

## Earnings Conference Call Transcript

Event: Bharti Infratel Limited First Quarter ended June 30, 2013 Earnings Call

Event Date/Time: July 29, 2013 at 1500 hrs

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

**CORPORATE PARTICIPANTS****Akhil Gupta**

Vice Chairman and Managing Director – Bharti Infratel Limited

**Devender Singh Rawat**

Chief Executive Officer – Bharti Infratel Limited

**Pankaj Miglani**

Chief Financial Officer – Bharti Infratel Limited

**Harjeet Kohli**

Group Treasurer - Bharti Group

**CONFERENCE CALL PARTICIPANTS****Kunal Vora**

BNP Paribas – Mumbai

**G V Giri**

IIFL Capital - Mumbai

**Rahul Singh**

Standard Chartered Securities – Mumbai

**Vinay Jai Singh**

Morgan Stanley - Mumbai

**Gaurav Malhotra**

Citigroup - Mumbai

**Reena Verma**

DSP Merrill Lynch - Mumbai

**Srinivas Rao**

Deutsche Bank - Mumbai

**Rajiv Sharma**

HSBC Securities - Mumbai

**Pankaj Suri**

Nomura - Mumbai

**Himanshu Shah**

HDFC Securities - Mumbai

**Sanjay Chawla**

JM Financial - Mumbai

**Hitesh Shah**

IDFC Securities - Mumbai

---

**PRESENTATION****Shareena - Moderator**

Good afternoon ladies and gentlemen, I am Shareena, the moderator for this conference. Welcome to the Bharti Infratel Limited First Quarter ended June 30, 2013 Earnings Call. For the duration of the presentation, all participant 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. Present with us on the call today is the Senior Leadership team of Bharti Infratel 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. Harjeet Kohli. Thank you and over to you Mr. Kohli.

---

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**


---

Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Bharti Airtel Limited.

## Bharti Infratel Limited First Quarter ended June 30, 2013

Very good afternoon to all of you. Thanks a lot for joining the call. Let me introduce the Infratel team here in the room. We have our Vice Chairman & Managing Director Mr. Akhil Gupta, we have our Chief Executive Officer Mr. D. S. Rawat, we have Director on board Mr. Sarvjeet Dhillon, and we have our Chief Financial Officer Mr. Pankaj Miglani. Incidentally today Akhil is carrying a bit of voice infection so he will not be able to deliver the opening remarks or may not necessarily have the ability to answer the questions. He is very much around in the room though, so Akhil & I are requesting Mr. D. S. Rawat, the Chief Executive Officer to take over the proceedings and actually open the call with the initial remarks.

### Devender Singh Rawat – Chief Executive Officer – Bharti Infratel Limited

Thank you Harjeet! Very good afternoon and thank you for joining us today for our results for the quarter ended June 30, 2013. To give you a perspective of the market itself, Indian Telecom operator industry continues with its growth momentum. Operators continue to rollout towers for covering voice related gaps and providing data services with renewed focus while the regulatory environment seems to be clearing and boding more favorably towards the industry, a slight degree of uncertainty still prevails primarily on account of spectrum auction, spectrum pricing and some of the other issues that are pending for onetime payment etc.

At the same time operators who have rebid and won the licenses are rolling out with a careful rigor to generate economic returns and sharing

enhances and helps sustain this, creating a win-win situation for Tower Company's. Good news is that Data continues to be a strong focus area for operators and we are seeing incremental contribution from that, almost every operator is seeing 20% to 25% sequential quarter data traffic growth and a natural corollary to that would give the benefit that would accrue to tower companies.

Pricing power also seems to be returning to the operators leading to a better health of the industry itself and the viability of the sector.

Hence overall we are at an inflection point where we are seeing some early signs of meaningful demand turnaround although still at a very early stages but certainly pointing at the right direction.

As we have been mentioning the beauty of the tower business is that at times of aggressive operator rollout the tower companies witnessed significant growth whereas in times of operator slowdown this business generates significant cash flow.

Before I talk about the performance I will take a few minutes to address the changes in the quarter. As you are aware effective June 10, 2013 tower assets owned by Bharti Infratel Ventures Limited, a subsidiary of Bharti Infratel Limited will be merged into Indus Tower Limited as per the Delhi High Court ruling.

I will highlight the specific financials and operational impact of this merger on each metric as I take you through the financials. Most of these are not one-offs and can be treated as a new base line. Coming to the quarterly performance total tower base at 82,321, co-locations at 158,038, average sharing factor 1.91, sharing revenue per sharing operator remains steady. Our consolidated revenue for the quarter was at Rs.26.22 billion, a year on year growth of 9%. On a quarter on quarter basis, this quarter's revenues were impacted adversely by Rs.500 million due to the absence of IRU income as a result of this merger.

EBITDA for the quarter came in at 10,550 million, up 5% quarter-on-quarter and 19% year-on-year. The EBITDA was impacted favorably by about Rs.143 million on account of merger due to RE, Revenue Equalization being restated for the full year on the contract as against the IRU period which was a case earlier.

At the same time, EBITDA was also lifted due to certain changes in accounting for municipal taxes at Indus roughly by about 50 million. Profit after tax for the quarter was Rs.3576 million, up 24% quarter-on-quarter and 68% year-on-year. The merger caused a favorable impact on Profit after tax to the tune of Rs.350 million. Certain income tax income refund received also favored the Profit after tax.

Operating free cash flow came in strong at Rs.6727 million, up 36% quarter-on-quarter, 65% on a year-on-year basis. Average residual life of all our contracts as of June exit is 7.4 years. In an industry like this where operating leverage is very high and we are spreading the existing assets the return on capital and return on equity climbs steeply after a certain stage. We are already seeing that situation as of this quarter exit ROCE continues to inch up and it is early teens right now already at 11.7% at a time when our overall sharing factor are just under 2. There is a significant incremental growth upside from data as well as voice, at these levels of tenancies we are already hitting the sweet spot for this industry and that is a matter of great pride and further testifies the strength of our vision, operation excellence and execution capabilities. Hence the underlying strength of the business model remains where tower demand translates into an even higher tenancy demand causing a multiplier effect on revenues, EBITDAs and even higher multiplication on PBT and cash flow. As an example, over the last year towers and tenancies have grown by 4%, revenue has grown 9%; EBITDA has expanded by 19%, PAT over 68% and OFCF by 65%.

Our efforts continue to be recognized by the regulatory authorities too. The DOT has admitted therein that Telecom installations are lifeline installations and a critical infrastructure in mobile communication in order to avoid disruption in mobile communication and essential service it has been advised that ceiling of BTS, towers discontinuation of electricity may not be resorted without the consent of respective term cell, which is the DOT body created in each of the state.

The company has special focus on energy management and has taken strong steps towards the reduction of carbon footprint, the circles where the company operates are particularly poor in terms of grid supply, and the company is introducing solar power in a significant manner in its network.

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

To sum up we have been mentioning over the last few quarters that operator rollout have been soft; however, the operator environment is continuing to improve for the better, both in its operational and financial performance. Besides the regulatory clarity and hence the tower industry is also well poised to come up with it. At the same time data outlook is also very positive and provides a favorable upward bias in the tower industry outlook. Already at a very healthy ROCE of 11.7% when tenancy levels are just under 2 the company is very well poised and extremely focused to meet the benefits from the growth upside and its associated financial returns.

With that I like to hand it over back to the operators so that we can take question-and-answers.

**Shareena - 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 to ensure maximum participation. Participants who wish to ask questions may please press “\*1” on their touchtone enable telephone keypad. On pressing “\*1” participants will get a chance to present their questions on a first in line basis. To ask a question participant may please press “\*1” now. The first question comes from Mr. Kunal Vora from BNP Paribas Mumbai. Mr. Vora you may ask your question now.

**Kunal Vora – BNP Paribas – Mumbai**

Thank you sir thanks of the opportunity. My first question is on the RCOM Jio deal. How do you look at the deal and can you please help, like your views about there could be any pressure on an industry rentals or does it set a benchmark in the pricing of any kind. Second question sir is on the CapEx, CapEx for the quarter seems pretty low like if I look at over the last few quarters, this is amongst the lowest. Is there any seasonality or is it because of weak gross ads during the quarter? Thank you.

**Devender Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Thank you Mr. Vora. Firstly on the RCOM, RIL deal itself there is only that much information available in the public domain as you probably have read in the Newspaper about 12,000 Crores so I do not know if I can comment about the deal itself. The larger perspective and this has been more in our discussions in our calls earlier too, the good signs that I see is clearly from the fact that I was getting a questions of Rs. 1 lakh tower or Rs. 2 lakh tower earlier, we clearly are establishing the fact that sharing based model is the model to go and towers are required for Reliance Jio too. The fact that they are going to sign up for 45,000 towers there. So the sharing model is clearly something which is taken off given again data is at higher frequency we believe all operators are our customers and going forward we do not rule out the possibility of having them to as our customers insites where our towers already present. Currently we do not see any pressure on the pricing from our existing operators, we continue to add and gain market share as we move forward in our current rollout. Coming to your second question on CapEx yes the quarter has been weak in terms of operators not rolling out new sites as many as we would have liked them to and clearly this is more driven by operator themselves looking at clarity on the regulatory situation and also looking at consolidating in the areas that they are present instead of rolling out into newer territories. So tenancy growth remains healthy. You can see that from the numbers. The new tower rollout definitely has been lower and hence translating to lower CapEx too.

**Kunal Vora – BNP Paribas – Mumbai**

Is there any seasonality or if you like you expect this level of CapEx would continue and overall annual CapEx should be lower year-on-year basis?

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

I think CapEx guidance at this moment remains largely the same what we had mentioned earlier. This quarter has been slightly lower but that DS was mentioning it more because of the some bit of churn and toil that had happened in the industry post the second round of auctions and all. But as you know either way the good news we are the model is either ways we get benefited, so if you have a lower CapEx you have higher operating free cash flow in your hands so by that token I think it is a nicely head situation by itself. But on the CapEx guidance we remain on the same numbers that we had given earlier.

**Kunal Vora – BNP Paribas – Mumbai**

Okay great thank you.

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

**Shareena – Moderator**

Thank you very much Mr.Vora.The next question comes from Mr.G. V. Giri from IIFL Capital, Mumbai.Mr.Giri you may ask your question now.

**G V Giri – IIFL Capital - Mumbai**

I just have question on revenue growth.If I have done it correctly then after reversing the adjustments for the special accounting of the two three items you have mentioned your revenue quarter-on-quarter should have changed only by about 0.1%, so apples-to-apples so if that is correct then my question is that why should the revenue not have grown by more because you have some annual rental escalation kicking in, in each of your towers every month, I suppose depending on how do you spread out, so there should be some growth coming through every quarter even on a constant tenancybasis so why do not we see that in the top line?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Hi Giri this is Pankaj.If you really look at from a revenue growth perspective I think this quarter we have seen revenue growing by around 1% rather than 0.1 which is primarily after adjusting for the merger impact which we have quantified. So, there is a 1% growth which has happened, obviously the growth is lower primarily due to the churn which we had seen happening in Q4 and hence you know that impact has shown in, in this quarter

**G.V. Giri – IIFL Capital - Mumbai**

Your energy reimbursement was about 1032 Crores last quarter and now its 1013 so what is the story, what type of reason is there, is it seasonality early monsoon or something like that?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

I think those numbers if you look at that line item, that line item is a composition of energy plus certain other reimbursements so there was work being done on the municipal taxes which forms part of that line item and that in this quarter has led to overall revenue going down. As far as the pure energy reimbursements are concerned, the energy reimbursements are increasing on a quarter on quarter basis primarily being driven by the diesel and EB rates hike plus the Co-locations which we have bought during the quarter.

**G.V. Giri – IIFL Capital – Mumbai**

Okay and this energy reimbursement 1013 that can be taken as a new base line right?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

No, as I said you know there was a bit of an actualization which has happened on account of certain reimbursement of taxes in this quarter which as far as the next quarter is concerned we should see that actualization not being there and hence we will see a slightly higher number than what is getting reported this quarter.

**G.V. Giri – IIFL Capital – Mumbai**

So how much should that one time component be?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

So that one time number is approximately around 240 Million.

**Devender Singh Rawat - Chief Executive Officer – Bharti Infratel Limited**

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

Giri just to add, you had asked about 2.5% escalation, just want to bring out that that's already factored into revenue equalization what you are seeing as growth is the absolute growth there, that 2.5% on the annual contracts is actually straight lined by the requirement of financial reporting through the column where we report revenue equalization.

---

**Shareena – Moderator**

Thank you very much Mr. Giri. The next question comes from Mr. Rahul Singh from Standard Chartered Securities, Mumbai. Mr. Singh you may ask your question now.

---

**Rahul Singh – Standard Chartered Securities – Mumbai**

Hi, good afternoon, on the short term loans and advances while that has come down because of the repayment of loan the other noncurrent assets have moved up by about 900 Crores so just wanted to understand the reason for that, that's question No.1.No.2 is you also mentioned in your opening statement that there was Indus accounting change which impacted the EBITDA positively by 50 Million, is that number correct and what was that on account for?

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

The increase in the noncurrent assets are finally happening on account of the recognition happening of revenue equalization by Indus due to merger wherein we have now accounted the revenue basis the actual contract period rather than the IRU period and hence you see that increase, that increase itself is approximately around 700 Crores.

---

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

Yes, I think he is also, what he's also referring to Pankaj is the 970 odd crores, the non current liability.

---

**Rahul Singh – Standard Chartered Securities – Mumbai**

And the Indus 50 Million what was that on account of, the accounting changes in Indus?

---

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

Rahul, that was as DS was mentioning earlier the municipal and taxes and other things on the energy and the other reimbursement, Indus stream did it through actual revenue receipts to the costs they had, so revenues actually went down but net effect on the EBITDA was about 5 Crores positive, on account of that.

---

**Rahul Singh – Standard Chartered Securities – Mumbai**

So both 143 and 500 is more like a recurring thing?

---

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

Not Really, one time in nature and then siding to the centre line rather than, this

---

**Shareena – Moderator**

Thank you very much Mr. Singh. The next question comes from Mr. Vinay Jai Singh from Morgan Stanley, Mumbai. Mr. Singh you may ask your question now.

---

**Vinay Jai Singh – Morgan Stanley - Mumbai**

Thank you so much. My first question is the depreciation as you mentioned you know this quarter the net depreciation for the company is a bit lower because of the accounting changes, is this the right run rate to look at because of the merger occurred on June 10 or do we expect a major change next quarter or is this the right number that's my first question? My second question is the passthrough charges and the revenues received on power, if I see the differential between that, this

## Bharti Infratel Limited First Quarter ended June 30, 2013

quarter seems to be a tad bit lower than the last couple of quarters which probably means the EBITDA contribution from power or energy has been a bit lower, any reason there?

---

### Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited

I'll take the first question first. As far as the depreciation is concerned as compared to last quarter this is the impact of IRUs getting eliminated and the actual depreciation flowing in on account of BIVL being acquired by Indus and you are right in presuming, this should actually act as the new baseline for future.

---

### Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited

On the power let me add that we are moving increasingly towards the rate card based contract and there is a bit of seasonality in the first quarter that kicks in where depending on the stage that we are operating on there is the seasonality aspect that kicks in, and in Indus, other than that you also saw rates and taxes moving away from this so those were the two changes there.

---

### Vinay Jai Singh – Morgan Stanley - Mumbai

Sure sir but is this more or less the incremental EBITDA that you get from power every quarter or I am trying to gauge what are the incremental revenues one can earn from all the work you guys are doing on the power or the energy front?

---

### Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited

On the power I think it is probably better to look at a year on year comparison rather than looking at a quarter on quarter basis. On your question of EBITDA as we are going ahead and increasing investments on power we expect, as I said, to make thin margin, we are not looking at making huge margins in power as we move forward, so to answer your question on a year on year basis we will be looking at a similar kind of margin or a shade higher than what we have, depending on the CapEx that we have deployed towards some of these solutions.

---

### Shareena – Moderator

Thank you very much Mr. Singh. The next question comes from Mr. Gaurav Malhotra from Citi Group, Mumbai. Mr. Malhotra, you may ask your question now.

---

### Gaurav Malhotra – Citigroup - Mumbai

Hi, thanks for the opportunity, just couple of questions, one is on the gross tenancy additions, we have seen that has come off quite meaningfully in this quarter, so any thoughts on that, that is the first question, second is on the IRU, in the notes to accounts it is mentioned that the net worth is going up almost 500 Crores so if you could just give us some sense of why this number is moving up that is it.

---

### Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited

Yes on a gross basis it is lower than the last quarter and from a net basis it is higher obviously from the last year than we had taken some tenancies which had exited us in the last year.

---

### Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited

The net worth is essentially because of the shareholder funds increasing because revenue equalization which was earlier taken on IRU towers was taken only for the period of IRU commitment, let's say responsibility commitment of two years, three years for IRUs given to the Indus Group, now that the whole residual life of the full lease is available at Indus because the towers are owned by them you get a higher revenue equalization reserve and assets so I think that 500 odd Crores difference is making small little changes in network. Fixed assets have been revalued but if you recall when Bharti Infratel gave the demerger towards Bharti Infratel Ventures Limited, we did revalue most of them. So there is a minor change – really not meaningful on the fixed assets but revenue equalization is giving the net worth difference.

---

### Shareena – Moderator

---

Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Bharti Airtel Limited.

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

Thank you very much Mr. Malhotra. The next question comes from Ms. Reena Verma from DSP Merrill Lynch, Mumbai. Ms. Verma, you may ask your question now.

---

**Reena Verma – DSP Merrill Lynch - Mumbai**

Hi thank you for the call, just a few questions, firstly in your opening remarks you mentioned that you are seeing early signs of the demand turnaround, would it be possible for you to add little bit more color in terms of which numbers if they are already public you are referring to or which month you are referring to please in terms of the demand turnaround and my second question is on your consolidated margin, if I was to adjust that for the revenue and expense impact of the Indus merger it appears that you have had margin slippage, would that assessment be right and then why would you have margin slippage and just my last question is on your pass-through revenue for Indus, is there something happening there because even if I add back to the 240 Million Rupees that you mentioned as the rate and tax adjustments even then I seem to be getting slippage quarter on quarter so if you can please help me out with these three questions, thank you.

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Reena to answer the first one in terms of seeing some clarity we have mentioned this even in the last quarter when the first part of uncertainty of operators who went through a license cancellation were rebidding and winning the license so what we have seen clearly is those who have won, the territories that they have won are the operators who started to roll out on these territories and that is what has shown up on the gross numbers last time. While there was a churn on account of operator exits to that is something which is now kind of getting behind us and what we are seeing now is these operators who won the license back have started to roll out in these territories. There are still some more that are kind of waiting for the final clarity on all the aspects whether it is third round of bidding or one time license fee that still continues. So the early part when we said was more related to voice growth that we have seen in the category B and C circles, in category A we are still seeing operators put insides to see that their 3G coverage is up to the mark.

---

**Reena Verma – DSP Merrill Lynch - Mumbai**

Thank you sir. Does that mean that it's a recent phenomenon just ruled out by smaller operators or it's captured in the Q1 numbers?

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

It is already captured. The initial part has started to come in as request and is already reflected in our numbers too but some of these are also coming as loading towards 4G and 3G deployments that we are seeing in the market place now, especially in category A&B circles.

---

**Reena Verma – DSP Merrill Lynch - Mumbai**

Right so this is the end of quarter phenomenon that you were referring to, it's already reflected in Q1.

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Yes to some extent there are some people who have waiting now you must have seen the latest third round bidding that is likely to happen for these cancelled licenses once you have clarity on those you will probably start seeing the lights of Videocon and others also making their own roll out.

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

As far as the second question is concerned, I do not know where we are picking up the numbers but if I look from March adjusted for the merger amount what we have given in fact the margin is moving from 37.7 to 38.9 so there is not any slippage until unless I am missing out on something.

---

**Reena Verma – DSP Merrill Lynch - Mumbai**

No, it could not be a mistake on your part but you know I am adding that 500 Million Rupees to your reported revenue for Q1 and deducting 643 Million from your reported EBITDA that gives me a 37.1% margin versus 37.7 last quarter.



<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Reena, if we have to see that 500 when we are adjusting to revenue as far as the EBITDA impact is concerned EBITDA is only 14 Crores, so expense is around 64 and revenue is around 50.

**ReenaVerma – DSP Merrill Lynch - Mumbai**

Ya Sorry, my bad. I am sorry about that, and just related to that you know your other expenses which have gone down by more than 240 Million which is the rates and taxes you mentioned you know what is happening to other expenses, why have they fallen so sharply?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Other expenses is itself the rates and taxes what I said you know so the rates and taxes what has happened it is an adjustment which was happened both in revenue as well as the tax.

**ReenaVerma – DSP Merrill Lynch - Mumbai**

No my question is the other expense drop of 567 Million Rupees quarter on quarter, 240 Million out of that you said is rates and taxes, what is the remaining amount?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

The remaining amount of OpEx reduction is primarily driven by OpEx efficiencies in network plus the Q4 had a prepayment of certain expenses which was preparing for Q1 which is no longer there in Q1 now so Q4 at a higher expense versus Q1 and hence basis these are the three reasons which is efficiencies, prepayment plus municipal taxes re-estimation we are seeing that drop in the other OpEx happening.

**ReenaVerma – DSP Merrill Lynch - Mumbai**

Sure thank you. And just finally on pass-through please.

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Sorry what on pass-through can you just repeat?

**ReenaVerma – DSP Merrill Lynch - Mumbai**

My question was that the Induspass-through appears to have declined even after adjusting for the rates and taxes that you mentioned?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

So as far as you know this pass-through is concerned again that's driven by primarily a certain rate negotiations happening which have happened in Q1 plus as compared to Q4 clearly there is not that kind of energy margin upside what we saw there because of the increased cost happening on account of seasonality.

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

So Reena couple of things one is of course is mentioned seasonality the other is in fixed rate card models if as and when some of these increased utilization of energies happen we have to take those small little heads, what we have to see is overall to four quarter impact in terms of how the overall energy reimbursement has worked and the energy costs have worked. Q-on-Q there could be variations on these accounts.

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

**Shareena – Moderator**

Thank you very much Ms. Verma. The next question comes from Mr. Srinivas Rao from Deutsche Bank, Mumbai. Mr. Rao, you may ask your question now.

**Srinivas Rao – Deutsche Bank - Mumbai**

Thanks. My first question was on your balance sheet, there is a fairly large drop in your short term loans and advances. It was running at average levels of some 27 to 30 Billion Rupees, it is down to 6 Billion for this quarter, and is that also some kind of an impact of the merger if you can highlight that. Secondly, your cash flows also reflect a payment repaid by parent company which I would have assumed is Bharti so is there nothing outstanding from Bharti, are these two or this two linked?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Yeah it's the same number you know so this is nothing but the loan repaid by the parent company and as on date nothing is outstanding.

**Srinivas Rao – Deutsche Bank - Mumbai**

Okay the second question is just wanted to check if you could guide on what kind of tenancies you expect over a two year period quarterly of course the movement will be fairly less, that is something which would interest us and secondly your cash balance now which you are building up, is there any proposal to give more frequent dividends than the annual dividends?

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Since we don't give guidance I don't think I will be able to give you guidance on the tenancy for the next two years.

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

Hi this is Harjeet, on the dividend question while your point is valid, the company is having free cash flow on a rather recurring basis at the same time some of the inorganic opportunities which earlier the senior management has referred to both during the IPO presentations and later on continues to be there in terms of assessing the market possibilities. So at this stage doing a more frequent dividend may not necessarily be something readily on the cards. Last year, but if you recall, we did look in the September quarter Board meeting an interim dividend. Without meaning to suggest that the trend will be carried forward but it is a possibility for the next quarter, at the same time you are also aware of the dividend policy that we have which allows for us to be able to give at least 30 to 50% of standalone including Indus dividend profit after tax for the company or you know entire dividend of Indus which we have received whichever is higher, so that policy stays, frequency one would wait to see the interim discussions maybe during the next quarter otherwise at the same time the potential uses for cash in terms of any inorganic opportunities, that look out also continues.

**Shareena – Moderator**

Thank you very much Mr. Rao. The next question comes from Mr. Rajiv Sharma from HSBC Securities Mumbai. Mr. Sharma, you may ask your question now.

**Rajiv Sharma – HSBC Securities - Mumbai**

Yeah hi thanks for the opportunity. I have three questions, first is your rental per sharing or tenancy has come down this quarter despite we not seeing major net additions so wanted to understand the reason for this. Second what will be 3G loading revenues today from an Indus perspective and Infratel standalone perspective if you can give some percentage of that you know that how much is that as a percentage of revenue and third is you know you have mentioned that while there were some churn because of these new entrants moving out last quarter, is there some kind of commitment you still have from them and if you can share that number and is there any recovery from them for the tenancies which got expired due to whatever reasons so is there some one time collection expected from these new entrants?

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Rajiv let me take up the first question, as far as sharing operator is concerned this drop is primarily on account of the IRU revenue which has got eliminated now.

Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Bharti Airtel Limited.

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

**Rajiv Sharma – HSBC Securities - Mumbai**

I am referring to even Infratel standalone and Indus standalone numbers not on consolidated basis there is a decline in Infratel from 34956 to 34079 sharing revenue per sharing operator per month and even in Indus it is down marginally from 37241 to 37097.

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

As far as Infratel standalone is concerned we had recognized the revenue RE for those operators that had won the licenses last quarter - you know that several operators whose licenses were cancelled by the Supreme Court won it in the auctions in Feb'13 and hence we had a higher revenue equalization getting booked for them.

In fact we had reversed this revenue and they got cancelled a year back and that is the primary reason for drop happening as far the Infratel standalone is concerned. I think the amount is pretty minor from that perspective; it was not too big a sum there.

**Rajiv Sharma – HSBC Securities - Mumbai**

Okay and the 3G loading and one time realizations from new entrants because the contract was still remaining and they had to give up the tenancy.

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

Loading charges separately on a per tower basis, we have talked to you about maybe Rs.3000-4000 depending on how much space one is occupying but to the able to give a percentage revenue on a gross basis that we are getting on account of loading alone at this moment is reasonable competitive but you know as and when the loading comes it is broadly 3000, 4000, 5000 as the space is utilized for incremental usage.

**Rajiv Sharma – HSBC Securities - Mumbai**

Harjeet what percent of your towers on Infratel standalone and Indus will be getting this loading benefit?

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

That is exactly what I am trying to mention it may not be entirely possible for us to mention right now because that is competitively sensitive.

**Rajiv Sharma – HSBC Securities - Mumbai**

My third question, how have you treated legal contractual expiry of tenancy from the new entrants and is there any commitment of tenancy from them on expectations of winning back Spectrum?

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

I will just ask DS to answer that but just stepping back Rajiv on your earlier part if you see most of the operators results as an example let us say Airtel, these are public information, Airtel may have 125,000 base stations of that 25-odd thousand base stations are 3G enabled they provide you that ratio, so in a way you do see that it is rather shallow today of the number of 2G base stations available in the overall market the overall 3G loading/tenancies/enableness are rather shallow. Similarly Idea and Vodafone also have other different operating matrices.

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Adding on to the churn of this new operators who exited there while our claims still stand against them so legally we still are seeking our claim of exit amount from these operators but we believe that will be a long drawn thing we are trying to do discussions with operators who won back the license and are continuing on those, they continue to use our network and continue to pay us for those services, those who have given away certain territories in this bargain we are trying to see if we can do settlement outside and have a win-win proposition going forward in these roll outs.

Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Bharti Airtel Limited.

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

---

**Rajiv Sharma – HSBC Securities - Mumbai**

Is there any amount you can quantify here?

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

No I am afraid I will not be able to get that, these are matters which some of them are in Court right now so I would rather like to keep that to ourselves.

---

**Rajiv Sharma – HSBC Securities - Mumbai**

Is there any commitment from these new entrants directly indirectly to you?

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

For ones which we have reached a settlement on definitely it has made a commitment about volumes and also giving us certain first right.

---

**Rajiv Sharma – HSBC Securities - Mumbai**

And if you were to factor that what impact it could have, ballpark on your co-locations in say next one year?

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

It would probably become guidance to you but I can't share the details right now. It will flow in as tenancies in our regular business. It will be higher percentage from some of these people who are kind of giving us softer first right. We can't give specific information relating to these one-offs that we have done with them.

---

**Shareena – Moderator**

Thank you very much Mr.Sharma.The next question comes from Mr.Pankaj Suri from Nomura, Mumbai.Mr.Suri you may ask your question now.

---

**Pankaj Suri – Nomura - Mumbai**

Hi, just a couple of questions from me, first of all can you help me reconcile the top line for the consolidated entity, I mean I am also having the same problem as G. V. Giri I am also getting around flattish revenue growth, basically I have adjusted with 500 Million INR so what is the other number that I need to adjust for the top line, that is number one, secondly how has been the Q2 roll out thus far, I understand you are saying that the demand has picked up, any color on how has been tower roll out Q2, that is going to be helpful, then any thoughts on how is the tower pipeline for the balance of the year, I mean I would imagine that you too get tower orders like few months in advance that's what I would imagine, these questions from me thanks.

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Hi Pankaj you know as far as your first question is concerned I would request you know why don't you send us your calculations and then I will be able to comment on that you know because in case there is a disconnect looking in the numbers it would be appropriate if I can revert back to you, through mail.

---

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

Pankaj, I can take that, if you can give me or Komal an email on this. The broad numbers as DS and Pankaj have already talked about, 50 odd Crores is the revenue impact on account of IRU income not getting accounted for anymore 23-24 Crores was on account of the municipal taxes related throwing of their Indus bid and the impact of that, so broadly 74-75 Crores is this, in basis this if there is any other thing that you are seeing just send us an email I will try and come back to you

---

Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Bharti Airtel Limited.

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

of what the reconciliation is, EBITDA by virtue of both of these the 50 Crores revenue loss from the top line has an EBITDA gain on its relative basis of about 14.3 Crores, the 24 Crores of revenue loss on account of municipal taxes related throwing up has an EBITDA gain of about 5 Crores the revenue loss of about 75 Crores EBITDA gain of about 14.3 plus 5 , 19 to 20 Crores.

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Pankaj your question again guidance for the second quarter I am afraid I will not be able to share that I can only tell you again that the operators who won their respective areas are the ones who started to roll out typically for adding a new co-location into an existing tower, the lead times that we have is about 21 days, which we typically do between 7 to 21 so the pipeline is not really more than couple of months in terms of business that we are looking at, the new site typically takes about 90 to 100 days and that's the pipeline of new built, we continue to see and as Harjeet mentioned earlier that there was certain plan that we have set out for the year we continue to stay on course for the plan that we had envisaged for ourselves.

---

**Shareena – Moderator**

Thank you very much Mr. Suri. The next question comes from Mr. Himanshu Shah from HDFC Securities, Mumbai. Mr. Shah you may ask your question now.

---

**Himanshu Shah – HDFC Securities - Mumbai**

Thanks sir thanks for the opportunity. What proportion of our towers as of date are single tenant towers. I think last time when we published DRHP I think it was 37% for Indus and 45 odd percent for Infratel standalone.

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Currently it is around the same ratio.

---

**Himanshu Shah – HDFC Securities - Mumbai**

Is it possible to give some colors what this number would be say two to three years back may be end of FY'10 or FY'11 some broad color?

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

I think Himanshu we will not be able to share that information with you.

---

**Himanshu Shah – HDFC Securities - Mumbai**

Fine. Second question sir on data front right now we are getting incrementally basically from the loading factor which is not probably adding up to tenancy but tomorrow when there is a demand for capacity towers what if telecom operators our anchor tenants goes to competitor because our competitors are willing to offer towers at lower rentals, so how do we ensure that would not be the case, is it only the right of first refusal or beyond that also there could be some protection?

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

If I understood your question right you are saying that operators or the anchor tenant who decide to shift to someone else, there our contracts are typically long term contract each site beside the contract itself being long term each site is a contract in itself signed for 10 to 15 years so firstly what we are talking is hypothetical, it is at least 6-7 years away, number two, there is a cost involved for an operator also to shift from one operator to another, physical infrastructure being shifted from one to another and thirdly we rightly saw that in fact going forward we have stopped seeing operators or any other IP1 build tower next to an existing tower so the options itself are very limited but someone wanting to do, he is just not created as one of the possibility so we do not see that and we have not seen any operator churn from one to another using the current contract.

---

**Himanshu Shah – HDFC Securities - Mumbai**

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

I will rephrase my question. Basically today I am an operator. I am having demand for data 3G towers so I am loading my equipments on the existing tower which gets probably added as a loading factor, tomorrow I have a demand for capacity where I need a fresh 3G data tower itself and this demand for additional data tower what if the operator goes to some other tower company instead of us because the other tower company is willing to offer tower at lower rentals for data-only towers?

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Let me again, from your perspective you are saying someone wants to add a new site for capacity reason is today free even today operators are free to go to whichever tower that is existing in that location, would someone be able to build a tower there that something which we will have to see as of today given the fact that both Indus and Infratel has the largest market share in each of our territories the possibility is that if someone is looking for this infill tower it is more likely to be an Infratel tower and that's one of the reasons why we continue to gain market share and have pretty much all operators coming in us as our customers.

---

**Shareena – Moderator**

Thank you very much Mr. Shah. The next question comes from Mr. Sanjay Chawla from JM Financial, Mumbai. Mr. Chawla you may ask your question now.

---

**Sanjay Chawla - JM Financial - Mumbai**

Hi good afternoon thank you for the call, just two or three questions, one is the clarificatory question on the other expenses which seems to be the main reason why your EBITDA has grown quarter on quarter. I mean on page 26 of the report the other expenses, other network expenses have come down dramatically so can you provide some color on these cost items, what exactly is the nature of these cost items and how much is due to the permanent benefit because of operating efficiency and how much is due to some one-off benefit and whether we can take these expenses as a baseline expenses for the next quarter going forward and second question is you have reported gross tenancy addition of combined addition of 2600 taking Indus on 100% basis so this 2600 can you share some information about the market share of Bharti, Voda, Idea that you were able to capture which is reflecting in this 2600 Gross tenancy addition figure.

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

As far as your first question is concerned on the OpEx piece, the OpEx as I shared earlier it is primarily being driven by three components, one is that municipal taxes estimation which was lower in Q1, second was primarily being driven by OpEx efficiencies which we had flowing in and the third component was Q1 being typically a summer season there was a level of preparedness which had to be done on the site due to which we had a higher OpEx on repairs and maintenance happening in Q4.

---

**Sanjay Chawla - JM Financial - Mumbai**

Your repair and maintenance expenses seem to have been pretty flat quarter on quarter.

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

The component of other network OpEx is actually lower on account of that, it is more to do with the site hygiene or safety.

---

**Sanjay Chawla - JM Financial - Mumbai**

So this number is going to bounce back because you are saying there is some municipal rate and taxes item also in these.

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

We shared about the estimation of the cost that has got implication both on the revenue line item as well as the gross line item; we should see this number moving north next quarter.

---

**Sanjay Chawla - JM Financial - Mumbai**

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

So you are saying that when you talk about other reimbursements which comprise some of these tax rates it reflects in your revenue energy and in other reimbursements but also in terms of the cost items, these net work cost item not in the power and fuel reimbursement.

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

Yes the cost line item is setting in network line item.

---

**Sanjay Chawla - JM Financial - Mumbai**

And on the market share that was able to capture in reflected in this 2600 gross addition.

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Again a sensitive information about our customers which I am afraid I will not be able to share but to give you a sense now roll out are more specific to the circles that we are seeing and by the operators. Sum total, I think the ratios because the one two and three are what they are we still continue to see that the ratios are very similar. It's not something which is changed very dramatically there minus the roll out happening by the people who won back their licenses we don't see a significant change there.

---

**Sanjay Chawla - JM Financial - Mumbai**

All right just a quick question on your CapEx what kind of CapEx for the full year are you indicating you expect the 300 Crore quarterly number to go up in the future quarter?

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

As we had shared in the last time we are expecting the CapEx guidance to be still in the ballpark range of 20 Billion Indian Rupees.

---

**Sanjay Chawla - JM Financial – Mumbai**

So you do expect CapEx to that pick up in the coming quarter.

---

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

It is also equally important and you know it very well that all of this CapEx model is really very modular right and there is no CapEx which has been done to tempt out a tenancy later on so it's only once you have got a form order you try and build it out, you have the resources at your hand, so what you need is pick up the demand as earlier as talked about on how these data related tenancies or voice related new operators and earlier operators capacity tenancies keep coming on and as they seek more we are able to build more if you are not able to build more that allows us to have more cash at hand. So I think that is the scalable capacity models which I think is probably one unique feature the model has been built here.

**Shareena – Moderator**

Thank you very much Ms. Chawla. The next question comes from Mr. Abishek Gupta from IDFC Securities Mumbai. Mr. Gupta you may ask your question now.

---

**Hitesh Shah – IDFC Securities - Mumbai**

Just wanted to understand rent cost in the consolidated entity which had come out from 280-odd Crores to about 215 Crores a significant decline quarter on quarter why is that and (b) is 216 Crores per quarter are more recurring number or what we are seeing in the previous few quarters is the recurring number?

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

<b>Bharti Infratel Limited First Quarter ended June 30, 2013</b>
--

As we have shared there in that merger impact note, the IRU revenue has got a corresponding impact in the rent line item so this decline is again you know that impact of 60 Crores what we have shared has happened in the OpEx line item and this now the new rent should ideally become the base line for future.

---

**Hitesh Shah – IDFC Securities - Mumbai**

And you know whatever has been reported in Q1 should become the base line for the further quarter, is that right even from revenue and the first item perspective, and is there any one time item which has been there in the Q1 which was our adjustment for the previous quarters?

---

**Pankaj Miglani – Chief Financial Officer – Bharti Infratel Limited**

No not I think we have already disclosed all those items which have happened one through a DS speech and then in the IR pact and there is not anything else.

---

**Harjeet Kohli - Group Treasurer and Senior Vice President - Bharti Airtel Limited**

Just to put the other way round while some of these items have been base line some of the data impacts could change, because the truing up exercises for example that happened in Indus gave it minus 20 Crores on top line and plus 5 Crores on the EBITDA may not necessarily be every quarter, so there are aspects like these, but otherwise all of these net worth figures, the energy reimbursement related changes that have happened and the IRU income set off and revenue impacts accordingly your of that are something that will stay.

---

**Shareena – Moderator**

Thank you very much Mr. Gupta. Ladies and gentleman due to constraints of time we are unable to entertain any further questions. This brings us to the end of the question and answer session. I would now hand over the call proceedings to Mr. D.S.Rawat for the final remarks.

---

**Devendra Singh Rawat – Chief Executive Officer – Bharti Infratel Limited**

Thank you very much. I take this opportunity to all of you for joining in on the call thanks.

---

**Shareena – Moderator**

Ladies and gentleman, 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.