

Vodafone Idea Limited Earnings Conference

February 15, 2021





Vodafone Idea Limited
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Moderator: Good afternoon, ladies and gentlemen. This is Lizann, 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.

We have with us today Ravinder Takkar – Managing Director and Chief Executive Officer of Vodafone Idea Limited, and Mr. Akshaya Moondra – 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 their 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 discussions on today's call may include certain forward-looking statements and must be viewed, therefore, in conjunction with the risk therefore that the company faces.

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

Ravinder Takkar: Thank You Lizann. On behalf of Vodafone Idea, I welcome all participants to this earnings call. On Saturday, our Board of Directors adopted the unaudited results for the quarter ending December 31, 2020. The detailed Press Release, Quarterly report and unaudited financials have already been uploaded on our website and I hope you had a chance to go through the same.

As usual, I will start with discussing our ongoing strategic initiatives along with operational highlights for the quarter and I will then handover to Akshaya to share details on the Company's financial performance.

Our key strategic intent has always been to offer superior customer experience on both Data and Voice, which will help us drive better 4G additions and consequently improve revenue, profitability, cash-flows and our competitive position in the market.

Let me now discuss the progress we have made on our various strategic initiatives

The most important initiative is our focused network investments



We continue to have a focused approach to investments, biased towards our profitable areas, to utilize our capex effectively while ensuring that we offer superior customer experience in these areas. We are driving incremental 4G investments in our 16 priority circles, which contribute 94% of our revenue and 86% of industry revenue. We continue to add 4G capacity through spectrum refarming in these areas.

We continue to progressively upgrade our 3G network to 4G. While our overall broadband site count stood around 448,000, lower by ~9,500, compared to Q2FY21 due to closure of 3G sites, we added ~12,000 4G FDD sites mainly through refarming of 2G/3G spectrum to expand our 4G coverage and capacity. Our 4G coverage is just over 1 billion of Indian population.

Our relentless pursuit to become the best 4G network in the country, is reflected in our top rankings across various third party reports on both data and voice. Vi GIGAnet remained the fastest 4G network in the country for 2 consecutive quarters, as per Ookla. Based on TRAI's MyCall app data, we also have the best voice quality in the country for the last 3 months consecutively. This is not only providing a great experience for our customers but also helping us drive stronger network perception leading to better customer response in the market.

While we are currently in the middle of our 4G capex cycle, we are deploying equipment which is 5G ready on both radio and core. We have already deployed and are already using an array of 5G technologies such as Massive MIMO, DSR, Open RAN, Cloudification of core etc. We also have the largest edge cloud deployment in the country. While 5G ecosystem is still nascent, we are well prepared for 5G rollout as and when the ecosystem is ready.

The second focus area is market initiatives to drive ARPU improvement

While tariff hike remains critical to improve the overall industry health, we have also undertaken several market initiatives to improve ARPU with focus on driving 4G/UL plan penetration. After the launch of our unified brand 'Vi', we have launched a very high decibel campaign to announce that Vi™ powered by GIGAnet is the fastest 4G in India on TV, Digital & Outdoor media. We also launched several digital campaigns during IPL, which is a great opportunity to connect with customers leading to strong engagement and brand affinity. This quarter, we also launched Weekend Data Rollover - an exclusive proposition to carry forward unused data from weekdays to weekends on all unlimited packs with daily data.



Vodafone Idea continues to aggressively focus on digitization of customer servicing across all touch points. We now have digital acquisition in more than 100 cities, for both prepaid and postpaid, including same day door step delivery and digital KYC processes, serviced through our dedicated delivery partners as well as own stores.

The third focus area is Business services and new fast growing segments

Business services remains one of our focus areas where we leverage our multi-year relationships with customers and global strength of Vodafone group. Vi Business continues to deliver growth by partnering both large enterprises and SMBs, in their digital transformation programs which have got accelerated during the pandemic.

In new business streams, cloud services remains central to our growth strategy. We continue to maintain a clear leadership in IoT offerings, which has a potential to grow manifold in the near future.

We extend our market leadership in IoT in connected vehicles (both Passenger and Commercial) segment with the launch of industry first IoT eSIM – the first GSMA certified multi-profile eUICC eSIM in the market. It is a game changing and differentiated solution for automotive and other industries as the multiple network profiles ease the deployment with simple OTA provisioning and reduce the overall cost of operations. Our IoT growth strategy is in strong alignment with evolving market needs of our customers. In our journey from telco to digital services player, we would be moving beyond IoT connectivity by offering end-to-end IoT solutions, enabled by IoT partner ecosystem.

The heritage of expertise and demonstrated success with our customers continues to be recognized by the industry with CIO Choice 2021 awards. The recognition, basis an extensive pan-India CIO referral voting process that spans across industry verticals and guided by 9 member CIO advisory panel, is for a range of our products and services. We were chosen as the preferred partner of choice for Telecom Carrier (Mobile Access) for 7th year in a row, Managed Mobility Services - 1st time nomination and win, SIP Trunk for 2nd consecutive time and Internet of Things (IoT) for 4th time in a row. We were also awarded Frost & Sullivan India ICT Best Practice Awards 2020 as the M2M Connectivity Service Provider of the Year.

The next strategic initiative is driving partnerships and digital revenue streams

We continue to have several regional and global content partners. We recently added VOOT select and Fireworks to our extensive list of content partners, which continues to grow by the day. As stated



many times, our strategy on partnerships extends way beyond content. We have partnered with various ecommerce platforms, handset manufacturers, financial institutions, NBFCs among many others to create value not only for the customers, but also for the company and its partners.

As we plan for future, we are now focusing on our platform capabilities to offer a deeper integration with our partners for a differentiated experience, create monetization opportunities and truly become an integrated digital service provider. As a big step in this direction, VIL has entered into strategic partnerships with key players in the areas of Learning & Upskilling, Health & Wellness, and Business help to offer benefits to the new age customers. The company has forged partnerships with upGrad, Udemy, Pedagogy, cure.fit, 1mg, MFine, Eunimart, Hubbler and Fiskl - and plans to on-board more partners under each of these areas to enable Vi users get exclusive offers from these players. This will help us drive more value for our customers and offer growth opportunities for the business.

And lastly, we have made good progress on our cost optimization exercise

We target to achieve Rs. 40 billion of annualized opex savings by end of this calendar year. Several of our initiatives are bearing fruition as are visible in the cost reductions across many of our opex line items. As of this quarter, we have already achieved ~50% of these targeted annualised cost savings.

Moving on to operational highlights for the quarter

Revenue for the quarter was Rs. 108.9 billion, a growth of 1.0% QoQ, aided by higher 4G additions this quarter. As mentioned in our press release, our focus on being the best 4G network and the launch of our unified brand “Vi” have started to reflect in our improving operating performance. With improving subscriber retention, the subscriber base was 269.8 million in Q3FY21, a decline of 2 million compared to over 8 million last quarter. Gross additions continue to improve as well and subscriber churn declined to 2.3% compared to 2.6% a quarter ago.

At the end of the quarter, the 4G subscriber stood at 109.7 million, an addition of 3.6 million 4G customers. We continue to see healthy traction in 4G/ UL net additions which remains a key focus area for us.

A quick update on other developments

On the AGR matter, following the final judgement on Sep 1, 2020, we had written to DoT to rework the preliminary demands, adjusting for computational errors, admissible pass-through charges and



payments made but not considered while computing the demand. We are still awaiting response from the DoT. We have filed a modification application in the Supreme Court, which is currently pending hearing. As the matter is currently sub-judice, we will not be able to comment anything further.

On Indus stake, as you are aware, the merger of Indus and Infratel was completed in Nov 2020. VIL has sold its 11.15% stake for consideration of Rs. 37.6 billion and has made a prepayment of Rs. 24 billion to the merged tower entity, which will be adjusted in line with the terms of the agreement

On fund raising, our Board has approved fund raise of Rs. 250 billion, through a mix of debt and equity. We are in discussions with potential investors, which are progressing well and we expect to conclude this exercise soon.

Lastly, the spectrum auctions are expected to happen in March 2021. While we have submitted our application and will be participating in the auction, we will be unable to comment at this point on our auction strategy, spectrum renewal or acquisition plan, given the sensitive nature of the information.

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

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

As mentioned by Ravinder, during the quarter we have seen improved gross additions, better customer retention and higher 4G additions. Resultantly, revenue was up by 1.0% for the quarter to Rs. 108.9 billion, as against Rs. 107.9 billion in Q2FY21.

Adjusted for Ind AS 116 impact, EBITDA was Rs. 21.1 billion for the quarter, positively impacted by Rs. 3.3 billion due to amortisation of subscriber acquisition cost over the expected customer life. Additionally, EBITDA improved due to higher revenue as well as incremental opex savings on account of our cost optimization initiatives. We are working on various cost initiatives to drive further savings and target to reduce our annual operating costs by Rs. 40 billion over Q4FY20 baseline, by end of this calendar year. We have made good progress and on a run rate basis by the end of Q3FY21, we have achieved approximately 50% of our target cost savings.



Q3FY21 Capex spend stands at Rs. 9.7 billion. Net Debt was Rs. 1,170.8 billion as at Dec'20 as against Rs. 1,145.1 billion in Sep'20. Out of this, the debt to banks and financial institutions is Rs. 231.7 billion and the balance is owed to the government towards deferred spectrum payments.

On 19th November, 2020, merger of Indus tower and Bharti Infratel was completed. As a part of this transaction, VIL has sold its 11.15% stake in Indus to Bharti Infratel for a cash consideration of Rs. 37.6 billion.

On AGR, as Ravinder mentioned in his remarks, we have approached Supreme Court requesting them to allow DoT to make corrections for manifest errors in DoT demands. As the matter is pending hearing, we currently continue to recognize AGR obligations based on the demand figure informed by DoT to the Supreme Court.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin the questions-and-answer session. The first question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: First question is on tariffs. What is stopping you from raising the tariff? Airtel has clearly said that they are not going to initiate a tariff hike, so if you can share your thoughts on what will trigger the tariff hike? And if you can update us on the floor tariff, anything you are hearing from DoT?

Second one, can you share your thoughts on 2G services? How long do you expect these services to continue? And at what level of revenue contribution you might consider switching it off?

And finally, on postpaid customers, the number is down about 10%. What's been the reason for this, when Airtel is seeing healthy additions? If you can talk about the impact of M2M, if it's still hurting your numbers?

Ravinder Takkar: Thank you, Kunal. Let me try, for some of these questions, I can ask Akshaya to jump in as well. Your first question on the tariff, we have said it earlier and everybody in the industry continues to say, that the industry needs tariff hike. All players have acknowledged that. It is a common knowledge that services are being sold well below cost and the returns are abysmal in the industry. Then your question was about floor pricing, which is also another way to address this problem. One way is to increase the tariff or the other way is for the government to institute floor prices. As you are aware the



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regulator had floor pricing consultation, they are in the middle of that. The Chairman of the TRAI changed in September, just after the pandemic when things started to open up. I understand that review and work on that area is continuing. Either one of those two could be a way to improve the health of the industry.

Now in regards to your comment about our plans, you would hopefully see and appreciate where we are as a company. Since our brand launch in September, Vi has started to gain momentum and traction in the market. The gross additions in the market are improving. Our 4G subscriber growth, UL subscriber base is starting to grow, net adds have become more stable. I can tell you our engagement with customers is improving significantly. Overall, we see a lot of positive momentum that is starting to take place. With our fundraising discussions that are going on, we see overall a positive trend within our company.

We have also mentioned that we will not wait for anybody else to take the first step, but we may raise prices at the right time. I can't tell you that exactly what time it would be, because it's clearly a competitive issue as well. How much, what time and so on are things that we will decide at the right time and what is the right opportunity to do it, but we are not waiting for anybody in particular to raise tariffs. When we believe we are in the best position as a company to raise prices and increase tariffs to how much we need, we will take those steps.

In regards to the 2G service, this question has been asked before, I think that 2G service will continue for a fairly long period of time. It is not only an example in India, but it's an example in many, many vastly developed countries where 2G service continues to be a very good and an optimized way of doing some services like GSM voice, IoT and a few other things. The narrowband IoT services continues to be a very positive way of doing it. From our perspective, there is no increased cost of 2G service. It runs, and it's actually very, very effective.

What we are doing is on the 3G side, we are continuing to shut down 3G services in many markets. In fact, we have shut down 3G in about 31 cities across the country already where we refarmed the spectrum to use 4G services, and that will continue to happen. I don't see the 2G will shut down anytime soon.

Then your last question was around postpaid. I am not sure where that 10% number is coming from. There is a slight decline in postpaid, but it's not a significant decline that has taken place in this quarter.



We are starting to see positive traction in the postpaid business. M2M is improving after the pandemic, because during the pandemic many services such as people using payment machines and so on, those services were either not being used or being disconnected, and now we are seeing a recovery of that. We expect the postpaid business to continue to do well. We are not seeing any material decline in that particular part of the business.

Kunal Vora: Sure. Just a small follow-up on the last one. 10% is the number which I could derive year-on-year with about 2-2.5 million customer decline, most of which happened like immediately after the pandemic. But that number is not fully recovered, because at that time you mentioned that's because of M2M, but M2M should have recovered by now. Just wanted to get some sense, is it that 2-2.5 million customer decline which you have seen in postpaid for the last one year, is it in the weaker circles or it is broad based?

Ravinder Takkar: This is not the information that we share, Kunal. What I can tell you is that if you look on a quarter-on-quarter basis, as we move forward, we are seeing the decline to be much, much slower. I can tell you that the positive momentum in postpaid is certainly back and the M2M business has also very well recovered after the pandemic. These are the only details I can give you without going into the exact numbers.

Akshaya Moondra: Kunal, if I may add, some of this reduction, which you see in postpaid is also migration from postpaid to prepaid because of the price arbitrage.

Kunal Vora: Understood. Just that Airtel is seeing a healthy addition in the last two quarters, so there is a disconnect in what you are seeing and what Airtel is seeing, so that's where the question was coming from.

Ravinder Takkar: Kunal, I think, we are seeing a positive trend and we expect this positive trend to continue.

Moderator: Thank you. We will take the next question from the line of Vivekanand S from Ambit Capital. Please go ahead.

Vivekanand S.: I have a couple of questions. One, by when would you need to raise capital to meet your own March 2022 4G population coverage target of 1.15 billion? Also, if you could help us with your



present 4G coverage in the priority circles, you had said that it was 83% in March 2020 and you have targeted that to go up to 90%.

Second question is on the recent weekend data rollover that you announced. Isn't this at odds with the tariff hike plans that you may have, given that this seems dilutive to the tariff hike narrative as far as the 4G customer base goes?

And thirdly, the gap between your reported ARPU and computed ARPU, that continues to widen. So I know that the reported ARPU is computed on services revenue and excludes enterprise, fixed line and device revenues. I mean, this gap seems to be widening now when I multiply the reported ARPU by 3x the average customer base. When I compare it with the reported revenue number, that gap has increased. Could you help us understand that better?

Ravinder Takkar: Okay. Thank you, Vivek. Let me take some of them, and I will pass a couple of them over to Akshaya. I think in regards to the capital raise, it is well underway. We don't really expect any changes to our targets that we had set for March 2022 in terms of our coverage and so on, based on where we are in the fundraising process, so no significant change. At this point, we don't see that is something that will either get delayed or modified compared to the numbers that we had shared earlier.

On the 4G priority circles coverage going from 83% to 90%, the fundraising proceeds, we will use that to further increase our coverage in those circles. I can tell you that we have added a significant amount of capacity in those circles, and because of the quality of the network we continue to enjoy great experience for our customers in those circles. As I said today, our focus is very much on maintaining capacity and providing a great experience. Our increase in coverage in those circles will come alongside with the funding that will happen, so we are not significantly different than what we had shared with you earlier with regards to our population coverage in those 4G priority circles.

Then I think your next question was around weekend rollover. I don't believe that is in odds with our plans at all. I think it is a great way in which the customers do not necessarily use this data on the same day, that they had purchased but use it at a time they wish to in a timeframe. What we are trying to do, which makes much more sense in our minds, is that customers buy a certain amount of data and they should be allowed to use that data within the time frame that they purchase it for.



The concept of this daily limit by itself, which was created by some of our competitors is, in my view flawed, and it's not the right way. I think in some ways it is starting to change and hopefully, industry will eventually get to the right place, where customers buy a certain amount of data, they get to use it whenever they wish to use it as opposed to if you don't use it today, you lose it. That's really not the right way. If you buy a data pack for 28 days, you should be able to use it for 28 days. I think focus should be on providing good experience to the customers and actually meeting their needs, especially after they have purchased the plan.

Now on the last part, Akshaya, I would pass it over to you for the reported versus the computed ARPU number.

Akshaya Moondra: Thanks, Ravinder. Vivek, reported ARPU is the correct reference ARPU. If the divergence is happening as you are calculating, it is because the other streams of revenue, other than the consumer revenue are going faster. That's the only reason. There could be some finer impacts, if you calculate the derived revenue based on the number of end-of-period subscribers, there may be some difference compared to the average subscribers as we compute. But largely, it shows that the enterprise revenue is growing at a faster rate than the consumer revenue.

Vivekanand S.: Understood. This is helpful. Just a couple of small follow-ups, data queries, actually. Would you be able to help us with how many 3G sites you are still running and time frame that you are looking at for the shutdown of 3G services? Secondly, in the consumer ARPU, how much is the IUC-related ARPU contribution, because from the fourth quarter we need to take that into account?

Akshaya Moondra: As far as the IUC contribution in ARPU is concerned, generally, interconnect is around 10% of our overall revenue, not necessarily of the ARPU, so you can take that as a guideline. From the next quarter this revenue will go away, and costs will also go away, so that was the first question. In terms of 3G sites, I will not be able to share that data with you, but the direction which we are taking is that 3G is not required anymore, it has been continued only because some people have devices, which can be used only on 3G and not on 4G. As and when in a given geography, the 3G subscribers are coming to a lower number, then we are taking market interventions so that we can discontinue 3G. Ideally, we should be done with our 3G closure in FY22, and our intention is to do it as fast as possible, while keeping the consumer requirements in mind.



Moderator: Thank you. The next question is from the line of P.D. from Lansdowne investment. Please go ahead.

Paul Dewinter: I had a question around your fundraising plans. If you could please share a more detailed update on why is it taking so long to close? Because on the last quarter's call, I believe, it was mentioned that it was expected to close in the coming quarter. What are the reasons why it is taking so long, especially given the high level of liquidity that we are seeing in global markets and even some of our competitors being able to raise funds very quickly? What is the expected timeline by when we can hear some closures on that aspect?

Ravinder Takkar: PD, just to clarify, first of all, I don't believe that this is taking an inordinate amount of time. I mean, it takes time to raise funds, I don't know how it can be compared to some of the other competitors who you say have raised fund faster, because I am not aware of their timelines of how quickly they have raised their funds. All I can tell you is that we are very well engaged. There is interest in various participants with fund raising and we are progressing very well. Now I will shy away from giving you a date because this is something that when it happens, that will happen. I really don't think there is any point in putting a date to it. We understand that this is important for us.

As we have shared and also planned, we said that we are hoping that some of this funding will help us in our CAPEX as well as network rollouts that we need to do. But certainly, as the question was asked earlier, we do not expect any changes in our rollout plans based on our current fundraising. Hopefully, that gives you an idea of how quickly we will be able to raise it. But all I can say is that I don't believe that there is any inordinate delay. We are at a fairly developed stage, and the demand continues to be very, very positive.

Paul Dewinter: Okay, so there is clear interest from set of investors, it is not a question of lack of interest from investors, that's not a cause of concern. Am I right?

Ravinder Takkar: No, there is good interest. Of course, until you get the money in the bank, it's all interest, but I can confirm with you that there is good interest in this investment going into the company.

Moderator: Thank you. We will move on to the next question that is from the line of Vikash from Societe Generale. Please go ahead.

Vikash: I think I had the same question the previous questioner has covered. So I am good with that.



Moderator: Thank you. We will move on to the next question that is from the line of Vishnu K. G. from JM Financial. Please go ahead.

Vishnu K.G.: Just wanted to know, sometime back we were looking at monetizing our non-core assets. Could you please provide some color on where we are in the journey? Or is it in the backburner for now? Thank you.

Ravinder Takkar: Vishnu, our focus very much at this time is on improving and continuing to have good operational performance as well as engagement with the customers, which I have talked about earlier and that's going well. We are focused on our fundraising, which also, as I mentioned, is going well, so that's really our focus. We are at this point, not actively doing any of the non-core asset monetization discussions because I think probably it's not the right time to do it. We have done some work on it earlier, but it's a bit on the backburner now.

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

Sanjesh Jain: A few questions from my side. First, on the digital partnership we are running with various partners. Just wanted to understand what kind of monthly GMV run rate are we in terms of selling the product and services for our partners? That's the first question, to understand how deep and how strong the relationship we have with them.

Number two, on the 5G side, we did touch upon the readiness, but it looks like one of your partner is now doing the trial run based on dynamic spectrum sharing, which we have earlier tried and have been actively doing on the 4G side. How ready are we in terms of extending that service even for the 5G? And which other spectrum band do you think we have enough quantity to provide that service?

Number three, more a data point question. What is our EBITDA contribution from IUC that would get knocked out from next quarter? These are the three questions. Thank you.

Ravinder Takkar: Thank you, Sanjesh. And on the partnership side, I have to say that this is actually one of the very, very exciting areas. As I mentioned, we have built out several strategic partnerships in the last quarter. The three areas of focus that we had initially is really on learning and upskilling, health and wellness, and on the business side, which are all very important areas, especially given the current pandemic situation and where the economic situation is, because people are looking for learning and



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upskilling and, of course, health is a very critical area. As businesses who have struggled through this pandemic are looking for help and as to how do they get to digitalization part. I gave you examples of several partners where we have done work in terms of bringing them onboard.

Our approach to partnership, just to be clear, Sanjesh, is very different. What we are trying to do is what we call deep integration, which means that in some ways the benefit of us and the partner coming together is better than and more important than just us being potentially a reseller of their services. Sometimes those deep integration, depending on the services, involve more than just us becoming a reseller, it could be authentication, could be other ways in which we integrate the service together. Those things are actually quite exciting and doing very well. What I cannot give you, and I don't think we provide this data, as its early days anyways, is to give you the GMV, but I can certainly tell you that the response in the market and our customers have been positive. It's too early at this point, and it's not something that we disclose anyway. I am not even sure if we have the authorization from our partners to disclose exactly the value. The categories of partnerships are very exciting, and they are seeing good traction, and it's really the right time in what's happening in the country at this time.

In regards to the 5G readiness, we have always said that our network is very much 5G ready. We are the newest 4G network in the country, and as a part of our deployment, we have continued to deploy 5G-ready technologies. I think it's somewhat interesting that one of the competitors is showing DSR in a lab environment, whereas we have been running it practically on thousands of sites in a production environment for a very long period of time, so I am not really sure what the purpose of showing that is, but we have been doing these things, it's running and it's in production. The technology is the same, whether you use it for 4G spectrum or 5G spectrum, it doesn't really matter, the spectrum is spectrum the way it works, so actually it is most well-tested investment in our network. Certainly, when the time is right for 5G, we expect to be in the best position to take advantage of that. Anyway, we have not just done DSR, we have done Massive MIMO, we have done cloudification of the core, we have done other elements, which in our view, are very well tested. We have spectrum in 900, 1800, 2500 band, both TDD and FDD, and all of those places DSR can be used.

On the EBITDA contribution, Akshaya, over to you for the last question.

Akshaya Moondra: Sanjesh, EBITDA contribution, which will go away in the next quarter is about Rs. 80 crores on account of interconnect going away.



Sanjesh Jain: Rs. 80 crores is the quarterly hit because of interconnect getting discontinued?

Akshaya Moondra: That's right.

Sanjesh Jain: Just one follow-up from my earlier 5G question. When we say DSR, now that we are closing 3G so that it's dedicated 4G, and luckily 5G is evolving very strong on 2500 MHz, and we have the spectrum over there. Do you think that combination of 1800 and 2500 bands puts you in a better place for 5G in terms of readiness for the 5G services?

When we say dynamic spectrum, what kind of cost is involved in transforming the network from being a standalone 4G to a more dynamic spectrum allocation? The 3G to 4G was more a part of transformation and merger, this would be more of a network upgradation. I think it will involve an incremental cost, so what kind of cost, a ballpark number or even directional guidance will be very helpful.

Ravinder Takkar: Sanjesh, first of all, in usage of spectrum, the idea is that currently we have already deployed DSR and we are using it within the network. It is mostly being used between 1800 and 900 right now, but there is no reason why it cannot be extended to 2500 band. The network is already ready, it's a matter of switching on the software element, depending on the number of sites that we want to turn around. For us, given the fact that the network is ready, it's a matter of only software upgrades that need to happen. I am sorry, but I can't give you the cost, because I am not sure if I am allowed to disclose it, and honestly, I couldn't give you that off the top of my head anyway. Maybe we can have a discussion off-line, if and when there is something that is interesting to you, but I certainly can't give you that number on this call.

Moderator: Thank you. The next question is from the line of Gopala Krishna from HNI Investments. Please go ahead.

Gopala Krishna: What I would like to request the management is that every quarter this depreciation and amortization is around Rs. 6,000 crores which is being taken out, whereas the CAPEX is very, very less, it's around Rs. 1,000 crores. I think this should give, Vodafone Idea, enough cash cushioning so do you really need the funding for the network upgrade. The next question is on the subscribers, it was very good to know that in the month of December it appears that we have gained the customers instead of losing. Is this trend continuing in January as well?



Akshaya Moondra: Ravinder, if I may just take the first question and then you can address the second one. Gopala Krishna, the comparison which you are making between depreciation and CAPEX is generally applied in a situation where the D&A is taken as setting aside of profits so that it does not get distributed to shareholders, which is a very different concept. Here, we are talking about what is the requirement of the business to grow, and the funding requirement, and it has really nothing in our context to do with depreciation and amortization. Ravinder, over to you for the second question.

Ravinder Takkar: Yes. Gopala Krishna on the question about subscribers, as I mentioned earlier, I think we are seeing a very positive trend on subscribers in all metrics, whether it's gross addition or reduction in churn and net additions, and we are seeing strong traction on 4G and UL. All of those areas are going up and the trends are all positive. I can't give you a number on January, given that we are talking about Q3 results, but I would say that we are seeing very improved traction in each of these areas and subscriber numbers, in general, on all key metrics.

Gopala Krishna: Thank you very much. Just a follow-up question. I know that a particular number cannot be given, just a small question is, in January, did we stop losing the customers?

Ravinder Takkar: I don't think, Gopala Krishna, I can answer that question given the forward-looking nature of that, and it's just not something that we disclose on a month-on-month basis in any case.

Moderator: Thank you. The next question is from the line of Paras from PTC. Please go ahead.

Paras: This is regarding what ARPU we are likely to target for the next quarter.

Ravinder Takkar: I don't think we disclose forward-looking numbers. We have seen now that on a quarter-on-quarter basis, this quarter as well as last quarter, we have seen ARPU improvement and we hope that trend continues, but this is not something that we provide guidance on a forward-looking basis. Akshaya, maybe you want to jump in there as well and confirm?

Akshaya Moondra: No, nothing to add from my side.

Paras: Okay. But looking at the CAPEX savings, which we are doing, I think our ARPU will be increased at a greater extent, right?



Akshaya Moondra: I just want to make the point that CAPEX is meant to either expand the coverage or capacity, which essentially means that we can either take more subscribers, which may not result in improvement in ARPU. If it is directed towards creating capacity so that the subscriber can use more, that can result in a higher ARPU, so it can mean either or both things. As we have said earlier also, currently we have a very good capacity position which is reflected in the customer experience, as reported by third parties. At this point of time, CAPEX is not a factor which is immediately impacting the ARPU. We have sufficient capacity to increase the traffic on our existing network to improve the ARPU, if that is the question.

Moderator: Thank you. We will move on to the next question. That is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: One last thing I wanted to touch upon is YOU Broadband. We have seen competition adding a strong subscriber base, so understand we don't disclose a lot of information over that but if you can just highlight what kind of customer trends we are seeing, what kind of growth and what is the ARPU we are looking at YOU Broadband? And what are the plans around YOU Broadband for us?

Ravinder Takkar: Akshaya, I don't think we disclose any information, but you may wish to add.

Akshaya Moondra: Sanjesh, we are not giving any separate disclosures for YOU Broadband. All that I can say is that in terms of our priority of investments, it is not a priority area. However, I think post the lockdown, we have seen some improvement happening in the performance of YOU Broadband as the demand for fixed line services have shown some improvement.

Sanjesh Jain: Got it, but we are not disclosing even the subscriber number or what kind of ARPU we are doing in the YOU Broadband as of now?

Akshaya Moondra: Not right now. I have heard you, let's see what we can do going forward. That has not been our focus area in terms of disclosure, but since you have raised that question, we will look at that and see what we can start doing.

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



Vivekanand S.: Is the entire Rs. 128 billion current maturity of long-term debt payable over the next 12 months? It would be great if you can clarify how much leeway our existing vendors are giving us since the industry continues to remain in an extraordinary state of stress with low tariffs?

Akshaya Moondra: Vivekanand, just to be clear, the figure you are talking about, which is the current maturities of debt, has nothing to do with the vendor payables, it is all related to financial institutions. As you would have seen in our disclosures, the debt which is falling due for payment over the next 12 months is around Rs. 30 billion. The balance amount is largely reclassification of debt which has a longer maturity, but is reclassified because there are some breach of covenants where waiver has not been given explicitly by the lenders. From an accounting perspective, it has to be reclassified to current maturity. However, there is no likely action from any of the lenders to force the payment. It is more an accounting reclassification than anything else.

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

Pranav Kshatriya: I just have one question. When you are talking about 5G, you talked about 5G ecosystem not being mature and you will look at investing at an opportune time. Can you specify what would be the key factors, what you will describe that opportune time is there? Will that be something around the number of 5G handsets versus the proportion in the total handset shipment or something like that? What parameters you will look at it?

Ravinder Takkar: Pranav, there's multiple elements to the ecosystem. One is the actual network and our capabilities in the network itself. Many of those capabilities already exist, and as I said, we have deployed many of them. They are, in some cases, already working within the 4G spectrum bands for us and it has been deployed across the board as well. Of course, there is the device ecosystem. I think this certainly is very, very important, not only the price sensitivity of the devices itself, but also the volumes that come. In India, when any service gets picked up at a mass market, you need many devices at very cheap prices. While 5G devices are coming and they are getting cheaper, it certainly is very far away from where 4G devices and their availability as well as pricing is today, that certainly would play a very important role.

The other element, of course, is you need spectrum, and while we can do many of the 5G technologies on existing spectrum bands that we have, larger quantity of spectrum are required to get the real



wideband service, you need 3.5 GHz band. That is something very expensive today in our view, from what we believe is the right pricing. That is part of the ecosystem that has to develop as well.

Last thing, when you say the ecosystem, it has to be sort of services and use cases for which 5G is needed required, and it cannot be done on existing technologies. I think that is another area where there continues to be a lack of clarity and lack of use cases, which require 5G technology and 5G spectrum, and those are not there worldwide as well. We are seeing that the biggest use case for 5G tends to be on adding capacity, so if you have 4G sites which are congested and you want to add more capacity, sometimes 5G spectrum is cheaper. Given the amount of spectrum that we have and certainly is available in the upcoming auction, we don't see that as being a big problem in the Indian context right now. Hopefully, that gives you an answer to your question, Pranav.

Pranav Kshatriya: Yes, it does give me an answer. If I just probe in a bit on the last point, you talked about that the application ecosystem or the use case not being ready, for whatever reason that has been the case globally. Still, the companies have tended to hop on to the 5G bandwagon. Do you think that at some point of time, you will be forced to get into it because the competition has already got into it? Can that be also a reason?

Ravinder Takkar: Pranav, it is very difficult to answer that question because we don't know what will happen in regards to what happens in the market and what competition does. What I am telling you is that from where we sit today and what I see as the ecosystem and what I see in the industry, the use cases and the ecosystem of 5G development in India is still a bit away. I think what you hear and what you see today is more talking points and to some extent, it's more of something to talk about rather than actually going for use cases. We don't see any of those developments. As I said, we have technology which has been around and deployed for a very long period of time. In our network, certainly, many of these things are running for a year. But without the ecosystem, those are irrelevant, and we continue to use them on 4G anyway. It's very difficult to say what competition will do and how it will go. In many cases in the world where it has been deployed, that has been mostly to add capacity when 4G has become congested, and that is clearly a use case, which is being deployed in several countries.

Pranav Kshatriya: Sure. I will just take one last question. One key component of the 5G is, probably it's not really 5G, but one thing which is clearly coming out is RAN virtualization. Although you might be ready in the core or the transport side, the RAN virtualization is not what everybody has done. What



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are the pushes and pulls when you are implementing a virtualized RAN solution in either a 4G or a 5G environment in terms of the CAPEX?

Ravinder Takkar: Pranav, it's a very complex and a detailed question and I request that we potentially take this off-line because it's just that I don't want to give you an answer, which is not very clear. What you are asking is quite a complicated question in terms of the details, because there is not a straightforward answer to that question.

Moderator: Thank you. Ladies and gentlemen, that's the last question. I now hand the conference over to Mr. Ravinder Takkar for his closing comments.

Ravinder Takkar: Thank you, Lizann. Thank you all for your questions. To conclude, our strong focus on becoming the best 4G network in the country is yielding results, which are reflected in the top rankings that we have received from several third-party reports. We are also starting to witness healthy trends across several subscriber metrics with improving subscriber retention and good traction on our 4G and UL additions.

We are making good progress on our strategy. Our cost optimization efforts have already started to yield significant OPEX savings. Our fundraising process will help us achieve our strategic intent, and continues to be well underway, and hopefully it will create a very strong competitive position for us in the market. Once again, I thank you all for taking the time to join us for this call. I look forward to talking with many of you off-line as well. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Vodafone Idea Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines. Thank you.