



“Vodafone Idea Limited Q1 FY-23 Earnings
Conference Call”

August 4, 2022



*Vodafone Idea Limited
August 4, 2022*

Moderator: Good afternoon, ladies and gentlemen. This is Neerav, the moderator for your conference call. Welcome to the Vodafone Idea Limited conference.

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

We have with us today Mr. Ravinder Takkar – MD and CEO of Vodafone Idea Limited and Mr. Akshaya Moondra – CFO of Vodafone Idea Limited along with the other key members of the senior management on this call. I want to thank the management team on behalf of all the participants for taking valuable time to be with us.

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

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

Ravinder Takkar: Thank you, Neerav. A warm welcome to all participants to this earnings call. As you all are aware, this is my last earnings call before I pass on the baton to the very able hands of Akshaya who is currently the CFO of Vodafone Idea.

I have tremendously enjoyed my stint here at Vodafone Idea and I am extremely confident that Akshaya, with whom you have all interacted over the course of many years, is the right person to steer the ship forward. Of course, I will continue to be engaged with VIL in my new role. I would like to take this opportunity to thank the entire analyst and investor community with whom I have interacted over the last three years.

Moving on to results, our Board of Directors adopted the unaudited results for the first quarter of FY23. All the results related documents are available on the website and I hope you had a chance to go through the same.



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As usual, I will start with a briefing on all our strategic initiatives and key highlights for the quarter. Post this, I will hand over to Akshaya to share details on the company's financial performance.

Before I move on to our strategic pillars, let me first talk about the recently concluded spectrum auction.

I would like to congratulate Government of India for successful completion of the spectrum auction, which will catalyze digital economy growth and usher 5G in India.

We have actively participated in the auction and acquired mid-band 5G spectrum in our 17 priority circles and mmWave 5G spectrum in 16 circles. This will enable us to embark on our 5G journey in the country.

We have also strengthened our pan-India 4G footprint by acquiring additional 4G spectrum in three circles of Andhra Pradesh, Karnataka and Punjab. The total commitment for the spectrum acquired in this auction is Rs. 188 billion with annual installments of Rs. 16.8 billion.

We believe that the above spectrum acquisition will enable us to strengthen our position in our key market, and it aligns well with our long-term strategic intent. With this, we now have a solid portfolio of spectrum across all bands in our priority circles.

While I won't be able to comment on the specifics of 5G rollout, I can say that 5G rollout will depend on various factors, such as use cases, how the use cases will evolve, handset penetration, demand from customers, capacity requirements, as well as competitive dynamics. Moving on to update on our strategic pillars.

The first priority area for us is focused network investments

We continue to follow focused approach on investing bias towards our 17 priority circles, which contribute over 98% of our revenue. This helps us in utilizing our CAPEX effectively, while ensuring that we continue to offer superior customer experience in these areas. Over the last several quarters, our network investments have been impacted on account of liquidity constraints. We, however, continue to reform our 3G spectrum to 4G and add 4G sites with minimal CAPEX.

We have also been selectively upgrading our core and transmission network. In spite of all the challenges that we have faced in the last couple of years, we have managed to offer superior customer



experience as reflected in our consistent top ranking in several league tables across data and voice. We are the fastest 4G network in India as per Opensignal's April 2022 India Mobile Network Experience report. We have the highest rated voice quality in the country as per TRAI's MyCall app for 17 out of 20 months between November 2020 and June 2022.

Moving on to market initiatives

During the course of last year, we have taken several tariff interventions, which have been ARPU accretive, benefits of which are visible in our ARPU improvement. We have seen ARPU grow for four consecutive quarters now. Q1 FY23 ARPU stands at Rs. 128 compared to Rs. 104 in Q1 FY22, a strong year-on-year growth of 23.4%.

We also continue to focus on increasing 4G/UL penetration to help improve ARPU through various incentives and handset financing tie-ups. We are running several campaigns in select locations to incentivize our 2G handset customers to upgrade to 4G devices.

Moving on to business services

Business services will always remain a strength area for us owing to our long-standing relationship with our customers and our relationship with Vodafone Group.

We are progressing ahead in our stated strategy of transformation from Telco to TechCo. Our planned expansion of services beyond pure connectivity has seen good traction. We have recently partnered with C-DOT to collaborate and work jointly to simplify IoT solution deployment. This will bring standardization and interoperability among devices and applications as per one M2M standard in the country.

On our industry first integrated IoT, we have seen numerous deployments of our smart mobility and smart infrastructure solutions across FMCG, manufacturing and automotive sectors. Our IoT eSIM is enabling connected cars for one of our largest automobile companies in India and we continue to witness the adoption by others as well.

We are also working on our crowd strategy through combination of our own assets and strategic partnerships in order to accelerate digital transformation for enterprises. Our IoT, cloud, mobility and



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business communication solutions have been recognized by several CIOs in the country, global technology analysts and research firms entrusted by customers across industry and segments.

In the current times, we are adopting digital as a priority for SME and where MSME sector is focusing on transforming business and making itself future-proof, Vi Business is partnering with MSME to enable this journey with our recent launch of 'ReadyforNext' program. The 'ReadyforNext' digital self-evaluation process tool helps MSMEs assess their setup across three aspects: digital customer, digital workplace and digital business and enables them to take the required step to become a future ready organization. 'ReadyforNext' program also offers specialized solutions to MSMEs to engage with their customers grow their business and maintain a digitally secure business environment.

The next strategic initiative is driving partnerships and digital revenue streams

We are aggressively executing our digital strategy through partnerships with the objective of becoming a true integrated digital service provider. Over the last several months, we have significantly expanded our digital portfolio with additional music, gaming, jobs and education.

In June 2022, we have launched our own ad tech platform called 'Vi Ads', a cutting-edge AI, ML driven platform that gives marketers a programmatic media buying platform. Riding on Vi's deep data science technology, Vi Ads will enable marketers to engage with our 240 million subscribers through multiple channels like Vi app, Vi Movies and TV app, as well as traditional channels like SMS and IVR.

One of the key differentiators of Vi Ads is that it will be media agnostic and empower marketers to engage with the users on external media channels and publisher partners of Vi Ads. This is a simple, easy to use and highly effective solution for marketers to effectively reach out to the right target group with the most relevant messaging at any given point of time while also providing a monetization opportunity to Vi as we aggressively build and scale our digital assets.

On the back of all the digital initiatives, we have witnessed considerable growth in our monthly average users on our digital app over the last few months, and we believe that there will be further acceleration in the coming quarters. Our focus on our platform capabilities to build a digital ecosystem with our partners for differentiated experience will help drive customer stickiness as well as provide incremental monetization opportunities.



Moving on to other highlights for the quarter

We registered fourth quarter of sequential growth with the revenues for the quarter growing 1.7% quarter-on-quarter which now stands at Rs. 104.1 billion. On year-over-year basis, this quarter, we witnessed a revenue growth of 13.7%, highest since merger. While the subscriber base declined to 240.4 million versus 243.8 million in Q4 FY22, the 4G subscriber base continues to grow and with 1 million customer additions in Q1. The 4G subscriber base now stands at 119 million.

Data volumes witness healthy quarter-on-quarter growth of 3.6%. We continue to see the increase in data usage per 4G customer which now stands at approximately 14.3 GBs per month. MoU per subscriber has also increased this quarter at 620 minutes versus 610 minutes in Q4.

Let me also update you on the subsequent developments related to the reform package

As you are aware, we have already opted for deferment of spectrum and AGR dues as well as conversion of interest arising from such deferment into equity to improve our liquidity position. The net present value of the interest liability on moratorium period amounting to Rs. 161.3 billion towards AGR dues and deferred spectrum liabilities has been confirmed with the DOT. Additionally, in line with the announced reform package, till date, bank guarantees amounting to ~Rs. 170 billion have been returned including reduction in BGs required for license fee and spectrum usage charge payments.

On fundraising, as you are aware, the promoters have invested Rs. 45 billion in VIL through preferential allotment in March 2022. In July 2022, one of Vodafone Group entity invested further Rs. 4.4 billion taking the total fund infusion by the promoter group to Rs. 49.4 billion. This total fund infusion of Rs. 49.4 billion clearly reflects the promoters' continued commitment to VIL and their belief in long-term prospects of the company.

We believe the government reform package and related developments return of bulk of bank guarantees till date, the industry-wide tariff hikes and the recent promoter infusion are significant positive catalysts for the company. All these developments are being perceived positively by the investor and the lender community aiding our ongoing discussions on further fundraise. We will make suitable disclosures on the fundraising at the appropriate time.

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



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Akshaya Moondra: Thanks, Ravinder. A very good afternoon to participants from India and a good morning or evening as applicable to overseas participants.

Firstly, I take this opportunity to both congratulate Ravinder for his elevation to be the Chairman of the company, as well as thank him. Over the last three years, Vodafone Idea remained resilient, competed effectively and made significant progress under his leadership despite several challenges.

I will soon be starting my journey in the new role as CEO of Vodafone Idea. This comes at an exciting time as we prepare to enter into the emerging 5G era. We will continue to implement the strategy that Ravinder, I and the other members of the management team have formulated for our business.

Moving to the quarterly performance

Revenue for the quarter improved 1.7% compared to last quarter, adjusted for Ind AS 116 impact, EBITDA was Rs. 21.1 billion for the quarter. This was higher by Rs. 1.4 billion compared to Q4 FY 22 EBITDA of Rs. 19.7 billion post adjusting for one off of Rs. 1.5 billion in Q4. The improvement in EBITDA is primarily on account of higher revenue and some cost improvements. The post Ind AS 116 normalized EBITDA has declined by Rs. 1.7 billion quarter-on-quarter, which is because of the impact of one-off dispute settlement with tower companies in the last quarter which is post 116 financials was all below EBITDA.

A better comparison, therefore, for the post 116 EBITDA would thus be the Q1 FY23 EBITDA of Rs. 43.3 billion with Q3 FY 22 EBITDA of Rs. 38.2 billion, which is a growth of 13.4% over two quarters.

We have also closed negotiations with Indus Towers for the sites due for renewal in FY23. The revised lower pricing is applicable from April 2022 for most sites and from the respective renewal dates for sites coming up for renewal during FY23. The benefit of the same for sites which are renewed in Q1 FY23 has been considered in the network cost.

From an Ind AS 116 perspective, this requires an upfront recognition of ROU assets and liabilities for the entire lease period resulting in an upfront charge in the P&L being higher than the actual cash payout in the initial years which unwinds over the lease period of 10 years starting from the sixth year.

Due to this renewal the P&L charge in this quarter under depreciation and financing costs is higher by Rs. 5.6 billion as compared to the charge before lease accounting. From an operational viewpoint, it is



therefore best to look at the performance trend of the company based on the pre-lease accounting figures, which are provided in our quarterly report.

We have seen sequential revenue growth and EBITDA growth for four successive quarters which clearly reflects the operating leverage that we have. EBITDA margins have improved to 20.2% from 14% a year ago.

CAPEX spend for Q1 FY23 was Rs. 8.4 billion versus Rs. 12.1 billion in Q4 FY22. The gross debt as of June 30, '22 was Rs. 1,990.8 billion comprising of deferred spectrum payment obligations of Rs. 1,166 billion, AGR liability of Rs. 672.7 billion that are due to the government and the debt from banks and financial institutions is Rs. 152 billion.

While the DOT debt has increased because of accrual of interest, the debt from banks and financial institutions has reduced by Rs. 28.8 billion in the quarter. The cash and cash equivalents were at Rs. 8.6 million. As a result, net debt at the end of the quarter stood at Rs. 1,982.2 billion.

We received communication from DOT in this quarter where they have informed the availability of deferment for AGR demands for the years FY18 and FY19. We have exercised the deferment option for these. These demands were already provided for earlier to the extent required. Necessary disclosures have been made in this regard in the financial statements.

On the interest conversion into equity, we have confirmed the amount of Rs. 161.3 billion to the DOT as the net present value towards the interest liability on moratorium period related to AGR dues and deferred spectrum liabilities. We are awaiting final confirmation in this regard. The accounting treatment of this will be done once we issue the shares to the government.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivekanand from Ambit Capital. Please go ahead.

Vivekanand: First of all, Ravinder, hearty congratulations on completing your term. The cash EBITDA has doubled in your term and it is an incredible achievement. I'll start with my questions now. So, the first one is on the tariff environment. So, considering that now operators have made very, very aggressive bids for 5G spectrum and like you said, this would definitely have ramifications on competitive dynamics



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and capacity that can be created by the various networks, how should one think about the tariff outlook for the industry? The second question I have is one of the three operators now has a very large quantum of sub-GHz spectrum in a band that the other two don't have. Does this impact the industry? And what are the ramifications of this?

Ravinder Takkar: Vivek, first of all, thank you very much for your compliments. I have to say, it has been a team effort. So, I cannot unfortunately take the credit for this improvement, but I applaud you for the credit. In regards to your sort of let's say various questions, let me talk about tariffs in two different moves, one which is really a round what's happening with the current business around 4G, around pricing. As you remember, we have taken price increase in end of November last year. Pretty much the effects of all of that pricing that the industry took of price increase between 20 to 25%, all of those price increases have now embedded into our results and we have, of course, seen the benefit of that not only in revenue improvement but also in our ARPU improvements as well and those are settled in and they have been taken very well by consumers in the sense that that we saw most of it flows straight through in terms of ARPU improvement. So, very well taken by consumers across the industry.

Now I think from that perspective the opportunity to increase prices are further there. We believe that the time is right to start thinking about price increases soon and I am confident that at some point those prices increases will take place. I mentioned before that we will not hesitate to take the leadership at the right time in increasing prices and given the current pricing in the market compared to where we were, let's say, five, six years ago as well as the fact that India continues to be one of the lowest price markets in the world, I think the opportunity is there and certainly for the value that is provided to consumers. That environment, I think, continues to be right for price increases.

Then I think your second question, which is twofold, one which is around, let's say, 700-MHz spectrum sub-GHz spectrum that you talked about. There, I think, first of all, I would like to add that while I think, obviously, that spectrum has been required, I'm not really sure, I obviously understand the strategy for the acquisition of that spectrum and I cannot comment on what somebody would use that for.

But across the globe, there are several, several networks which are running in the mid-band 5G networks in the mid-band area. The amount of spectrum that we have acquired, which is 50 MHz in 3.3 GHz in 17 of our priority circles as well as anywhere from 200 to 800 MHz 16 circles on the mmWave band, which is for the last mile capacity. We do not see any issue or challenges with providing enough



capacity certainly for several years, if not even for a longer period of time. Of course, it depends on how consumption will go. So, I don't think that the 700 MHz provides any additional capacity from a 5G perspective or provides any competitive advantage that we are aware of. So, I think that's the first thing I wanted to clarify.

The second part is really what happens to 5G pricing? We believe that, again, given the fact that a fair amount of money has been spent on spectrum, we believe that adding 5G should be hopefully priced at a premium to 4G. The factors that you can always price it from a pricing perspective, you can price it at a premium, but, of course, within that premium, you could have a situation where the number of gigabytes that you get are more because you are consuming potentially more given the extra bandwidth that we get in 5G. So, I think this is the way I would describe the situation. Of course, we will see how the situation unfolds, but from a tariff perspective, I believe just to summaries that on the 4G pricing, I think there is certainly an opportunity based on the value that has been provided and continuously provided to the consumers and how the first two price increases have been absorbed in a seamless manner, I think there is an opportunity to do that soon and then on 5G, I think the pricing could be at a premium from our price plan perspective, but obviously, some bigger data point also could come in as a part of that as well.

Vivekanand: Ravinder, just one follow up. Given that the current average data usage by 4G subscribers is 14.5 GB approximately, so do you see this usage number increasing very dramatically due to 5G? Can this go up to 30 GB per month or more pushing the consumer up from the 1 GB a day package to 1.5 and 2 GB a day?

Ravinder Takkar: So, Vivek, of course, it is a very critical question. First of all, I think clearly, given the extra bandwidth and the capacity that 5G provides, we expect that the data usage should go up. But in the end, it will really depend on how the use cases develop because in reality, for example, if I am watching and streaming a video from a favorite OTT service, you can pick any one, the amount of data even in a HD environment, which is where most of the streaming takes place today, whether it's on 5G and 4G, the amount of data that it takes to do a video, watch the video is still the same. Now, and of course, the amount of time it takes to watch the video is still the same. So, I think in some use cases, depending on the type of use case, depending on the type of opportunity, for example, in gaming where you could have additional data consumption because you were doing cloud gaming and requires low latency and more additional bandwidth in both cases, some of the cases, actual usage of consumption



may go up. So, I think it depends on the use case that we are talking about and I believe that in certain use cases there is going to be an increase. I don't expect the increase to be in a manner which is going to, as you said, jump it from approximately 15 GB to 30 GB immediately. Obviously, this is a journey, and it will take some time, but over time it will absolutely, absolutely increase as we go along.

Vivekanand: Just one last thing. On the tariff side, you said that now the time is right to think about price increases. So, can we expect a tariff hike by end of the calendar year or what's holding the industry back now? Because it seems that the usage did not get impacted by the tariff hikes in the November, December hike cycle.

Ravinder Takkar: So, Vivek, we are impatient. We want to increase the price hike. It sounds like you are even more impatient than us which is a good news. Look, I think as we have always maintained, any time to take a price increase, it takes several months and in this case, certainly two quarters by the time that price increase gets settled in, consumers understand and it takes a bit of time. As I said earlier, I think we have reached that point where that has been now fully embedded and I think the opportunity to think about price increase is now. There is nothing that is stopping the industry from doing that but given the fact that it is a very big event from a preparation for consumers to get into it. I don't see impediment in doing it but I think it is a process, and I certainly think and I hope that we can have before the end of the calendar year, maybe there is an opportunity to do that. I don't see any impediment in those timelines.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: I just wanted to ask question regarding the spectrum auction. So, in this auction, you bid for almost 17 circles in the 5G for 3.3 GHz spectrum, and you know, if I look at the CAPEX what you're doing today, it is significantly lower than the competition. I mean, Rs. 850 crore is almost a third or a fourth lesser than what the competition would be spending. So, in that case, do you think that optimizing that with a lower number of circles and more denser 5G network versus higher number of circle how do you see this the capital allocation happening? So, what made you go for a higher number of circles is what I am trying to understand. And the reason for that is if we look at the spectrum availability has not been a concern as such because enough spectrum is available and you could have



bought it year out or a two year out given the balance sheet remains strained. So, that is what I am trying to understand.

Ravinder Takkar: So, Pranav, let me try to answer that question. I just want to emphasize two things. One, which is we have acquired this in the mid-band 17 circles 50 MHz, predominantly because these are our priority circles. This is where bulk of our investments go today and in our strategy, we have always said that the future CAPEX will also go in these circles. These are our priority circles. These are important circles for us and we wanted to make sure that we have the right spectrum amount in these circles and we've similarly done other band as well as you would have seen.

Then the question is really around the number of circles versus let's say less number of circles versus higher quantity in those circles. I think that was your question. We believe that the 50-MHz quantity that we have acquired is actually good enough for several years out. The way 5G works is that capacity gets created and unless the capacity gets used up over a period of time is only when you need more and more spectrum. So, from that perspective, 50 MHz gives us a fairly long runway and we believe that buying additional amounts at this point certainly given our situation, but generally overall, we didn't see the need for doing that today. Certainly, more spectrum can, as you mentioned, can be acquired later as well.

Then in regards to the number of circles and your question around that, I think what we have seen what's important is that we believe that 5G is not just today, for example, limited to a few circles or I should say, usage and consumption of 4G because 5G doesn't exist, but 4G is not limited to certain circles. The 5G handsets that are there in the existing base of customers are not limited to certain circles as well. Obviously, some have more and some have less. But they are spread around and I think we felt that it was important that in our priority circles, in the top cities and locations where there is demand and there is capacity requirement and there is potential opportunities for 5G, we wanted to be spread in that way as opposed to we are concentrated and trying to go deeper probably, artificially, in certain locations. So, I think this was the strategic intent. Also clearly, the government policy on allowing to pay us on a yearly installment as opposed to what used to be a large amount up front also helped in us making that decision.

And the last thing we want to emphasize is that all our rollout plans and the discussions that we are having in regards to financing, they all include 5G CAPEX as part of the plan that we are discussing. So,



it's not that we have just bid on these circles without any intent of spending any CAPEX. The CAPEX plans are part of the discussions that we are having, and they are part of our fundraising discussions that are taking place.

Akshaya Moondra: Pranav, if I may add, I think it is also important to see that you are saying that we could have bought the spectrum one year later. Sometimes I think when this transition in technology is happening, you would gradually see that you would make less investments in 4G and over a period of time, this investment will start migrating to 5G, and so it is always good to start wherever it makes sense at the earliest. So, we said that we have acquired the spectrum in the 17 circles, which are priority circles for us, and if there is a case in a circle, even in a smaller area in the major cities, to kind of start investing in 5G, let the new capacity come on 5G rather than making more investments in 4G. So, that is also reason to acquire spectrum upfront. The rollout can be calibrated based on what is the situation in each market.

Moderator: Thank you. Next question is from the line of Manish from Goldman Sachs. Please go ahead.

Manish: So, couple of questions. Follow up to what Pranav was asking earlier. When you think about what you purchased in the spectrum auction across two bands of 26 GHz and 3300 MHz, one, how should we think about the deployment of these two bands and how is the company thinking about the strategy around these two bands? Would it be whenever you rollout 5G, it would be broadly across two bands or will you choose geographies selectively where you do 26 GHz deployment versus 3300 MHz?

And the second related question there is when we think about 5G and it's been around now for like more than three years in some of the geographies globally, and when you think about the revenue opportunity from 5G, do you believe that there is like incremental revenue opportunity that you could get over the next two, three, four years, be it from enterprises or consumers based on whatever visibility you have or you have seen globally? So, would really appreciate your thoughts on that.

Ravinder Takkar: So, in regards to the deployment, the most popular band across the globe and which is the reason why we also bought and we believe is the right band to launch 5G services is the mid-band 3,300-MHz band, which is where we have acquired the spectrum, and we believe that is the optimal place to provide the experience that the customers are looking for. Of course, how that band will develop will be over time, but certainly we've seen in other countries that is the right place to do it. The mmWave which is the much higher frequencies at 26 GHz frequencies, those are predominantly for



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capacity and that's also on the last mile. So, if you ever run into last mile issues and you need some excess capacity, it really could be used for that. The ecosystem for that is certainly under development across the globe and it's not something that will happen anytime, I think, in the next year or two. So, it'll take some more time. So, we expect that ecosystem to develop over a period of time, but certainly, the mid-band of 3,300 MHz and what we purchased of 50 MHz in that band provides us as I mentioned enough capacity and we will be able to provide a great experience to our customers on 5G and that would be the band that we would be launching 5G on.

Second question on the 5G revenue opportunities, I think, you are right. 5G has been launched in many countries across the globe. I would say, the use cases for 5G are still under development. Obviously, there are many, many use cases which even we have showcased in terms of the capabilities and they are doing the 5G trials and so on and many of them you talked about which were around businesses, smart cities, industrialization, automation in factories, automotives etc. So, there is several use cases. I would say that the adoption of these use cases and how long does it take for adoption of these use cases and what is the user demand of how quickly these can go, I think it's still to be determined. I think, the timeline for that is something that each one of us will have to see how it happens. I think our intent is to work across industry, work across different use cases to try to see if you can stimulate and work with users to find ways to accelerate the adoption of these use cases, but of course, time will tell now. When those use cases get adopted at mass scale, clearly, there is a revenue opportunity that exists in terms of what 5G will bring, although I think this is an area where we as an industry have to work along with other industries and potential users to see how these use cases can develop over a period of time.

Manish: And Akshaya, maybe a question for you on this on a follow-up. When we think about the reduction in spectrum usage charges, one, even if you don't deploy the 26 GHz band, would that still be counted in the weighted average from as soon as it is allocated? And second, let's say, starting next quarter onwards, what kind of margin impact should we start seeing due to the reduction in spectrum usage charges on the back of the new spectrum?

Akshaya Moondra: DOT had actually issued a clarification just before the auction as to the manner in which SUC will be calculated and the SUC calculation is independent of the deployment. Deployment only has some MRO obligations which you are already aware of. So, there is no correlation of this with the deployment. In terms of the reduction, we would roughly see a 3% reduction on AGR based on the spectrum that we have acquired in the auction.



Moderator: Thank you. The next question is from the line of Sanjesh from ICICI Securities. Please go ahead.

Sanjesh: Probably, first I will ask with one clarification, which Akshaya, you just mentioned. You mentioned 3% reduction in the SUC on a percentage of AGR. Is that the right thing I heard?

Akshaya Moondra: Yes, that's right.

Sanjesh: Because my calculation was close to somewhere around 2%, but Yes, I will let me work on that and come back to you. But as a percentage of total revenue, what it should look like? Because this is on AGR, but if I have to look at the total revenue, what should it work to?

Akshaya Moondra: You can have a discussion with us offline and get the answer. But what I am telling you is based on AGR.

Sanjesh: My other questions, first, on the 5G technology, which is more probably from your global experience or your internal testing, what is the difference between having a non-standalone 5G versus a standalone 5G? If one has to deploy a non-standalone 5G, how expensive, how difficult it is to transition to a standalone 5G? That's number two. Number three, what will be the role of E-band in all this transition? I think, we got the E-band allocation or approval to allocate E-band at the most appropriate time. How would it play the role in this overall 5G deployment? And are we going to get that E-band or are we applying for that E-band? So, these are the initial questions.

Ravinder Takkar: So, let me try to answer those questions for you. Yes, from a global experience that we have seen and certainly from all the work that we've done based on what is a likelihood and the right possibility to do 5G, NSA certainly is the most prevalent technology and that's the one that is being used across the globe in most of the cases. Obviously, the difference between NSA and SA is that they use the same spectrum but the radio capabilities are separated. The difference is really on the transport and the core side whereas the NSA in which case the NSA architecture has a common transport and core along with the 4G technology whereas in SA that is a completely separate environment and a separate transport and core in that sense.

Now what is there is that that many networks across the globe have launched in NSA and over a period of time, there is the standard parties are working through, suppliers are working through a glide path



of how you go from NSA to SA, which is going to be the global standard. I imagine over a very long period of time, you will have a migration over to SA, but I think it is a period of time and it is something that is certainly still being developed and being worked on, as I said, because there's not too many cases of SA networks that are out there. So, there is a plan for how NSA gets migrated over to SA. It is over a period of time, but today from an efficiency, from a CAPEX utilization, from a largest, let's say, impact to customers, because the customer base has to, amount to customer base that you can impact too, predominantly NSA is the prevalent architecture and certainly, I think, I believe is the right one to launch in our environment, and also the ecosystem has to develop as well, especially, in regards to devices and handsets on SA which of course also takes a period of time.

Your second question is around the E-band. Yes, I think the timing is absolutely right. So, we will hopefully be getting our E-band allocation. We are applying for it on the basis of what the government circular that has come in. Obviously, the benefit of E-band spots that we will get is that because in India today, the fiberization of towers and backhaul is very limited. E-band allows you to be able to do hyper transmission between towers and back to your core network using that spectrum in a manner which is very, very similar to fiber. So, it allows large bandwidth to be transported back and innovate and helps appending providing a very good 5G end-to-end experience rather than just limited to connectivity towards the towers and the site. So, I think the timing of this is very good. We're happy that the government has finally made the decision to allocate that, and I think it'll be very helpful to provide a great experience in an NSA manner to the consumers as 5G technologies in the mid-band get launched.

Sanjesh: Just one follow-up, Ravinder, to this. So, with the E-band in place, do you think the fiberization piece for us or for the industry will come down? Do you think that it's a possibility? And how much can this E-band compensate for the fiber? So, they are telling the existing fiber network for the industry should be good enough to take care of the 5G deployment.

Ravinder Takkar: I believe so. I think, it will. If you think about it, E-band provides significant multiplier of where the capacity on backhaul compared to the current microwave capacity, for example. So, if you take the current microwave capacity, so if your site is fiberized, of course, it's fiberized. In theory, it has a lot of capacity depending on the electronics that you put on each end. If you have microwave today, there is a limitation on the bandwidth that can be backhauled. With the use of E-band spectrum and upgrade to microwaves with E-band spectrum, that capacity gets multiplied multifold in terms of the capability that it has. Of course, it depends on how quickly traffic develops and so on, which will now



allow us to be able to send that 5G traffic at a much faster in a much bigger bandwidth capability, and so in reality, actually, this will provide a great help.

So, maybe I just let me just clarify one more time in a more simplistic manner. If you have E-band spots between your tower and your core network, that gives you significant amount of additional bandwidth compared to what microwave allows today. And hence, I think it'll provide a great experience for 5G. Of course, when that capacity runs out is a bit dependent on how quickly 5G traffic will develop, but I believe that for several years, that should be sufficient given the multiplier effect that you get from E-band. Now in the end would be with the longer term, would the fiber roll out be impacted? I think certainly in the shorter term it will be impacted, because the requirements will reduce because of the fact that you can use the E-band. Over a very long period of time, let's say five, ten years, maybe as capacity builds up ten years from now, if you need a lot more capacity on 5G, maybe at some point additional spots on E-band may not work and you will also start to fiberize some of the towers where you have run out of E-band capacity, but I don't think that will happen anytime soon. A bit of a complicated question, Sanjesh. I don't know if I answered your question, but that's sort of my explanation for you.

Sanjesh: No, fair explanation. So, can you help us understand with this 3.3 GHz bandwidth and assuming that we are rolling out NSA, will the existing tower be enough for us to give a decent coverage with 1800 as a downlink, sorry, uplink 3300 as a downlink and 4G as a core? Do you think the existing 4G network, a replica of that on the 5G should be good enough for us?

Ravinder Takkar: Apparently, the downlink is not just on 1800. It's also on 900 as well because we have implemented 900 in many locations as well. So, it's not that it's just only always 1800. I believe it is enough. I think, again, we have to think about that the 5G, if you look at 5G today in terms of handsets and devices across the country which I think for the industry are about 5% of the base today have 5G devices that can, let's say, even in a year if it doubles, which is increasing, of course, but if you take a very aggressive assumption, we get to about 10% in a year from now. This is a journey. This is not something that we have 30%, 40%, 50% of our customers with 5G enabled devices which are waiting for 5G to be launched and the traffic will be migrated immediately and then the explosion of traffic. We believe this is a journey, and I think from a coverage capacity perspective, building out a network that supports the customer needs and as the capabilities and the needs of the customers go and growing the network in that fashion we believe is the right and the prudent way to do it, and we certainly believe



that mid-band spectrum that we've acquired and which has been used as I mentioned across the globe, along with our current sub GHz spectrum assets that we have, which we have deployed, are very good to provide great customer experience for several years to come on 5G for Indian consumers.

Sanjesh: One last question on the subscribers side and ARPU side. Now this ARPU reflect the entire tariff increase. How should we think about ARPU growth from here considering that there is a significant deceleration in the 4G addition? How should one look at ARPU growth from here? And how should one think about the tariff hike? Will it be an annual phenomena now that people have, all the three operators put together have committed such a large sum? Do you think there will be a few more accelerated tariff hike possible, I think, in next couple of years?

Ravinder Takkar: Sanjesh, I would love to say, yes. I think it should be. I mean, obviously, I cannot speak for what other people will do, but I believe that as I mentioned earlier the question that was asked, I think, by Vivek, that we will be very happy to take the leadership in going first in this area. We believe tariff needs to go up. We believe the ARPU in India certainly needs to get to Rs. 200 first in the short term and then eventually to Rs. 250 and then longer term around Rs. 300. So, I think that has to take place given the seamlessness with which the last two tariff hikes have been implemented. I believe the opportunity is right to do that, and I certainly hope that the right environment will prevail for those price increases to take place.

From ARPU perspective, of course, price increases are the easiest and the fastest way to impact ARPU. But of course, there are other elements that are starting to take place. 4G additions are important. You mentioned that they have decelerated for us. I mean, we have been this is four quarters in a row of 4G subscriber additions for us, which I think is quite an important element. Also, as we deploy more funds and as our 4G coverage increases, we believe we will have hopefully maybe a further disproportionate acceleration of 4G suburban additions because these are areas that we don't cover today, and as we cover those geographies, we should hopefully be able to speed and increase our 4G adoption, and as a result, hopefully, ARPUs will go up as a result of that as well.

And then, of course, I mentioned to you on number of other services, whether it's digital, whether it's ad platforms, whether it is enterprise services that I mentioned in my opening speech, I think each one of those are helping drive ARPUs, which, of course, we continue to work on and hopefully will drive the



further improvements in ARPU. So, there are multiple levers, multiple opportunities. Certainly, tariff increases is one of the most important ones, but certainly also there are others that we can work on.

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

Vivekanand Subramanian: Two questions. One, could you help us understand the debt, bank debt that is to be repaid by end of FY23? So, the context is that your note number six mentions that there is around 6,900 crore due, right. So, that's question number one.

Secondly, till now what we were seeing is that the bank debt was continuously reduced. I mean, Vodafone Idea was continuously reducing bank debt since the time of the merger, but can refinancing not become an option? Because your cash EBITDA will improve materially due to reduced SUC as well as the lower tower rental charges. So, can we not refinance debt now that we also received bank guarantees back from the DOT?

Akshaya Moondra: I think on your first question, the debt, which is due until the end of FY23 is more like 50 billion. I think 69 billion figure which may be appearing in the notes is for the next 12 months. So, I think that is, if you, I mean that figure which is due in the next 12 months is disclosed in the notes. What you are asking until March 23, that is about 52 billion. So, that's the first question.

In terms of what you are saying is right, that the banks, we have repaid a lot of bank debt and the bank guarantees have come, which is not reflected on the balance sheet, but DOT has returned about Rs. 170 billion of bank guarantees and that is the basis of our entire discussion for funding, which is now in a very advanced stage of discussion with the banks. So, we have been engaged with the banks now that their exposure has come down. If we kind of just look at the external debt and our EBITDA, we are in a fairly comfortable position. There's a fairly long moratorium on the servicing of the government debt. So, the banks understand this and that is the basis of our discussions with them, and we should be able to take this to conclusion in the near future.

Vivekanand Subramanian: So, Akshaya, just a follow-up. So, is it fair to say that this number mentioned, right, this 6,950 crore over the next 12 months, this is the outer limit of repayment that you may have to do and perhaps practically, given how your discussions are progressing, this number could be lower.



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Akshaya Moondra: No, I think it's like this. Let's say that whatever is our existing debt and it has a repayment schedule, that will be paid as per schedule. We are looking at new facilities for investments and that would be separate. So, these two are separate points and we will be taking the new debt primarily for investment.

Moderator: Thank you. I now hand the conference over to Mr. Ravinder Takkar for closing comments.

Ravinder Takkar: Thank you, Neerav. We have reported four quarters of sequential growth in key several metrics including ARPU and 4G subscribers. We remain focused on providing superior data and voice experience and are building a differentiated digital experience adding several digital offerings in the recent months. We successfully raised funds from promoters of Rs. 49.4 billion in total. We also continue to actively engage with lenders and investors for further fundraising. All these initiatives coupled with significant liquidity provided by the government reform package and the recent tariff hikes will enable VIL to make network investments and compete effectively to improve its overall position.

Finally, I bid you all farewell as the CEO and MD of Vodafone Idea. It was a pleasure interacting with all of you on the calls as well as in person. I wish you all the success in your endeavors. Thank you for joining this call. Have a good evening.

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.