

## Earnings Conference Call Transcript

Event: Transcript of Indus Towers Limited Third Quarter Ended December 31<sup>st</sup>, 2020 Earnings Conference Call

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## Transcript of Indus Towers Limited Third Quarter Ended December 31, 2020 Earnings Conference Call

### CORPORATE PARTICIPANTS

**Mr. Bimal Dayal**

Managing Director and Chief Executive Officer – Indus Towers Limited

**Mr. Vikas Poddar**

Chief Financial Officer – Indus Towers Limited

**Mr. Vinod Rao**

Business Controller – Indus Towers Limited

**Mr. Kaustav Neogi**

Finance Controller - Indus Towers Limited

**Ms. Surabhi Chandna**

Chief Investor Relations Officer - Indus Towers Limited

### CALL PARTICIPANTS

**Mr. Sanjesh Jain**

ICICI Securities - Mumbai

**Mr. Kunal Vora**

BNP Paribas - Mumbai

**Mr. Aliasgar Shakir**

Motilal Oswal - Mumbai

**Mr. Varun Ahuja**

Credit Suisse - Singapore

**Mr. Vishnu K G**

JM Financial - Mumbai

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### PRESENTATION

**Ms. Rajyita – Moderator**

Good afternoon, ladies and gentlemen. I am Rajyita, the moderator for this conference. Welcome to Indus Towers Limited Third Quarter ended December 31, 2020 Earnings Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for all the participants on this call. In case of a natural disaster, the conference call will be culminated post an announcement. Present with us on the call today is the senior leadership team of Indus Towers Limited. Before I hand over the call, I must remind you that the overview and discussions today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face. I now hand over the call to our first speaker of the day, Mr. Bimal Dayal. Thank you and over to you, Mr. Dayal!

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

Thank you. Thank you very much and good afternoon everyone. Firstly, thank you all for joining us on the earnings call of Indus Towers Third Quarter Ended December 31, 2020. Let me introduce the team here today. Joining me on the call is Mr. Vikas Poddar, who has recently been appointed as the Chief Financial Officer. He joins us from Vodafone Group having undertaken several financial leadership roles with the most recent being Global Head of Finance for Vodafone Intelligent Solutions. With over 2 decades of experience in finance and operations management across sectors and roles, we believe he is a great addition to the Indus family and I personally look forward to working closely with him. Also present on call today are Mr. Vinod Rao, Business Controller and Acting Chief Financial Officer prior to Vikas' appointment; Mr. Kaustav Neogi, Finance Controller and Ms. Surabhi Chandna, Head - Investor Relations, and we look forward to our interactive session today.

It gives us a great pleasure to be here with all of you as this is the first conference call for Indus Towers following our merger with Bharti Infratel, which became effective during the quarter on 19<sup>th</sup> November 2020. Of course, it was long awaited. With the completion of this merger, Indus Towers is amongst the largest tower companies globally and largest towerco in India in terms of colocations served.

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Before I talk about the industry, I want to briefly touch upon who we are and our plans for the future, basically the softer stuff. At Indus, we believe that the only way to transform lives by enabling communication is through collaboration with all our stakeholders, and at the heart of this collaboration are our people, such as field staff, who over the years have not let any hindrance come in the way of achieving their goals, be it the COVID pandemic in the last year or natural calamities, such as cyclones and floods that ravaged different parts of the country, thereby serving customers and truly putting India first. With the merger, our teams are now present across the nation and ensuring continuity of services in some of the most important and difficult terrains of the country. It is a matter to be absolutely proud of.

Another testament to our people are the developments of last few months, where two large companies have come together with zero disruption to customers and other stakeholders. This is a result of strong collaboration across functions among a large number of employees. Internally too, there has been a smooth transition with alignment of organization structure and well-defined roles and responsibilities on day zero, so that we hit the ground running. This is even more commendable in the current pandemic where significant percentage of the company is still operating virtually.

I personally believe that the heart of a smooth-running company is the senior leadership team, which I am happy to report, is now complete and has a solid blend of competence and seniority that is required for registering and fostering innovation. The outcome of collaboration and a competent senior team from diverse background is the sustained focus on 5Cs, which we fondly narrate. 5Cs are Care for all, Communication, Control, Compliance and Competence, all leading towards higher delivery for our customers. As we speak, we are also in the process of revalidating our strategy internally that would guide the company towards what part.

For the all important, how part, we are in the process of adopting values framework, which incidentally forms the culture of any organization. With what being provided by strategy and how by the values and a great management team, we would be in a good shape to reap the benefits and convert opportunities, which I would be talking about subsequently. We will share the revalidated strategy with you in coming quarters.

Well, on the macro front, we strongly believe that building robust telecom infrastructure holds the potential to bring transformation change in the society. India continues to evolve as a digital market with COVID-19 playing the role of a catalyst. Technological change and industry disruptions seem to be accelerating and digital transformation networks are linking individuals, organizations and nations as never before. I am sure we all are experiencing the same in our own daily lives as well.

India continues to witness strong data growth trends. Based on industry disclosures in the quarter ending September 30, 2020, data volumes grew 25% to 30% year-on-year, which is an increase of over 6,000 petabytes. This is commendable since data volumes have grown exponentially in last 3 to 4 years. This, in my opinion, is surrogate marker for tower demand and augurs well for the industry. Globally, we are witnessing the advent of 5G, and if you have read press releases, including one yesterday from Bharti Airtel, India is not expected to be far behind. We believe over the next 12 months, the discussion on platforms, trials for use cases, discussion on spectrum availability and pricing will gather steam. This is whole new technology and a whole new paradigm.

Indus Towers will continue to stay nimble and collaborate closely with operators and the entire value chain for future deployments in 5G. It is an exciting thing, which we will be getting into soon, collectively. Meanwhile, Indus continues with its Smart City initiatives, which have opened a new avenue of growth for infrastructure providers like us. Plenty of new opportunities are arising for tower companies to focus on new business model hinged on fiber, small cell, data centers, Wi-Fi, Smart Cities and beyond, along with the macro towers business as well. The company is one of the largest providers of Smart City infrastructure with unique business model on the basis of Public Private Partnership (PPP) with 3 successful projects, New Delhi Municipal Corporation (NDMC), Vadodara Municipal Corporation (VMC) and Bhopal, and one under project phase, which is Dehradun Smart City currently.

To summarize, core business growth through densification and advent of 5G opportunity of newer businesses, hinged on fiber, small cells, data centers, Wi-Fi, Smart Cities and other non-telecom opportunities keep this space in very high relevance. All these opportunities make this space exciting and would be an essential input to the revalidation of Indus' strategy. I personally remain very excited about the positive developments in the market and the future with core business growing and newer businesses kicking in.

Before I pass on to Vikas to talk about operational and financial performance, I want to touch upon the merger. During the quarter, we received the formal order from National Company Law Tribunal (NCLT) on October 27, 2020, following which the merger scheme became effective on November 19, 2020. As part of the scheme, Vodafone Idea had elected to receive cash for its 11.15% shareholding in erstwhile Indus Towers, which amounted to Rs.37.6 billion. For their 42% and 4.85% shareholding in erstwhile Indus Towers, Vodafone Group Plc and Providence Equity Partners (PEP) were allocated approximately 758 million and 87 million equity shares aggregating to 28.12% and 3.25%, respectively, in the post issue share capital of the company. Bharti Airtel held 37.63% following the above allotment. Bharti Airtel, as you know, has since then acquired additional stake of just under 5% through open market, taking its holding to 41.73% in the company. Together, Bharti Airtel and Vodafone Group are classified as promoters of the company and they own 69.85% as on December 31, 2020. As disclosed earlier, the parties had agreed to a security package for benefit of the company, which could be evoked in event of Vodafone Idea is unable to satisfy certain payment obligations under its MSA agreement. This included a prepayment in cash of Rs.2,400 Crores by Vodafone Idea to the company in respect of future obligations under MSA, which has now been received. A primary pledge of ~190 million shares owned by Vodafone Group in the company for which the creation process is underway. Additionally, a secondary pledge over shares owned by Vodafone Group in the company with the additional liability cap of Rs.4,250 Crores.

Overall, the security package provides Indus a payment cover of one year for the operational payments due from Vodafone Idea. For the share swap, it must be highlighted that final merger ratio of 1,514 shares of Bharti Infratel for every 1 share of Indus Towers

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was lower than 1,565 as per the original press release of April 2018. This, coupled with earnings accretion of 7% to 8% based on annualized first half earnings makes the transaction a favorable one for the minority shareholders.

Well, with that, I would like to hand over the call to Vikas to take us through the operational and financial performance of the company. Over to you, Vikas!

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### Mr. Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Thank you, Bimal, for the warm welcome. Good afternoon, and hello to all the participants on this call. I look forward to our interactions going forward. It has been an exciting start for me, and I am pleased to share with you the results of the third quarter of the merged Indus Towers with the full consolidation of erstwhile Indus Towers and Bharti Infratel. A small update regarding our disclosures this quarter, while the merger was effective 19<sup>th</sup> November 2020, which is roughly in the middle of the third quarter, we have endeavored to present comparable data points that reflect the now Mergeco in our detailed quarterly report apart from the statutory accounts.

To make such comparables we have assumed as if the merger was effective throughout the period, and hence, these may not compare to the previous disclosures made by the premerger Bharti Infratel disclosures. But please do refer to the quarterly report for more details and specific notes pertaining to various data points.

Operationally, we have had one of the best quarters in our recent history, the tower base grew by 5% year-on-year and 2% quarter-on-quarter to 175,510 towers. Quarterly net tower additions of 3,416 towers were the highest in the last 6 years. Colocation base grew 2.9% year-on-year and 1.3% quarter-on-quarter to 318,310 colocations. Quarterly net colocation additions of 4,204 were the highest in the last 3 years.

Quarterly churn of colocations of 354 in the third quarter was the lowest in the last 4 years, and our closing colocation factor stood at 1.81 at the end of the quarter.

Coming to the financial highlights of the quarter, our revenues grew by about 5% year-on-year to Rs.67.36 billion. EBITDA grew by about 10% year-on-year to Rs.36.08 billion. Profit before tax grew by 3% year-on-year to Rs.18.38 billion. Profit after tax grew by 2% year-on-year to Rs.13.60 billion, and our operating free cash flows declined 4% year-on-year to Rs.18.76 billion. Our return on capital employed pretax and return on equity post-tax for the quarter were approximately 21% and 26%, respectively.

During the quarter, we have completed our merger as a result of which the company has received a security package that Bimal was referring to earlier, including a prepayment of Rs. 2,400 Crores (24 bn) from Vodafone Idea towards its future obligations. Due to these arrangements, the company has recognized contractual exit charges in the current quarter as the uncertainty with regard to receivables for the next one year has been mitigated.

The one-off impact in EBITDA in the quarter as a result of alignment of accounting practices and estimates between the erstwhile Indus Towers and Bharti Infratel is to the tune of approximately Rs.80 Crores (800 mn). Our energy margins continue to be in the red. As a background, with a move to passthrough by most operators, the margin expectations had previously been lowered to a range of 0% to 3% for the full year at a gross level. That is energy revenues less energy cost. However, we have witnessed an increase in disputes this year, which has led to negative margins so far in the year. Thus, we do not believe that this expectation is realistic for the current year.

In the long run, we do not believe passthrough model is sustainable as it causes significant drain on both operator and towerco, trying to resolve site-by-site issues. Moreover, neither side is incentivized to lower the use of diesel, which again is not environment friendly. Thus, we are working closely with our customers to go back to the fixed energy model, which is based on a win-win principle where operators can expect lower diesel consumption, all things being equal, and towerco can make a margin for any energy-saving investments that they did.

We hope to communicate our revised expectations in the coming quarters based on outcomes of these discussions. So with that, I would like to open the floor for question and answers, please.

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Thank you, Vikas.

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### Ms. Rajyita - Moderator

Thank you very much Sir. We will now begin the question and answer interactive session for all the participants who are connected to the audio conference service from Airtel. Due to time constraints we would request, if you could limit the number of questions to two to enable more participation. Hence management will take only two questions per participant to ensure maximum participation. Participants who wish to ask questions may please press “\*” “1” on their touchtone enabled telephone keypad. On pressing “\*” “1” participants will get a chance to present their questions on a first-in-line basis. To ask a question participants may please press “\*” “1” now. The first question comes from Mr. Sanjesh Jain from ICICI Securities, Mumbai. Mr. Jain, you may ask your question now.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

Good afternoon. Thanks for the opportunity. I got a few questions. First, on the tower side, we had pretty strong tower expansion. Can you give some sense in terms of where are these towers getting added more in are Tier 3, Tier 4 cities either to expand the coverage or we are seeing more addition in our metros and Tier 1 cities to decongest the network? If you can give some color there, that would be helpful. Thank you.

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Thank you. First of all, I think this is a healthy mix of both densification, which is taking place in urban areas as well as expansion to the Tier B or Tier C cities. So we cannot just put our finger and say this expansion is taking place in one direction. Hence, I would say this is a good mix of both in urban areas as well as in rural areas. I hope that answers.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

So can we say the mix is 50-50? Or it is more towards deeper coverage and less towards...Just wanted to understand the direction?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Well, for want of any better number, I would say this is a good mix, and you could, for practical purposes, take it 50-50. If you actually look at the operators' requirements, I think it is both, and they continue to be strongly in both the areas. While the capacity expansions are taking place because the data consumption is going through the roof, and obviously, there is a demand and need for opening up more areas as well, and I think it would be prudent to say it is a mixed bag here.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

Second question on the 5G side, we did mention that we are seeing 5G coming sooner in India. So, I think small cell and fiber business will become much more relevant with 5G coming in, and earlier Infratel, now Indus, probably we have been talking of having a business model for small cell, and we had an ambition to get into fiber. How do you see those two businesses?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Well, firstly, yes, 5G is coming, and it is a very exciting opportunity. We all agree and believe. Not only that this will change the paradigm, this would also I would say there will be a lot for the end users as well. So hence, there is an excitement within the ecosystem. Your question is more around the small cells and the ecosystem around it and how we are going to capture it. I think over the past a lot of attempts have been made, and we have encountered some success. Now when I actually talk about what we are going to do at Indus, we would certainly revalidate two things about our strategy, not only to how do we actually capture this business and how do we organize ourselves, and I think a revalidated strategy is what we would come back to you with. I think what should be accelerating or thrilling for or exciting for a team like this would be that there exists an opportunity and the size of the opportunity would only grow and I think the tower companies like ours are well entrenched to capture this space. I think fiber has been one enabler when it comes to small cells. There is a good amount of initial success, which we have witnessed. All we need to do is build upon our learning and take this initiative forward, so more when we go deep into our strategy.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

Got it. So I will save this question for the future. A couple of housekeeping questions. Can you just, Vikas, give us some direction because there is some volatility in the cost, particularly employee cost, other expenses and depreciation? We did mention that there is 80 Crore I guess, benefit on the EBITDA because of the merger. But if you can just give some sustainable number on these three costs, that would be helpful. That is one. Number two, on what is the outstanding penalty payment from the VIL as on 3Q?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

So I will direct this question to Kaustav. Kaustav, would you please like to take this?

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### Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited

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Yes. Thank you, Bimal, and good afternoon. I will take it in parts. So to the first question on costs, Vikas has said in the part of the call that we got 80 Crores around EBITDA as one-off under different heads. I would want to cover one or two big ones, which is on depreciation, which is obviously beyond EBITDA, which he spoke of. So the lives, we have aligned the lives of assets between both the companies at the time of merger. There is an impact of around Rs.150 Crores coming out of that, which is largely one time. So that explains the one-off, if you would remove that, depreciation line, I think is well explained, and on others, I would restrict to the fact that it is part of that INR 80 Crores, and if you knock those off, it would be more or less in line with earlier quarters. On the second question, I think on Vodafone Idea, is your question how much of exit revenue is spending? Is that your question?

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**Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai**

Yes. Correct. Correct.

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

So we have largely received our exit revenue, which is due is what I can confirm, and the situation which was there in the last quarter, a lot has changed in this quarter, and we referred to the security package earlier. Things are better than the last quarter is what I can confirm to you.

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**Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai**

No. Sorry, I did not get that part. When we say that we have received the entire penalty payments, is that what we are telling?

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

We have received large part of the penalty payment, only a few months are pending.

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**Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai**

Which we were supposed to receive it by FY2023 or 2024 around 12 installments that, that arrangement is no more valid is that understanding right?

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

No, no. That arrangement is still valid. We continue to bill on a monthly basis and receive on a monthly basis, which will continue for the next two years, depending on, some small settlements also happened in the middle. So that arrangement will continue. What we have billed, we have got most of the money. A few months are pending. That is what I am confirming.

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**Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai**

So whatever we have billed, we have received a large part of it, but that arrangement of quarterly payment will still continue. That I understand.

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

Yes, yes.

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

That is correct.

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**Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai**

What will be the quarterly run rate from here on?

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

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So we will be in the range of 180 Crores for the next few quarters, after that, it goes down because the 3-year period ends.

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**Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai**

Thank you. Best of luck.

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**Ms. Rajyita - Moderator**

Thank you, very much Mr. Jain. The next question come from Mr. Kunal Vora from BNP Paribas, Mumbai. Mr. Vora, you may ask your question now.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

Thanks for the opportunity. Just continuing on the previous question on exit penalty. So, this quarter amount was approximately 400 Crores, and next, if I am not mistaken, for about for quarters, it will be in the range of 180 Crores, and after that that amount will drop, is that understanding right?

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

So for the next for quarters, it would be high, so between 150 Crores to 180 Crores and then it will drop.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

How much will it be like in CY2022 in that case?

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

It is very insignificant in the range of, for a full year, it would be less than 100 Crores.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

Okay. Understood. So CY2021, around 700 Crore, and after that, it will be like a very, very tiny amount. Understood, fine, and...

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**Mr. Kaustav Neogi - Finance Controller - Indus Towers Limited**

It will stay up (high) till Q3 FY2022, which is December 2021.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

Second question on energy. So you are on fixed model earlier and then like it moved to pass-through, and now again, we are looking at fixed so what has triggered this move to pass-through? Was it the high margins you are making? And if you go back to fixed, would the margin be much lower compared to what you made in the past?

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

So once again, I think the initial trigger varies from customer to customer. I think, needless to say that the customers have their right to exercise and move from, let us say, fixed, which was working earlier to pass through. What we witnessed and transparently shared with you as well that there has been a pressure on the towerco side. I think interesting question here would be what would trigger them to come back into the fixed energy regime. In fact, I commented on the same topic last quarter that there is a clear realization and there is a clear understanding right now from both operator side and our side that one of the best aligned models is the fixed energy model. I think this is a large ticket here for both operators and us, and all I can say at this moment is it is work in progress. The realization, and I would say, empathization of going in this direction is higher than what used to be in the last quarter. I think in coming quarters, I am very hopeful that we will be aligning both our customers towards the fixed energy model. I think one thing which works very well, and we have been calling it as a win-win that I think no matter what model you operate, it has to be aligned for a cause, and the best alignment comes with the fixed energy in which we invest our good capex and recover through the

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energy margins, and obviously, it is beneficial for the operators. Just that we need to try harder to make these benefits clear and known to our operators, and I can assure you, we are working towards it.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

Understood, and is the increasing diesel price and declining solar power costs, is that also something which could trigger a move towards fixed and does saving some energy cost in the process?

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

Well, if your question is around the EB costs, diesel cost and of course falling renewable energy, I would take it at a higher level and say, yes, we, as a tower company are very willing to invest money in energy projects to bring the overall ecosystem cost down, and that is exactly where it hits the right spot for both our operators and us. I think this becomes the stickiness through which we actually would want to operate our fixed energy model. All I can say is we are closer than what we were earlier to get to the fixed energy model. So yes, you are right. I think this is one of the other things, which works in the favor of fixed energy.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

Understood, and my last question, you talked about like 5G networks and how IP-1 providers can play a role in providing shared transport network and shared trend. Can you talk about any discussions that you had with the operator so far, any commercial hurdles and regulatory hurdles like on the sharing part?

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

Well, first of all, if it is pure play, 5G, I think my take on 5G is it is probably exciting time for pretty much everybody, and 5G is not only about providing a common transport network. 5G is, means a lot for, let us say, tower companies, and I will probably try and give you a little bit of a long-ish answer when it comes to 5G. I think not only we are sensing the advent, and we also sense a competition between our operators, which is heating up as well, and I mean, as a concept, when operators compete for quality and technology elevation, I think all this is the launch pad for tower companies like us, and it augurs very well. As you would know that 5G will be launched in higher bands north of 3 GHz 3.4 to 3.6, essentially in higher bands, and also, if you go deeper into the technology, I think it provides 3 service levels, which is enhanced mobile broadband or mission-critical services or massive IoT. I think the first thing that will happen, and I think I am also keeping in mind the yesterday's announcement that initially, we will see the enhanced mobile broadband as the first thing to be rolled out where higher data rates will be made available. Initially, we will certainly see that 5G will come as a clear loading, and obviously, depending on how each of the operators takes it. The second thing that it would spur is definitely a bigger densification and push towards the indoor coverage, and I am assuming all this would ride a robust fiber backbone and fiber last mile. I think all these in parts form a great opportunity for, let's say, a company like ours. On the other hand, I foresee that the mission-critical services, which are more like the low latency network, I think, are a few years away, and I am hazarding a guess here, and it is my personal opinion that when those things come, I think we will certainly start to see data centers at the curb, which essentially is something which we can play a major, major role. As I mentioned in my opening speech, 5G, we believe it is a bundle of opportunities. We believe no single operator can possibly do it. It has to be with the collaboration and I think we are certainly ready, and in, I would say, eagerly awaiting the rollout, which will take place sooner than later of 5G. So I will probably restrict myself here rather than commenting on, let us say, one particular piece of 5G here.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

Thanks. That is very useful. That is it from my side.

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**Ms. Rajyita – Moderator**

Thank you very much Mr. Vora. The next question comes from Mr. Aliasgar Shakir from Motilal Oswal, Mumbai. Mr. Shakir, you may ask your question now.

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**Mr. Aliasgar Shakir - Motilal Oswal Securities Limited - Mumbai**

I just needed some color on your tenancy addition. So last couple of quarters has been quite good, and I mean contrary to our numbers, if we see our customers, Vodafone Idea has done very low capex. They have very low guidance as well, and you have their own network. Now I know you do not comment on a telco specific. But have the last couple of quarters mainly been high tenancy addition to service the big surge we may have seen in the data demand during lockdown? Just wanted some color in terms of how should we see the trend in tenancy addition going forward? And what is the demand kind of we are seeing, even if you do not give me any specific telco-driven, can you give overall color on the tenancy addition?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

So if I understand your question right, you are wanting a color on our tenancy addition, whether it is to do with the surge of data or it is to do with the coverage? Would that be your question?

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### Mr. Aliasgar Shakir - Motilal Oswal Securities Limited - Mumbai

Point is that the last 2 quarters, was it specifically only to service the surge in data demand, particularly during lockdown? Or is it like a kind of sustainable trend that we are seeing? It is more coming from the point of view that Vodafone Idea is not really probably guiding very aggressive capex. So then where is this really coming from?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Here is what I am going to answer, and in fact, in some ways, I have already answered this question. Firstly, this demand is certainly split. I do not have the clear number or a split for want of any other number, I would say. It is a good mix of, let us say, rural and urban which essentially means that it is coming in as data surge and obviously, the newer areas as well, and going any further would probably not be good because we do not give the split as to where it is coming from. I think from a tower company perspective, it would be great to note that even during these times, I think we got a good tailwind. Teams really collectively got together and delivered and continue to deliver such growth while we were in the process of merger. So I think this is something which I am really proud of, and I am proud to be sharing this with you.

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### Mr. Aliasgar Shakir - Motilal Oswal Securities Limited - Mumbai

Thank you. That is very helpful.

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### Ms. Rajyita – Moderator

Thank you very much Mr. Shakir. The next question comes from Mr. Varun Ahuja from Crédit Suisse, Singapore. Mr. Ahuja, you may ask your question now.

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### Mr. Varun Ahuja - Crédit Suisse - Singapore

I wanted to ask three questions. First, going back to 5G opportunity, which you have been highlighting it looks like, correct me if I am wrong, most of that opportunity will come when 3.5G is put into deployment, and it looks like given the spectrum pricing and their operators unwillingness to participate that may be delayed because even what Bharti Airtel, yesterday mentioned they are looking to use existing spectrum where they will already have the BTSs or Node Bs already there. So I just wanted to understand how do you see for the next few years, they use existing spectrum to offer 5G, which may also lead to more available capacities. But obviously, the true 5G experience will come with 3.5G and given uncertainty on it that opportunity may be delayed? Any views on that front will be helpful. Secondly, fiber, I think we have been hearing about the fiber opportunity for a long time, but looks like it has not catalyzed yet. Even the operators are not willing to, as in most of the operators are talking about putting in their own InViT structure. But you have not been able to participate in any of this opportunity to get the fiber from there. So how do you see it? And how, which part do you want to play in that and over the next few years? Lastly, I just want to go back to the previous question. I wanted to ask in a different way. Last two quarters, the growth in tenancy, how much, I know you can't give the exact number, but it is fair enough to say that largely driven by Airtel or Vodafone Idea and Jio also had some meaningful contribution? Any color on that one would be helpful. Thank you.

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Sure. So let me take your questions one after the other. Your first question was around 5G. With the spectrum clarity, etc., you believe, and I think this is the comment you made that we will see a delayed rollout and what do we see as an impact. I see this as right noise coming in early. I think when you start to, and this comes historically as well. Once the operators start to make and claim this leadership space, I believe the race already has started. Now had this not happened, I think we would not have actually been able to say it will happen with certainty in X period of time. All these things augur very well. In my opinion, it is not delayed. The whole song and dance first to claim the space, then get into the platforms, then get into the use cases and then get into the spectrum auction, I think these are the steps. We have followed those steps as well in the past, and I think there is no reason why we will not follow the steps in 5G. As I mentioned, the initial 5G rollout of course, will come as loading depending on how each operator tries to roll out 5G. But I think the way technology is, the way the bands are, I think it will open up a lot more avenues, and we certainly are looking forward to capturing all the avenues here and convert it into a very good package for a company like ours. Of course, I have been saying this that we are revalidating our strategy, and this was certainly from one of the inputs for our

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strategy, and be organized according to the market conditions. So that is my quick response on 5G. A portion of the response I already gave. Well, you are absolutely right. When it comes to fiber, we have been talking about fiber for quite some time, and obviously, this has not grown the way we had envisaged. However, where we stand, there is enough and more room left still in connecting the towers. We are still south of 30% connected towers, where we are heading, and we are talking about 5G. There is enough and more room to connect the last mile, and that is where we certainly want to play to create stickiness of our assets. Once again, we do believe that we will be able to crack this going forward, and obviously, this also will form part of how we organize ourselves in the future. Third question I thought we have answered this question. As we do not give you splits according to the customer, and it is not right on our part to give, and hence, we cannot go any further than giving you what the rollout is. Where this rollout is taking place, which is roughly urban and rural mix here. Beyond this, I do not think I can give any further color on which customer because it might not be right on our part to be sharing this data. Needless to say that such questions came in a quarter before, and I think at least in the last three quarters, we have kind of upped our game in terms of number of tower additions, and I think that trend, you would possibly be noticing. So thank you. I hope I have answered your questions, Varun.

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### Mr. Varun Ahuja - Crédit Suisse - Singapore

Sure. No, now you have, and just last one follow-up. So when you say if they use existing spectrum, it will result in loading. So will they put some additional equipment or is it just a pure software upgrade? Any color on that will be helpful.

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Let me be honest here. I do believe that all this has to be detailed out, and we will certainly come back on more on this. It also depends on operators' strategies and how far they want to go. So at this moment, my best estimate is it will lead to the loading, more details coming in can share with you during the future interactions.

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### Mr. Varun Ahuja - Crédit Suisse - Singapore

Thank you very much. This is very helpful.

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### Ms. Rajyita – Moderator

Thanks, Mr. Ahuja. The next question come from Mr. Vishnu K G from JMFL, Mumbai. Mr. Vishnu, you may ask your question now.

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### Mr. Mr. Vishnu K G - JM Financial Institutional Securities Limited - Mumbai

Thank you for the opportunity. So just wanted to quickly pick your brains on the fiber part, I mean, as you mentioned, we are still at sub 30% coverage as far as fiber goes, and it is our understanding that despite there been a model RoW there are industry discrepancies on it. So from a 5G perspective, do you foresee any supply challenges from the tower company side like, I mean, the fiber infrastructure and the overall infrastructure not being ready before the operators launch 5G? Thank you.

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Well, that is the beauty of this business, and better we plan, the better it gets, and obviously, when we are talking of 5G and super high speeds, we buy, let us say, expensive spectrum, and if we do not dimension our backhaul and our back end, obviously, this becomes a very constricting thing. I also believe that this is a world of collaborations, and hence, our collaboration, our proximity to our customers would result in a lot of things which we can do to make sure the time to market for 5G is reduced, which includes not only things like what you just mentioned. I also believe that given the current circumstances, which are more the stretched balance sheets, I think the role of infrastructure providers like ours has certainly gone up. This is a great opening, which we are sitting with, and we can go ahead and invest good capex here to cut down the time to market on 5G. Case in point, cracking the models on fiber and also when mission-critical services come, I think it is an interesting opportunity to get the data centers to the curb, and I think all those things, we are very excited about and obviously, this brings us and our industry into great relevance, and I think this is what keeps me, I would say, excited about this industry.

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### Mr. Vishnu K G - JM Financial Institutional Securities Limited - Mumbai

Thank you.

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### Ms. Rajyita – Moderator

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Thank you, very much Mr. Vishnu. We do have a follow-up question from Mr. Sanjesh Jain from ICICI Securities, Mumbai. Mr. Jain, you may ask your question now.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

One follow-up on the loading, during 4G, though there was a massive loading done by Airtel, which they disclosed in their KPIs, but we have not seen a great amount of revenue accretion to Bharti Infratel and Indus then. Is there any change in the model? How should we see the loading as a concept with single ran BTS being at play, is loading even relevant from the overall revenue perspective? The second part of the question is more 5G, on the 5G. Now given that 5G would be more distributed antenna massive MIMO, which will have a much larger weight and much larger size than a normal antenna. Do we anticipate a much higher loading revenue in the future, unlike in 4G?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Firstly, point blank answer to your first question, yes, loading is very, very relevant, even in terms of 4G as well. If you actually start to look at the thumb rule, loading definitely gives surrogate to a lot of tenancies and a lot of let us say when mergers happened between, let us say, Vodafone Idea, the whole thing resulted in good loading uptake for the company. Hence, for us, I think our MSA protects pretty much any such thing happening. You might argue, depending on some of the global practices, whether this loading revenue is enough or not. I think given the current the scheme of things, revenues, etc., on the operator side, I think it is a very good model, which works both ways for operators and for us. Bringing this into 5G, I would say this remains to be seen. But once again, the scenario, which you have mentioned, of course, our MSA once again protects us and gives us the loading revenue there. But I would not like to conclusively say this would be the case until we actually look at the bands and the rollout strategies for the operators. One thing I am really glad about is that no matter what scenarios, I think our MSAs have kind of protected and worked both ways in terms of, both for the operators who are the first movers and the second tenant getting the benefit, and obviously, across technologies so far. So I am pretty hopeful that more clarity we have on how this will be rolled out with nuts and bolts on the table. We will be very happy to interact and share on this topic.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

Yes. Just if there is what, Airtel yesterday demonstrated was a dynamic sharing, spectrum sharing through which they wanted to test 5G, in which case, there will be no additional antenna or there will be no additional equipment put on a network. Will there be a trigger of any loading revenue for us?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Well, once again, need to look at the nuts and bolts as I said. So I would hate to comment specifically right now. It is too early to comment, Mr. Jain.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

No, no. But we have seen this case earlier as well, right? When Vodafone did dynamic spectrum sharing for the 3G and 4G, so we have an empirical evidence in terms of loading. Did that trigger any additional loading revenue for us?

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### Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited

Well, I am not sure about what you are talking about. So maybe we can take this specifically separately.

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### Mr. Sanjesh Jain - ICICI Securities Limited - Mumbai

Thank you.

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### Ms. Rajyita – Moderator

Thank you very much Mr. Jain. We do have another follow-up question from Mr. Kunal Vora from BNP Paribas, Mumbai. Mr. Vora you may ask your question now.

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### Mr. Kunal Vora - BNP Paribas - Mumbai

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The special dividend that has been declared this quarter, does this impact the regular dividend in any way? Or this is just incremental one time?

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

Vinod, may I request you to take this one.

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**Mr. Vinod Rao – Business Controller – Indus Towers Limited**

This is Vinod Rao here. This special dividend that has declared, it does not affect anything else. It is this special dividend, as you would have seen some of the announcements that came up on 19 or around 19 November 2020. It is part of that package. So it does not affect anything for FY2021 and going forward.

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**Mr. Kunal Vora - BNP Paribas**

Last one, you have around 4,500 sites for which you received exit notices, of which only 350 were actually received this quarter. So why has the operator given such a long notice on exits and while the notice has been received, but the exits have not happened. Like can you just talk us through it, like what is the process? And like after giving exit notice, how long can they hold on?

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

I would request Vinod to take this one, please. Thanks, Vinod.

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**Mr. Vinod Rao – Business Controller – Indus Towers Limited**

The exit notices that we get, it is usually something where the operator takes, they give an exit notice, and they take a couple of months to finalize their network plan, and then they exit the site. So while we report the churn, there is billing which we continue to do and accrue the revenue till they actually exit.

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

This is just a time lag.

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**Mr. Kunal Vora - BNP Paribas - Mumbai**

But the time lag is, like, say, more than 3 months because of the 4,500, only about 350 were received this quarter and like more than 4,000 notices have been given like at least 4-5 months back, and the exit has still not taken place. So is it that they have to give it like well in advance, like, say 6 months, 1 year in advance? How does it work?

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**Mr. Vinod Rao – Business Controller – Indus Towers Limited**

So they give the exit notices as per their plan for the network integration that they do. The MSA allows every operator or some of the operators to exit x percentage of the sites on an annual basis. So I think overall, the time line for them is that annual the year-end to sort of finalize what they need to do.

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**Ms. Surabhi Chandna - Chief Investor Relations Officer - Indus Towers Limited**

Also if I may add, there is always going to be a rolling effect of this. So this 4,000 may not tally with the last quarter because we will continue to keep updating this number. So this is just a static data going for that date. But of course, we would have had some exits in the quarter, more notices could have come and things like that. But I would say that do look at it with a bit of lag cumulative effect.

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**Ms. Rajyita – Moderator**

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Thank you very much Mr. Vora. At this moment, there are no further questions from participants. I would now hand over the call proceedings to Mr. Bimal Dayal for the final remarks.

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**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Indus Towers Limited**

Well, firstly, thank you very much for all of you who have joined in, and thank you for your insightful questions. We remain excited and alert about all the things going on in the industry and the opportunities. I think one thing I would like to table here is the chronology, I think last January-February, the kind of narratives, we were listening to were AGR and a gloom-and-doom scenario, and I think I am glad the kind of questions we received today, which are around newer businesses, opportunities and 5G. The sheer narratives from each one of you actually tells us that the page has really turned, and we are actually looking forward within the industry. Good news is besides our existing business model, which remains robust, we also have newer opportunities to take care, and that is where we are actually putting our focus and concentration. I look forward to the next session and interaction, maybe coming quarter or in between. But once again, thank you from entire Indus Towers team to all of you to have joined in. Have a great day. Good luck. Thank you very much.

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**Ms. Rajyita – Moderator**

Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines. Thank you for connecting to audio conference service from Airtel and have a pleasant evening.