

Media Release – February 13, 2020

Revenue turnaround with growth of 2.3% supported by strong 4G additions; Integration progressing well with 86% districts consolidated

Highlights for the Quarter

- Revenue grew by 2.3% QoQ supported by strong growth in 4G additions; average daily revenue (ADR) returned to growth after 14 quarters of decline (except Q4FY19: +2.3% QoQ).
- 4G subscriber base now 104.2 million; 4G net additions accelerated to 8.3 million during the quarter.
- Synergy realization on track with **~85% of the guided synergy achieved** by Q3FY20.
- **86% of districts consolidated** driving a significant improvement in network speeds, leading to enhanced customer experience.
- **Fastest 4G network** in the three metros - Delhi, Mumbai and Kolkata, along with West Bengal, Uttar Pradesh, Madhya Pradesh and Rajasthan in Q3FY20, according to Ookla.
- Deployed ~58,200 TDD sites to augment data capacity; **Massive MIMO rollout** remains the **largest in India**.
- **LTE 900 rollout** expanded to 9 circles, with launch in Uttar Pradesh (W) during Q3.
- **UP (E), Gujarat and Delhi circles consolidated in January, 2020** taking count of integrated circles to 17.
- Filed application with the Hon'ble Supreme Court for modification of Supplementary Order on AGR matter.

Financial Highlights

Consolidated (Rs Mn)	Q2FY20	Q3FY20
Revenue	108,440	110,894
EBITDA	33,956	34,205
EBITDA%	31.3%	30.8%
Depreciation & Amortisation	63,094	58,774
EBIT	(29,138)	(24,569)
Interest and Financing Cost (Net)	34,004	34,311
Exceptional Items		
- Impairment (non-cash)	(48,222)	(1,637)
- Others	(259,523)	(4,696)
Share of Profit/(Loss) from Indus & ABIPBL	1,295	999
PBT	(369,592)	(64,214)
PAT	(509,219)	(64,388)
Other Comprehensive Income (net of Tax)	240	(144)
Total Comprehensive Income (Consolidated)	(508,979)	(64,532)

Ravinder Takkar, MD & CEO, Vodafone Idea Limited, said "We continue to actively engage with the government seeking relief on the AGR and other matters. Post dismissal of our review petition, we have filed for modification of the Supplementary Order with Hon'ble Supreme Court. At the same time, we remain focused on rapid network integration as well as 4G coverage and capacity expansion in our key markets. We now lead the league tables on 4G data download speeds across several states, metros and large cities. We believe this is leading to improved customer experience which has contributed to robust 4G subscriber additions. As a result, after several quarters of pressure on topline, we witnessed consistent revenue turnaround from September onwards i.e. before the recent price hikes. The tariff increase effective December should further help in improving revenue performance going forward. We are currently on track to deliver our opex synergy targets by Q1FY21."

Financial highlights

Revenue for the quarter was Rs. 110.9 billion, an increase of 2.3% QoQ, primarily supported by strong 4G additions driving ARPU improvement.

EBITDA for the quarter increased to Rs. 34.2 billion, (Rs. 12.8 billion excluding Ind AS 116 impact vs Rs. 11 billion in Q2) a QoQ increase of 0.7% driven by higher revenue and incremental synergy realisation, which was partially offset by increased interconnect cost. EBITDA margins (excluding Ind AS 116 impact) stood at 11.6% vs 10.2% in Q2FY20. The underlying operating expenses for the quarter (excluding License fees & Spectrum Usage Charges and Roaming & Access charges) were Rs. 17.9 billion lower compared to Q1FY19, after adjusting for inflation driven cost increases and incremental network rollout. On an annualised basis, this reduction in operating expenses represents ~85% of our target opex synergy of Rs. 84 billion. We are currently on track to realize our full opex synergy targets by Q1FY21.

Gross debt (excluding lease liabilities) as of December 31, 2019 was Rs. 1,158.5 billion, including deferred spectrum payment obligations due to the Government of Rs. 885.3 billion. Cash & cash equivalents were Rs. 125.3 billion and net debt stood at Rs. 1,033.1 billion (vs Rs. 1,019.1 billion in Q2FY20). Capex spend in Q3FY20 was Rs. 33.3 billion compared to Rs. 21.4 billion in Q2FY20.

Integration update

Integration is progressing well and is expected to complete by Q1FY21. As at December 31, 2019, we had completed network integration in 86% of total districts. Integration of Uttar Pradesh (E), Gujarat and Delhi circles was completed in January, 2020, taking the integrated circles count to 17. In the remaining 5 circles, integration continues to move at a rapid pace based on a cluster-by-cluster approach, with subscribers of both brands benefitting from the integrated network, which has significantly greater coverage and capacity.

The improved coverage and capacity following integration, coupled with the deployment of TDD sites, Massive MIMO and LTE 900 on select sites has increased our data capacity, which has now almost doubled compared to September, 2018. This has driven a significant improvement in data speeds and customer experience across all circles. We now have the fastest 4G network speeds across the three metros of Delhi, Mumbai and Kolkata, along with West Bengal, Uttar Pradesh, Madhya Pradesh and Rajasthan, based on Ookla data.

As part of our network integration, we had removed surplus equipment from ~58,000 sites out of the total ~73,000 co-located sites by the end of December, 2019, further reducing our cost. In addition, we had exited ~17,000 low utilization sites by the end of December, 2019.

Operational highlights

The subscriber base declined to 304 million in Q3 from 311 million in Q2FY20. Subscriber churn further reduced in Q3FY20, reaching 3.3% compared to 3.5% in Q2FY20 and 3.7% in Q1FY20. ARPU for Q3 improved to Rs. 109 vs Rs. 107 in Q2FY20 supported by improved customer mix.

After several years of hyper competitiveness which led to tariff decline, we as well as other operators increased tariffs at the start of December, 2019 across all price points for both unlimited plans as well as combo vouchers. However, the tariff increase had limited impact on this quarter's revenue.

We continue to invest in 4G to increase coverage and capacity. During the quarter we added ~14,600 4G FDD sites, our highest addition in a single quarter since merger, to improve 4G population coverage which now stands at 974 million. We have deployed ~58,200 TDD sites in addition to deployment of ~11,400 Massive MIMO till date. These network investment initiatives have delivered a significant capacity uplift and enhanced our customers' experience. We are making progress in implementing LTE 900 in select locations, including through dynamic spectrum refarming, to improve customer experience. Our overall broadband site count stood at 417,361 in Q3 compared to 405,346 in Q2FY20.

During the quarter, we added 8.3 million 4G customer, taking overall 4G subscriber base (including VoLTE users) to 104.2 million. Total data volumes grew by 8.5% to 3,790 billion MB compared to the last quarter. Total minutes on the network declined by 1% during the quarter, due to reduction in incoming minutes while outgoing minutes witnessed strong growth.

Fund raising / Asset monetization

The merger of Indus Towers and Bharti Infratel is awaiting regulatory approval from the Department of Telecommunications (DoT), having received all other required approvals. The long stop date on the original agreement has been further extended to February 24, 2020. Vodafone Idea plans to monetize its 11.15% stake in Indus on completion of the Indus-Infratel merger. We are also exploring the options to monetize nearly 160,000 kilometers of intra-city and inter-city fibre as well as our Data Centre.

AGR Judgement by Hon'ble Supreme Court and its impact

The Hon'ble Supreme Court on October 24, 2019 had announced its judgment on the Adjusted Gross Revenue (AGR) matter which has significant financial implications for the industry. Further, the Hon'ble Supreme Court in a Supplementary order had provided three months' time to pay the amount to DoT and report compliance. A review petition filed by the company and some telecom operators was dismissed in January 2020. Thereafter, the company and some of the telecom operators have filed an application for modification of the Supplementary order before the Hon'ble Supreme Court, seeking modification of the Order and permit DoT to decide on a schedule of payments and other reliefs, which is yet to be heard, pending which, the Company has not yet made any payment.

We had accounted for the estimated liability of Rs. 441.5 billion related to License Fee and Spectrum Usage Charges in the previous quarter, mainly based on the DoT demands received and estimation for periods for which demands had not been raised by DoT till then, together with interest, penalty and interest on penalty, all taken for periods upto September 30, 2019 and adjusted for certain computational errors. While continuing to recognize the liability in the same manner, the Company, during this quarter, adjusted the estimated liability for subsequent demands received, errors in computation, applicable interest for this quarter, payments made in the past not considered in the DoT demands and consequential adjustments on satisfaction of contractual conditions under a mechanism with Vodafone Group. Accordingly, the net impact of these effects amounting to Rs. 528 million has been recognized as Exceptional Items during the quarter. Further, as directed by DoT, the Company is undertaking a self- assessment exercise for computation of liability as per the AGR Judgment.

Meanwhile, the Company continues to actively engage with the Government to provide relief on AGR matter. The Government has also taken cognizance of the financial stress faced by the telecom operators currently and has granted a moratorium of two years for the payment of Spectrum dues beyond April 01, 2020 up to March 31, 2022. Separately, the Telecom Regulatory Authority of India (TRAI) has initiated a consultation on floor pricing at the request of all the operators, through COAI.

It is to be noted that material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern and its ability to generate the cash flow that it needs to settle, or refinance its liabilities including those relating to the SC AGR Judgement and guarantees as they fall due. Our ability to continue as going concern is dependent on positive outcome of the application for modification of the Supplementary Order before the Hon'ble Supreme Court and subsequent agreement with DoT for the payment in instalments after some moratorium and other reliefs. Pending the outcome of the above matters, the financial results have been prepared on a Going Concern Basis.

About Vodafone Idea Ltd. (formerly Idea Cellular Ltd)

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. It is amongst India's leading telecom service provider. The company provides pan India Voice and Data services across 2G, 3G and 4G platforms. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The company's equity share are listed on National Stock Exchange (NSE) and the BSE in India.