Vodafone Idea Limited Conference Call

November 15, 2021

Moderator: Good afternoon, ladies, and gentlemen, this is Margreth 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-answer session will be conducted.

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 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 discussion on today's call may include certain forward-looking statements and must be viewed therefore in conjunction with the risks that the company faces.

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

Ravinder Takkar: Thank you Margreth. On behalf of Vodafone Idea, I welcome all participants to this earnings call. On 12th November, our Board of Directors adopted the unaudited results for the quarter ending September 30, 2021. 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.

Let me 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.

Before that, let me talk about the reform package announced by the government.

The central government on 15th September announced a comprehensive reform package to address the severe crisis in the telecom industry. We welcome the announcement and appreciate the Government's recognition of not just the financial stress in the sector but also our contribution in keeping the country connected, especially during the pandemic. These reforms will provide immediate relief to the financial stress in the sector and reduce regulatory burden on telecom operators. They will further promote healthy competition, protect interests of consumers, ensure liquidity and encourage investments. The announced measures will enable investable funds in the hands of telecom operators for fresh capex deployment in building long term digital infrastructure. With competition and consumer choice, the reforms will provide impetus to inclusive development and universal broadband access to all the Indians.

The Moratorium of next four years on all Government's dues will enable us to further boost our 4G coverage and capacity and provide deeper rural connect. It will also allow Vodafone Idea to invest in new technologies and services including 5G when the ecosystem is ready and spectrum is made available at reasonable prices. Through this landmark decision, Government has truly demonstrated their commitment to ensuring a healthy market structure of at least 3 private players.

Structural Reforms including Rationalization of AGR to exclude non-telecom revenue; Rationalization of BGs; Removal of Penalty and interest on penalty on delay in LF and SUC payments; predictable timeline for spectrum auction; supporting spectrum sharing; Permission for 100% FDI under automatic route, amongst others – are all steps in the right direction to ease the burden on telcos.

These reforms will promote ease of doing business in the country by abolishing some of the archaic processes of telecom business operations. Promoting digitisation of KYC processes, Self-declaration for equipment imports and other procedural reforms will be key to smooth business operations and faster delivery of services to customers.

In summary, this historic government announcement will go a long way in making the mobile industry sustainable, allowing the existing telecom operators to invest and compete efficiently, thereby effectively supporting the digital needs of 1.3 billion Indians and millions of small, medium & large enterprises.

Moving on to our key strategic initiatives

The first one being focused network investments

We continue to follow a focused approach to investments, biased towards our priority circles which contribute over 94% of our revenue. This helps us in utilizing our capex effectively while ensuring that we continue to offer superior customer experience in these areas.

We continue to rapidly upgrade our 3G network to 4G. We closed 9,600 3G sites during the quarter, while we added around 10,800 4G FDD sites mainly through re-farming of 2G & 3G spectrum. The re-farming of 3G spectrum to 4G on majority of sites in various cities has substantially enhanced the GIGAnet 4G capacity in those cities. Our data capacity is now 2.8x compared to September 2018, just after the merger. Overall broadband site count stood at 450,481 and Vi's 4G coverage had already crossed the benchmark of 1 billion Indians last year.

It remains our constant endeavour to be the best 4G network in the country. I am happy to announce that VIL has consistently been leading the league tables on both data and voice for several months now. Vi powered by GIGAnet is India's fastest mobile network as awarded by Ookla. We also have the highest rated voice quality in the country as per TRAI's "MyCall" app data for 9 out of 11 months between November 2020 and September 2021.

We continue to future proof our network. We have the advantage of having latest 4G equipment and technologies which are capable of upgrade to 5G. In addition, we continue to deploy several 5G ready technologies such as, Massive MIMO, DSR, Cloudification of core, among others. During the quarter, we also conducted 5G trials on Government allocated spectrum bands of 26 GHz and 3.5 GHz in Pune and Gandhinagar. We have demonstrated peak speeds of 4.2 Gbps on 26 GHz band and 1.5 Gbps on 3.5 GHz. We also tested E band backhaul spectrum where we demonstrated the peak speeds of 9.8 Gbps.

We have forged partnerships with several technology leaders, ecosystem players and Indian start-ups for developing a range of use cases relevant for Indian enterprises and consumers such as Smart Cities, Remote Healthcare, Remote Education, Smart Automotive, Drone-based surveillance, Motion capture, Gaming etc., to demonstrate effective applications of 5G in India. We have partnered with several technology leaders and innovators like Ericsson, Nokia, L&T Smart World & Communication business, Athonet, TweekLabs and Vizzbee to develop exciting 5G use cases and are confident that many new use cases will emerge over coming months and years.

Moving on to market initiatives

Our unified brand "Vi", turned a year old in September 2021, and continues to garner good reception, building brand affinity across all customer segments in the country. Vi was recognised as the buzziest brand during IPL 2021 and also won the Gold & Silver award at the Indian Digital Marketing Awards (IDMA) 2021.

We continue to improve ARPU through the adoption of 4G/UL plan by our customers. We have taken several tariff interventions in the last couple of months such as increasing the entry level price for non UL prepaid plans to Rs. 79 from Rs. 49, in a phased manner during the quarter. We have also rolled out hikes on some of our postpaid plans. All these initiatives are ARPU accretive, benefits of which have flown in this quarter and likely to accrue into next quarter as well.

I will take this opportunity to again remind everyone that despite all the recent positive developments on tariffs, tariff hike remains critical for continued revival of the sector.

On Business services –

Business services continues to be one of our key focus areas. In Vi Business, as we progress on our journey from telco to techco, we continue to strengthen our partnerships with our customers with new range of offerings like Vi Integrated IoT, Managed SIP, Vi Cloud Firewall Service and Vi Business Plus bundled mobility offering. We are the first and the only telecom operator to provide Managed SIP service in India. Our Cloud Telephony solution is helping SMEs to automate & enhance their customer interactions with features like auto receptionist, lead management and others.

In the increasingly hybrid working world, Vi Business Plus Mobility Bundling solutions are enabling today's mobile workforce to connect, communicate, collaborate and do a lot more with their postpaid plans. In partnership with Google Cloud India, Vi Business Plus now offers Google Workspace solutions for SMEs and start-ups in order to help them strike the right balance between business objectives and employee flexibility.

The new and emerging cloud and IoT services are central to our business services growth strategy. We continue to derive tremendous synergies from our relationship with Vodafone Group, who are a global leader in the IoT segment. We continue to identify and leverage new opportunities in the IoT space to further strengthen our IoT portfolio, such as our Integrated IoT solutions for enterprises, which is a pioneer offer in the market. We have started this journey of integrated IoT with proposition of Smart Infrastructure, Smart Mobility and Smart Utilities to address the need of these industries and will keep adding to the list. We are partnering with the best and most innovative technology providers to test transformative 5G use cases like Smart City, Industry 4.0 and Healthcare.

Our award winning digital experience offerings such as Vi App, Vi Business-Wireline & Vi Business-Mobility are allowing organizations to manage from anywhere and at any time with least manual intervention. Our enterprise digital platform for Vi business mobility, has been recognized by a global jury at ICMG Global awards 2020, for having the best customer centricity and architectural design. Vi Business has been chosen as the preferred partner of choice for IoT, SIP Trunking, Telecom Carrier (Mobile Access) and Managed Mobility Services in the CIO Choice 2021, on the basis of an extensive pan-India CIO referral voting process that spans across industry verticals.

The next strategic initiative is driving partnerships and digital revenue streams We continue to partner with content providers to promote new & engaging content through Vi movies & TV. Our vast content library coupled with differentiated data benefits in the industry has led to a winning proposition for both, us and our customers. At the starting of the year, we had announced a partnership with Disney+ Hotstar to make sure our consumers get access to IPL & T20 World Cup. We had announced post our last quarter results that we would be launching Music Service with some very exciting features – you should see that coming out very soon. We also have some very exciting propositions lined up in other categories like gaming, education, skilling & health. While on one side, all these propositions should help us build our digital community, we also have a pipeline of projects to enable the monetization of this digital traffic. In a recent initiative, we launched Vi Movies & TV content on the Vi app. With this integration Vi users can watch content directly on the Vi app rather than downloading additional apps. We have seen considerable growth in our Monthly Active Users (MAUs) over last few months and we should see this further accelerate in coming quarters on the back of the strong pipeline of Digital propositions we have developed.

Vi is thus committed to delivering best-in-class services to their subscribers and bridging the digital divide that separates urban from rural. We will continue to focus 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.

And lastly, on our cost optimization exercise, we have already achieved ~80% of the targeted annualised cost savings of Rs. 40 billion.

Moving on to other highlights for the quarter

Revenue for the quarter was Rs. 94.1 billion, an improvement of 2.8% QoQ, supported by the gradual resumption of economic activity post the severe second wave of COVID, which had negatively impacted us during Q1. The subscriber base decline was much lower at 2.4 million. The subscriber base now stands at 253 million. We continue to witness improving trends in 4G subscriber with a healthy addition of 3.3 million during the quarter, taking the overall 4G subscriber base to 116.2 million.

Overall operating momentum improved with higher gross additions and lower churn compared to last quarter. ARPU also saw sequential growth of 5.3% and now stands at Rs. 109.

A quick update on other developments

On the AGR matter, as you are aware, we had filed a filed a review petition in the Supreme Court, clearly indicating that the intent is not to challenge the judgement of the Court but to seek correction in demand due to manifest errors. The matter is currently pending hearing.

On fund raising, the announcement of Government's reform package is a significant positive development alleviating several investor concerns, including government intention of have 3 private players in India and no payout towards the government dues during next 4 years. We believe there will be renewed interest from investors. We are also in the process of updating our Business plan, once it's finalized, we will make suitable disclosures on the fund raising. We expect to conclude this exercise during this fiscal year.

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. Firstly, our revenue for the quarter improved by 2.8% compared to last quarter, supported by gradual resumption of economic activities post second wave of COVID. Adjusted for Ind-AS 1116 impact, EBITDA was Rs. 15.6 billion for the quarter. They were one-offs Rs. 1.5 billion in quarter primarily in other expenses, mainly on account of bad debt recoveries where collections which were impacted because of lockdown in previous quarter were collected, as also some old receivables were collected and the related provisions were written back. Adjusted for one-offs, EBITDA of Rs. 14.2 billion was higher compared to Rs. 12.8 billion in Q1 on account of higher revenue and incremental cost optimization which was partially offset by increase in customer acquisition costs due to higher gross additions during the quarter and other inflationary cost increases including annual pay revisions.

Capex spend was Rs. 13 billion in this quarter. With this H1 FY22 Capex stands at Rs. 22.4 billion.

The gross debt as of September 30th, 2021, was Rs. 1,947.8 billion comprising of the deferred spectrum payment obligations of Rs. 1,086.1 billion, AGR liability of Rs. 634.0 billion that are due to the government and debt from banks and financial institutions of Rs. 227.7 billion. The cash and cash equivalence were at Rs. 2.5 billion. As a result, net debt at the end of the quarter stood at Rs. 1,945.3 billion.

As covered by Ravinder in his opening remarks, the government reforms package is a significant positive development. We have opted for the deferment of spectrum and AGR dues payable over the next 4 years. This will result in deferment of Rs. 147.3 billion payable annually towards spectrum acquired through auction till October 2016. For the 4 years, this amounts to deferment of Rs. 589.1 billion. For the AGR dues, we are in discussion with the DoT to determine the final amount in line with the Supreme Court judgment. Further there is an option to convert the interest arising from such deferment into equity. We are evaluating this and will be reverting on our decision on upfront conversion of interest into equity by the deadline of 12th January 2022. We thus have no government dues payable over the next 4 years towards spectrum and AGR except for spectrum instalments pertaining to March 2021 auction which will start in FY24. This will provide the needed liquidity to enable us to make further investments.

We are also in discussion with banks and investors for further debt and equity funding for investment as well as for repayment of bonds maturing in this financial year. We'll be providing more details on these when the discussions are concluded.

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

Moderator: Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: First, you added more than 3,000 towers this quarter, which is the highest you've seen since the merger. Can you explain what happened this quarter and also if you can share your thoughts on the tower contract renewals? What percentage of your tower contracts are coming up for renewal in second half as well as in FY23? If there is a potential for cost savings from these renewals?

Ravinder Takkar: I'll take the first question. Actually, on the tower increase, there are two reasons for it. One, we had incremental 4G sites that have come up which you may have also seen in the broadband sites, which have increased. Also, as we were going through the integration process earlier and we were developing our grid for our network, we always have this case where we give some tenancies to exit because there were overlaps and some of them over time, we say we will not exit because of the way the grid works out over a period of time. So, some of the increases that you see are a result of us taking away some of those exits that we had earlier planned because of the way our network grid has developed and the way our traffic has developed. This would explain the tower increases. It's related to just the way we've been doing business. This time around, we had some exits which we had planned, which then we have decided that we want to keep, the way the traffic has developed. In regards to tower contracts, I will pass this on to Akshaya to respond.

Akshaya Moondra: Kunal, I will not be able to give you an exact number of tenancies which are coming up for renewal, but it is right that as far as industry is concerned a bulk of tenancies are coming up for renewal at the beginning of FY23. These do offer an opportunity for further optimization of our cost.

Kunal Vora: Just a follow-up on the first one. Is there any increase in your coverage or it's just that some exits which you are looking to do haven't been done and that's why we are seeing an increase, so if you can just explain it better?

Ravinder Takkar: I would say it's not that the exits have not materialized and they will not be done later. I think we have chosen not to exit some of those sites that is in plan with our current network planning, so those will stay. I don't think that these sites that we're talking about provide a significant change in the overall network coverage. Our 4G coverage continues to be over 1 billion population of the country. I think that has certainly been maintained. I don't think these particular sites that you're talking about provide a significant change in the overall coverage.

Kunal Vora: Second one is on MNP trends which you see since September, with TRAI announced curbs on MNP offers and our checks indicate that they were implemented starting middle of September. Have you seen any reduction in aggression from the competition and any benefits accruing to you from the MNP curbs?

Ravinder Takkar: Kunal, you may have noticed that several weeks ago the TRAI came out with a review of actually an existing policy which they reminded everybody in regard to enforcement of the existing regulation that says that there needs to be a level playing field for MNP as well as new acquisitions. I think those regulations exist essentially to make sure that there is no discrimination between a customer who is new to category in terms of the offers that are given to them versus a customer who is porting or doing mobile number portability. Obviously, you want to make sure that they are given same offers and no discrimination has been done just because a customer is porting. Now this is an existing policy that TRAI has reminded everybody again and they have said that they will enforce this rigorously. We believe that is the right policy and it should be enforced. We appreciated the reminder that the TRAI has given on this particular policy. We were seeing some fairly aggressive offers on the MNP front earlier in the market which certainly have become less aggressive and are much more in line with the policy that exists. We have seen some portability numbers have reduced as a result of that and some of the aggressive offers that were being made had certainly come down.

Kunal Vora: One last question if I can regarding the tariff hike which you have taken in second quarter, Rs. 49 plan and corporate, how much of the benefit is already accrued and how much more can we expect in third quarter?

Akshaya Moondra: Kunal, it is difficult to quantify but I would say that a large part of the benefit of this tariff increase has come in this quarter, but there will be some spillover which will also come in the next quarter. Largely it is reflecting in the current quarter.

Kunal Vora: How is the consumer behavior been, have you seen an increase in churn like last time you has done hikes?

Ravinder Takkar: Kunal, we have seen a reduction in churn compared to last quarter, predominantly because I think these are smaller actions and in many ways, they are not the broader tariff hikes that we have been talking about. But overall, we saw churn actually reduce in this particular quarter compared to Q1. Although last time around there was an impact of COVID second wave as well. It's hard to exactly say but certainly this quarter the churn number has been lower.

Moderator: The next question is from the line of Vineet Mangal from Edelweiss.

Vineet Mangal: What happened to the music streaming services which you said that you're going to launch?

Ravinder Takkar: As I mentioned in my opening comments, it's a matter of only a few days. We have done some very interesting things and I think the offer would be quite exciting. You would see it very soon, so please stay tuned.

Vineet Mangal: I'm just like a retail investor. I'm not from any institution. Just that I can see the reputation of the company is not very good in the market. You broadband in the starting of the year, I could see very good marketing strategies were going on, very good plans were going on but now I don't see any You broadband related marketing. You're not planning to expand it to other Tier II cities or maybe at a later stage.

Ravinder Takkar: I'm not really sure if I can comment on your observations about the reputation not being very good. Maybe that discussion we can take offline. Certainly, the intent of this conference call is to not talk about the coverage expansion of You broadband but maybe we're happy to take that question for you offline. Also, I think it might be worthwhile clarifying, because I think you had said that you are from Edelweiss, whether you are associated with them or was that a mistake made in your introduction?

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: First on the data customer side, if I look at the total data customer, it has broadly remained flattish since our merger. We have been able to capture the 2G-3G data user who are converting into 4G because our 4G is growing but the overall data customer growth still remains muted or flattish for last 3 years which also indicate that we are losing some customers who are directly moving from a 2G voice to a 4G. What's our plan here to grow the data customer along with growing 4G customer?

Ravinder Takkar: Sanjesh I'm not sure, I fully understand the question.

Sanjesh Jain: Data customers are close to 136 million which used to be 140 million even at the time of merger and the 4G has grown, we were at 80s, now we are at 116 but the overall data customer still remains flattish for us.

Ravinder Takkar: Sanjesh, the strategy of the company is to move customers, if they were using accidentally small amount of data on 2G because 2G is obviously not designed for data usage and the idea is to move them over to 4G and charge them the 4G traffic rates leading to higher ARPUs and so on. That is a strategy that we are working towards. As you have noted, we see every quarter that strategy to be working and overall 4G subscriber base increasing and that is the stated strategy and we will continue to do that. Obviously from a customer acquisition perspective converting our existing customers who are currently using 2G into 4G and keeping them within the family, within our company is our topmost attempt. We attempt to do that, so more and more of those we can migrate, the better it is because these are customers who are already associated with our brand, have the affinity to our brand, they are potentially on 2G or 3G and we move them in 4G and that will lead to lower churn as well. This is a stated strategy and we would see more and more of that as we continue to go forward. Hopefully, we do acquire new customers as well but overall, the intent is to grow the 4G customer base.

Sanjesh Jain: But anytime sooner do we expect the total data customer to start growing in line with our competition, who are able to now handsomely grow the total data customer along with the 4G? We are still some time away to see that.

Ravinder Takkar: I think that is our attempt Sanjesh, to keep on growing that. As you would have seen over the last few quarters we are accelerating on that space. And so our endeavor is to continue to accelerate, as we build more and more capacity and coverage on our network.

Akshaya Moondra: If I may add, as we invest into covering a higher population that will definitely be one of the triggers for increasing the data subscribers.

Sanjesh Jain: No, we have already expanded coverage on 4G, right? That means we should be covering a large part in our focus circle, so I think on coverage right now we make sure as to keep growing, is that understanding right?

Akshaya Moondra: We were significantly investing in coverage of 4G earlier, but for the last year or so we have not invested much. It is our intention to invest in 4G coverage going forward also. That is one of the triggers which will also make more 2G to 4G transition possible. Anyway, Ravinder has answered the other part of your question, but I just wanted to add that this would be one main trigger for increasing the data subscribers.

Sanjesh Jain: Another similar kind of a trend, our minutes decline is faster than our subscriber decline. Now that means the customer engagement is lower on the network. What am I missing here in terms of understanding because the customer continues to pay us but the engagement levels are declining, that means they are using us as second SIM which they already have or how should we see this trend because this trend has been persistent now for few quarters?

Ravinder Takkar: Sanjesh, on that particular topic, as we said overall the customers that we report which are 4G UL customers continue to increase. They tend to have higher usage not only of minutes but of data as well. There's a secular trend that is taking place in that direction. Now what we also notice, at times there are also 4G customers who tend to use data more and sometimes they're using data apps to make voice calls as well. Overall, I would say that the biggest indicator to look at is the growth of 4G customer base. The other indicator to look at is the growth of engagement that you are seeing on 4G data usage for example. There you will see that on a year-on-year basis we have seen data consumption jump by 27%. While minutes have declined as you said, it is not really an indication of engagement. I think the engagement on overall customer base is increasing, whether it's in the form of data or minutes that continues to take place. There are clearly other mechanisms by which data or voice minutes go through, through some apps and other things. Overall, there's also a change in use of some of that technology as well.

Sanjesh Jain: On the 5G, can you just elaborate on how has been the 5G trial for us in general and for the industry what are the observations on the various bands? How much is India ready for 5G and this debate on indigenous or disintegrated versus bundled network, if you can share some thoughts. And one related question on the backhaul, you made an interesting observation on the E-band, does it really solve the problem of the fiber requirement in the future even on the 5G assuming these bands are allocated to us to use for a backhaul, do you think this can be a credible solution for the 5G?

Ravinder Takkar: I'll start with the last part first. Yes absolutely, this is the reason why we did trials on the E-band spectrum that we talked about. It is absolutely a credible solution and certainly something that can replace fiber. Hence, we are encouraging in the TRAI consultation that is starting on spectrum to really take a very close look at these bands. That's why we asked for these bands to be given as part of the trials. Certainly, we see that as an alternative to fiber. That's the last part of your question.

On 5G, as I mentioned in my opening statement, in two locations we have set up a standalone 5G network. We're using the 26 GHz as well as 3.5 GHz spectrum which has been allocated to us. I would say that from a speed perspective, we've been able to demonstrate very-very high speeds, as were mentioned in my opening comments. I think that's one part we've been able to show that within India we can deliver those types of speeds and latency and so on which I think is very positive. Then the bigger and the more important question is what specific use cases would be much more relevant in India. I mentioned in my opening comments, several partnerships, and alignments that we've done not only from technology suppliers, but also from other Indian startups and the entire gamut to come up with several areas of use cases that we are currently testing. We will be showcasing many of these use cases in the coming weeks. You will get a chance to hear more about the outcomes that are coming out of that which will give us a very good idea about the capabilities in the 5G space and what use cases will play in India. You will see much more information coming out in regards to that.

The last part of your question was around the standards and open RAN. We absolutely support open RAN. We believe open RAN is an alternative in the industry for breaking down different parts of the network and building in a customary kind of a manner. I think this is a global effort that is taking place in many countries. We are in close contact with Vodafone Group who are leaders in this space in developing this technology. We believe this is overall the future of open networks to come especially in 5G which will enable that going forward.

Sanjesh Jain: But have we tested any indigenous or right now the testing is on the standard equipments?

Ravinder Takkar: Testing several things but we're not willing to make announcements today.

Sanjesh Jain: So, the testing will also include some of the indigenous or disintegrated kind of equipment along with the standard ones?

Ravinder Takkar: We are supporters of the open RAN network which does include different elements rather than just end to end provider.

Sanjesh Jain: Just one last question before I end, can you give us some sense on the tariff hike, what is stopping us? We have been talking about tariff hike and you did mention about fundraise by end of fiscal and this is a clear roadmap for us, can you just elaborate on tariff hike side as well?

Ravinder Takkar: As I said there's some activity on tariff hike that has already started to happen which again I mentioned about it in some of the earlier questions as well. I can tell you that you will not find anybody more vocal about the fact that we do need tariff hikes in the country. I've stated in my opening comments also and I said that earlier as well that I believe the time for tariff hikes is certainly approaching and my hope is that as an industry, especially after this government reform package has been announced and the government has taken these very significant steps to shore up the industry, that tariff hikes which are the next important step will also take place soon. I think for us particularly as a company, we will not shy away from raising tariffs. If we are going to raise it we have to do it at the right time for our company and our customers and it's something that we obviously watch very closely, although we don't have anything to announce today.

Moderator: The next question is from the line of Vivekanand S from Ambit.

Vivekanand S: I have two questions. One is with respect to the offers that some of your rivals have recently come out with to lure new 2G users to 4G. Whether it's a subsidized device or whether it's a cash back scheme on various devices purchase by a new smart-phone user. What sort of impacts are we seeing on our base as far as the upgrade from 2G to 4G goes? Secondly, is it possible for you to help us understand the split of spectrum across the technologies, basically the liberalized spectrum I heard that you said in the beginning that most of the spectrum that was earlier in 3G has now been refarmed to 4G and you have deployed the requisite FDD site also. Is it possible to help us with the number in terms of percentage of the liberalized spectrum that is being used for 4G right now?

Ravinder Takkar: I can answer the second one very straightforward which is all 4G spectrum is liberalized. There is no 4G spectrum that is by default passive 4G spectrum when used for 4G which has to be liberalized. I don't think there is a percentage there that we consider that is non-liberalized. I'm not really sure but maybe I misunderstood your question. Of course, bulk of our spectrum is already liberalized as well. There are a few slots which are not restricted or given to us but bulk of our spectrum is liberalized and of course used for 4G. So that was the answer to your second question.

In regards to the first question, I'm assuming that you were referring to the phone launches and the cash back offers. First of all, I have to say that this is very early days. Those offers have just come out in the market and it's too early to say if there's any impact at all on those. The other comment that I would make in general on the devices itself, that it just seems to me like a model for financing because the way that we have done the math, we can see that there's a device and then there's some universal financing costs associated with it and you can buy it on installments or you can buy the device upfront. Frankly, this is no different than what we offer today in the market and we've been offering for a while on financing of devices. It's available through third-party financing companies and we've worked very closely that them and we also do it for many devices, so it doesn't have to be one device. We do it for a gamut of devices. The customer's choice is very much there and also in our case we do it not only for new devices but we also do it for refurbished devices. I think we offer a significant amount of choice to customers in that space and certainly what we see in the market today doesn't seem to be anything different at this time. Although as I said it's too early to say if there's going to be any impact of those because it's just not enough time yet.

Akshaya Moondra: Vivek, if I can add to the response on this spectrum detail, we have a total spectrum of 1,768 MHz out of which almost everything is liberalized. There is only 30 MHz which is administrative spectrum. Now out of 1768 MHz, we have got about 195MHzx2 in 2100 band. Most of it is now being used for 4G. In some cases, it is also that within a certain circle some will be used for 3G and some cities may have been refarmed to 4G, so it is not easy to quantify. But the direction is that 3G will be sunset over a period of time. As the subscribers keep on reducing, area by area, this will be refarmed to 4G. The way to further look at this would be that if we assume that till the time 2G is there, a single carrier of 2G which is about 10 MHz per circle over 22 circles, so roughly 220 MHz would be required for 2G, and the rest of it including whatever is being currently used for 3G will become available for 4G.

Moderator: The next question is from the line of Samuel Chen from Alliance Bernstein.

Samuel Chen: Just two questions from my side. I think the industry needs ARPU improvement, this is another question about the ARPU. But what I'm really curious is that we'll be hearing multiple operators basically waiting for other operators to race out to but recently one of your competitors has somewhat loosened their stance and mentioned that they are looking to achieve a certain level of ARPU by a certain timeline. It's my understanding that Vodafone Idea will more likely follow if your competitors are raising ARPU first or would you be more likely to take the first step?

Ravinder Takkar: We've been fairly clear that we are not in a situation where we say we will only follow or we will be always the first one to do. When we believe that it is the right time for our company and for our customer base, we will make that tariff increase and it has been evident. We have been slowly doing that as mentioned earlier in my opening comments both for prepaid customers as well as for some of the postpaid customers, for the family plan area as well as in the enterprise area. I don't think it is a question of whether we will follow somebody. We will do it when it is the right time for our company. What others decide to do what they choose to do obviously it's their prerogative and it's difficult for me to comment on their plans.

Samuel Chen: The second question is on the 5G spectrum. Obviously, the previous reserve price was very high. I think TRAI is reviewing the price at the moment. Would you guys discuss what your 5G spectrum strategy is, let's say if the price stays the same or if the price goes for a significant discount. Just kind of general comment will be great.

Ravinder Takkar: If the price remains the same, I expect that the outcome of the spectrum auction will be the same as last time which is that spectrum goes unallocated and there are no buyers for that spectrum. I assume that the price will have to decline. We've been saying as everybody else has been saying as well, that the prices are too high and they need to come down and really so our bidding strategy and how much spectrum we get will of course be depending on the pricing. But as of now the pricing of the market that's available unless we come up with new pricing from TRAI, we believe it's too expensive and hence the auctions have not been successful for this year.

Moderator: The next question is from the line of Aditya Bansal from Nomura.

Aditya Bansal: Just wanted to check if we need to provide any additional bank guarantees for availing moratorium on the spectrum dues, if not what happens to the existing bank guarantees that we have submitted for spectrum dues?

Ravinder Takkar: The cabinet reform package is actually going to reduce the number of bank guarantees that the government holds. There is clearly a reduction and reconciliation where they will bring down the performance-based guarantees. The amount will come down to 20% of what it is today and that process is already starting. On the spectrum dues itself, because there are no spectrum payments to be made for the next 4 years, there is essentially no requirement for bank guarantees until a period of time. The requirements today are that bank guarantees need to be given a year prior to when the payments are due. Since the moratorium is for 4 years, we believe that there is no bank guarantees requirement for the next 3 years till the payments become due. We expect that those bank guarantees (related to LF&SUC) will be returned as well as the spectrum bank guarantees to be returned.

The amount of the bank guarantee when they have to be paid will depend on the spectrum instalments and that depends on the amount that you have to pay basis the choices that you make in regard to the conversion of interest into equity and so on. Those decisions will drive the quantum, but we don't believe that there is any bank guarantee requirement for spectrum for the next 3 years.

Aditya Bansal: Have we heard anything from DoT on the return of the bank guarantees?

Ravinder Takkar: I think they are working on it and they're progressing. It's a big process and we've been giving bank guarantees for so long. There're so many spectrums bands across different circles and I think it's a monumental task for them to reconcile and return those appropriately. I'm sure that those processes will start very soon.

Aditya Bansal: Another one was on debt repayments which are coming due over the next few months. What are the options available with the company to service them, could you elaborate on this?

Akshaya Moondra: As I mentioned in my opening remarks, we are in discussions with lenders and investors for raising both debt and equity. These discussions also include some kind of arrangement of funding to meet the immediate maturities of debt which are coming up in the remaining part of FY22. We are working on this and are in a fairly advanced stages of discussion with our bankers and expect to have a conclusion soon.

Aditya Bansal: Lastly, are we looking at any handset tie-up to ring fence our own feature-phone subscribers?

Ravinder Takkar: Our strategy on handset has been very clear which is today we have arrangements with several providers both of handset manufacturer's as well as with the financing companies. We bring that tie-up bundling them together which can be purchased by our customers in the form of instalments through financing. We believe that is the best model because it provides choice to the customers on the type of devices and price points that they want to use. If somebody wants a Rs. 10,000 devices versus a Rs. 15,000 or Rs. 20,000, that's a choice that they can make and then they can appropriately finance that and it also depends on the type of handsets that they are using. We think that is the best option and we are currently offering that in the market. We offered that to our 2G customers who are looking to either get into the category by going into 4G or existing 4G customers who're looking to upgrade to potentially a higher spec device. We think that is the right strategy and we will continue to do that. Our tie-up is with many different handset manufacturers and at the same time with multiple financing companies to allow choice to customers. I also mentioned that we have tie-ups on refurbished handsets which also provide a great opportunity to customers who are looking to get into this category for the first time as well.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to Mr. Ravinder Takkar for closing comments.

Ravinder Takkar: Thank you. We hope that the disruptions post second wave of COVID are behind us as the massive vaccination drive continues. We are aware of our duty and the critical role we play to keep the nation connected and we will keep striving to provide uninterrupted services while maintaining exceptional quality of services.

We sincerely appreciate the government's recognition of the criticality of the telecom sector and the support provided by them to address several long standing issues faced by the sector. We will now focus on achieving our strategic goals with renewed vigour and with a clear intent to improve our competitive position in the marketplace. Thank You.

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