversion had not happened. Post that discussions have been initiated, there is a certain linkage between the equity being tied up and the bank that's being tied up and that work is on as I said we made a lot of progress in the last one month following the conversion. And we are progressing in the right direction as far as that is concerned. Our debt servicing in FY'24 is about the same level as we had in the last year in the ballpark of about Rs. 8,000 crores for the full year. So, it's not different from what we had last year.

Kunal Vora: But total borrowings if I remember the number it is about Rs. 11,000 crores, I am talking about the external borrowing so of that Rs. 8,000 crore will get paid out within FY'24, is it?

Akshaya Moondra: That's right.

Kunal Vora: So, after that let's say assuming you are able to make this payment then after that external borrowings will be almost negligible?

Akshaya Moondra: Actually if you really look at it today, we have had some accumulation of vendor dues because we have had to prioritize the debt servicing, but as you are saying debt servicing is let's say it's about Rs. 11,000 crores for the banks, our EBITDA is in the ballpark of Rs. 8,000 crores so in some ways it is single turn. And once we are out of that period and the debt servicing burden starts reducing then we will be able to use the generation from operations to address the vendor dues.

Kunal Vora: And lastly on the postpaid side, are you seeing your large customers being approached by competition or you are seeing some new plans getting rolled out on postpaid. Have you seen any impact in the postpaid market?

Akshaya Moondra: As far as what is happening on the competition front is business as usual. Of course, off late there has been this aggression in the family pricing, and so family or no family you can get into a family plan. And that has brought some aggression into the postpaid plans and the postpaid pricing. So, I would say that has been the only deviation on the postpaid. Otherwise, it is business which is doing well. Postpaid is a focus area for us and we have done some changes within the structure in which we run the postpaid business. And I expect to see a better performance in FY'24 on the postpaid.

Kunal Vora: And is the postpaid ARPUs stable?

Akshaya Moondra: Yeah ARPUs are generally stable. As I have said there is some dilution happening on account of these family plans which have come in and we will just have to be a little cautious about these becoming a way to discount the postpaid pricing but let's see it is in early days. We will have to see how it works, but until now we have not seen any dilution on the postpaid ARPUs.

Moderator: Thank you. Next question is from the line of Aditya Suresh from Macquarie. Please go ahead.

Aditya Suresh: I just have one question, with Mr. Birla joining the Board, I just want to understand has there been any change in your priorities since he has resumed. The last bit was simply about in terms of balancing your spend between marketing versus say payments to tower companies and your other suppliers and also in view of your, comments around kind of having operational stability, how do you balance these different requirements?

Akshaya Moondra: On your question of any change in priorities after Mr. Birla has joined the Board, let me assure you that even while Mr. Birla was not on the Board, he has been actively engaged and involved in the affairs of the company as he was when he was on the Board, so his level of engagement has not been impacted, whether he has been on the Board or not been on the Board. So, to that extent our priorities and focus on doing whatever needs to be done to get the funding and get back to investment remains the same. So, that is not impacted by Mr. Birla joining the Board, but of course his coming back on the Board gives a lot of confidence in our discussion with the investors and bankers. And this will definitely be helpful enough on funding part.

On the second question, on your prioritizing of, see currently if you will see we are largely paying all our OPEX payments what we are not able to incur is the capex payment. So, that is where we are operating. Now within that overall structure we prioritize our payments to which are in the best interest of our operations. I don't think we have to do a trade-off between whether I pay the tower company or marketing spend. It is all in the normal course of business. So, managing operations we are doing well, we basically need to get funding for the purpose of making investment that is the most important thing.

Moderator: Thank you. Next question is from the line of Saurabh Handa from Citi Group. Please go ahead.

Saurabh Handa: I had two questions, the first one was on network expenses what was the reason behind the sequential decline and is this is a sustainable rate going forward?

The second was on trade payable so that number has been coming down for the last couple of quarters. So, again sort of just to reiterate what you were saying earlier do we assume that you have been prioritizing vendor payments to some extent and which is why the capex has also declined for the last couple of quarters?

Akshaya Moondra: The trade payable this quarter is appearing less because some ATC payables have been converted to an OCD structure, which was a transaction of about Rs. 1600 crores. So, this quarter the payables reduction is largely coming from that otherwise as we are saying that we are remaining flat on our payables, they are neither reducing nor increasing, they are largely flat, because capex is kept at the minimum and OPEX is largely being paid in full. There could be some timing variations here or there but that is largely the way we are operating.

Murthy GVAS: So, Saurabh on the network OPEX, it is largely due two days lesser in Q4 versus Q3 and also the seasonality effect of the quarter. At the same time as I alluded to earlier there have been a few write backs which has happened and accordingly all these factors had an effect on the Rs. 200 crores decline in the quarter.

Saurabh Handa: So, this number should go back up maybe to last quarter's level in Q1 then?

Murthy GVAS: It may not, I mean obviously the seasonality effect will obviously go away as the summer sets in and of course if you are able to do better, then in that case it may not really have that impact back, but yes if the consumption is higher and there are inflationary effects then it is possible that the number will go up.

Akshaya Moondra: You are broadly right. Q3 would be a more representative figure on assessing what could Q1 be like.

Moderator: Thank you. Next question is from the line of Hemang Khanna from Nomura. Please go ahead.

Hemang Khanna: First part was on the subscriber loss; this quarter saw the lowest rate in probably the last six quarters that we have seen. Could you just help us understand how April and May have also panned out?

Secondly on dues and payables, so for FY24 you mentioned about 80 billion as the total payable. Could you help us with FY25 and FY26 as well how do those payables look?

Akshaya Moondra: Okay, as far as the subscriber indicators for April and May are concerned, I will not be able to give you any guidance right now. You will have to wait for the results to be announced. On the other question you were asking, our outstanding at the end of this year is about 11500 crores, we have about 8000 crores which is due in the next year. So, what would be left then is a very small part of debt, which is Rs. 3500 crores of main debt left, which will be paid in FY25/26 I don't have the exact breakup but ultimately at that point of time the debt servicing becomes very small.

Moderator: Thank you very much. I now hand the conference over to Mr. Akshaya Moondra for closing comments.

Akshaya Moondra: FY23 has come to an end and there are many positive takeaways as we move to next year as highlighted in my opening remarks. FY23 is the first year where we have registered annual revenue growth post-merger despite various challenges we faced, clearly reflecting our ability to effectively operate and compete in this market. Further our EBITDA for the year has registered strong growth of 24% with highest post-merger EBITDA margin at 19.7%. We have reported seven quarters of sequential growth in several key metric including ARPU and 4G subscribers. In fact, our year-on-year ARPU growth of 9.3% is the highest amongst wireless operators. All of this is possible only because we are focused on providing great data and voice experience and are building a differentiated digital experience adding several digital offering in the recent months. We have issued equity shares to the government consequent to conversion of the interest, related to deferment of AGR and spectrum dues. We continue to engage with lenders for further debt fund raising as well as the other party for equity or equity linked fund raising to make required investments for network expansion and 5G rollout to arrest lots of subscribers. We have had the best 4G speeds, best voice quality, best app rating and our customer acquisition share is higher than our current CMS. Riding on this foundation we have been improving our performance in the last seven quarters with limited investment and we are confident that with the investments coming on stream we will be able to make more meaningful improvements in our overall performance. Thank you all for joining this call. Have a good day and a good weekend ahead. Thank you.

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