



August 05, 2025

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block – G, Bandra Kurla
Complex, Bandra (E), Mumbai - 400051

Ref.: Indus Towers Limited (534816/ INDUSTOWER)

Sub.: Transcripts of the Earnings Call on the Company's performance for the first quarter (Q1) ended June 30, 2025

Dear Sir/Ma'am,

Please find attached the transcripts of Earnings Call conducted on July 31, 2025 on the Company's performance for the first quarter (Q1) ended June 30, 2025.

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **Indus Towers Limited**

Samridhi Rodhe

Company Secretary & Compliance Officer

Encl.: As above

Indus Towers Limited



“Indus Towers Limited
First Quarter ended June 30, 2025 Earnings Call”
July 31, 2025



MANAGEMENT: Mr. Prachur Sah – Managing Director and Chief Executive Officer
Mr. Vikas Poddar – Chief Financial Officer
Mr. Tejinder Kalra – Chief Operating Officer
Mr. Dheeraj Agarwal – Head of Investor Relations

Moderator:

Good afternoon, ladies and gentlemen. I'm Avirat, the moderator for this conference. Welcome to the Indus Towers Limited First Quarter ended June 30, 2025 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.

In case of a natural disaster, the conference call will be terminated post an announcement. Present with us on the call today is the senior leadership team of Indus Towers. 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 the conference over to MD and CEO of Indus Towers, Mr. Prachur Sah. Thank you, and over to you, Mr. Sah.

Prachur Sah:

Thank you, Avirat, and a very warm welcome to all participants. Joining me today are my colleagues, Mr. Vikas Poddar, CFO; Mr. Tejinder Kalra, COO; and Mr. Dheeraj Agarwal, Head Investor Relations on the call. I'm pleased to present our business performance for the quarter ended on June 30, 2025.

We are pleased to have started the financial year on a strong note, continuing the momentum built in FY25. Our operational excellence and customer-centric approach have enabled us to maintain a majority market share in our customers' rollouts, resulting in healthy tower and co-location additions from all our customers.

Before speaking about key business developments, I want to take a moment to recognize the exceptional efforts of our field teams. Despite operating in challenging environments, including harsh weather conditions, they continued to work towards realizing Indus' vision of pan-India connectivity. During the quarter, our teams deployed 9 sites along the remote Hanle route in Ladakh, which sits at an altitude of 4,500 meters, enabling connectivity for over 25,000 people, including villagers, army personnel and tourists. Our field force also managed to sustain robust network performance in areas of Assam, Tripura and Manipur, which were impacted by the onset of an intense and earlier-than-expected monsoon.

In terms of the regulatory landscape, the Government continues to drive reforms, supporting faster rollout of telecom infrastructure in a sustainable manner. The RoW rules 2024 have now been adopted by nearly 31 states and union territories. The Green Energy Open Access policy has now been notified in 28 states, marking steady progress towards encouraging the ongoing transition to cleaner sources of energy. We are working with all stakeholders at central and state levels for deployment of smart meters at sites, which would help boost efficiency, reduce costs and enable more granular customer billing at scale.

On the 5G front, the total 5G base stations increased marginally to around 487,000. Although deployment momentum has slowed, the 5G-related contributions remain a meaningful driver for our loading revenue. As 5G adoption deepens, we expect a natural rise in demand for additional sites to ease network congestion. With our proven capabilities in passive infrastructure, we are well placed to capitalize on these evolving needs. As per the latest Ericsson Mobility Report,

global 5G subscriptions reached over 2.4 billion by the first quarter of 2025, growing by 145 million during the quarter, while 4G subscriptions declined by 55 million.

Global 5G subscriptions are expected to reach over 6.3 billion by 2030, accounting for around two-third of the total subscriptions as per the report. In India, 5G subscriptions are expected to reach around 980 million by the end of 2030, accounting for 75% of the total.

As per the latest TRAI report, total 5G subscription base in India grew to 245 million by the end of March 2025, growing by 112 million in FY25. India's data consumption trajectory remains robust, driven by ongoing shift from 2G to 4G and the rapid uptake of 5G services.

For the quarter ended March 2025, the top 3 telecom operators reported a 14% year-on-year increase in average monthly data usage per user, reaching 28.5 GB, while total data consumption rose by 18%. According to TRAI, 5G usage alone grew 18% quarter-on-quarter, accounting for 30% of total data traffic in Q4 FY25, up from 26.5% in Q3.

As data demand continues to surge and 5G becomes more mainstream, the need for robust passive infrastructure is set to grow steadily. With our deep domain expertise, we are well equipped to support this expansion and unlock value from the evolving digital landscape.

Now talking about our operational performance. The rollout momentum continued in Q1. We recorded strong colocation additions in Q1 with contributions from all our customers. We added 2,468 macro towers and 5,777 corresponding co-locations during the quarter, translating into year-on-year growth of 11.4% and 9.7%, respectively. As a result, total macro towers and co-locations base stood at around 251,800 and 411,200, respectively. Given the incremental tenancy ratio of 2.3, our portfolio tenancy ratio remained stable at 1.63 after many quarters.

The overall co-location base of leaner towers stood at approx. 14,000 with the addition of 57 co-locations during the quarter. Including leaner towers, our net co-location additions stood at 5,834 in Q1.

Let me now provide an update on the four core pillars of our strategy: market share, cost efficiency, network uptime and sustainability.

On market share, we retained our strong positioning with key customers backed by our speed, quality and ability to deliver at scale. Our focus on safety and quality also serves as a key factor that differentiates us from our competitors. In addition to securing majority of our customers' new rollouts, our co-location additions this quarter included select transitions by our customers that reinforced our position as the preferred infrastructure partner for telcos.

Like the previous few quarters, our IBS deployments in Q1 were the highest ever in our history, which included building sites for Government, institutional and enterprise bodies, thereby expanding our reach. Underpinning this achievement was our shift to a proactive acquisition model, encompassing early engagement with the concerned parties that helped us deliver state of the art, built to suit solutions.

Moving to cost efficiency, wherein we continue to observe discipline in both operational and capital costs through targeted initiatives. During the quarter, we sustained momentum across a broad set of operational efficiency initiatives aimed at driving structural cost savings and enhancing execution. Key initiatives included improvement in field workforce productivity through digital enablement and optimization in site allocation to reduce redundancies. Workforce deployment is being further optimized through centralization and rationalization of roles and responsibilities.

Energy cost is a key focus area and reducing dependence on diesel is critical to meet our energy optimization plans. The quarter gone by saw some unforeseen events due to the early onset of monsoon season. This contributed to an unusually high number of weather-related disturbances in the form of heavy rainfall and thunderstorms among others, leading to a 10% year-on-year increase in our diesel consumption in Q1 FY26. We anticipate the timing-related adjustment in diesel consumption to reflect in the current quarter.

We continue to work on electrification of non-electrified sites, deployment of energy storage solutions and our transition towards renewable sources of energy, especially solar. Our solar site count as on 30th June 2025 stood at over 32,000, with approx. 2,250 sites added during the quarter.

Regarding capex, we have further strengthened our efforts to manage incidental costs associated with tower deployments. Through standardizing cost frameworks, tightening contracting norms and improving planning at the execution level, we are working to bring greater predictability and control on our capex. Collectively, these measures are yielding tangible improvements in our cost structures and positioning us well for sustained margin resilience.

Thirdly, on network uptime, which remains of critical importance to our customers. As referenced earlier, we saw an unusually high number of disruptive incidents in the quarter gone by, including heavy rainfall and thunderstorms in areas of Uttar Pradesh, Punjab and Northeast, amongst others. Despite this, we were able to deliver a high level of uptime of 99.96% in Q1 FY26, largely due to the resilience and commitment of our teams on the ground.

Now moving to ESG, a key priority for our organization. Regarding the environmental aspect, following our near-term and net zero targets being approved by SBTi, we formulated a decarbonization roadmap during the quarter for achieving our near-term targets. We continue to work towards reducing our dependence on diesel by increasing the share of renewable sources to fuel our energy needs. Our solar site count stood at close to 32,000 at the end of June, having added 2,250 sites during the quarter. Additionally, we considered ways to address environmental concerns in our community service and collaborated with a firm that specializes in the responsible disposal of sanitary pads in a way that leads to lower emissions compared to other methods such as incineration and landfills.

Within the social dimension or in our workplace safety, safety of our employees and partners is of paramount importance to us. And to that end, we launched our safety campaign 'Sankalp' during the quarter. This program is tailored to improve the safety of our technicians working at heights on towers by providing them training and educating them on best practices. We continue

to make efforts to improve the representation of women in our workforce with our gender diversity standing at 15.7% at the end of Q1 compared to 11.2% in the same period last year.

During the quarter, we also conducted a double materiality assessment and a climate risk assessment as part of our broader ESG road map. These efforts reaffirm our commitment to building a resilient, responsible and a future-ready organization.

On the CSR front, we delivered relief kits in the areas of Assam, Tripura and Manipur, which were significantly impacted by the onset of an early and intense monsoon, which I alluded to earlier. As part of our flagship program 'Saksham', our 'Digital Transformation Van' initiative is now operational in 11 states, with Orissa being the latest addition. As part of our other flagship program, 'Pragati', we signed a landmark MoU with IIT Bombay to jointly advance solar power generation and energy storage technologies. Through these flagship programs, we managed to touch over 6 million lives in Q1.

We were pleased to see our CSR efforts being recognized by multiple bodies even as we won the Healthcare Excellence Award for our cancer care program at the sixth ASSOCHAM CSR & Sustainability Awards. Additionally, we were awarded by IIT Bombay as the Strategic Partner of the Year at their annual CSR Conclave for our significant contributions to clean energy research and development.

In addition to our strategic priorities, we see digital and artificial intelligence emerging as one of the most transformative forces of our time and its potential to reshape industries, including telecom infrastructure. At Indus Towers, we recognize this shift and are actively embracing AI, automation and digital tools across our operations to drive greater efficiency, agility and insight-led decision-making.

Coming back to a critical matter with regards to distribution of cash. The Board, based on recommendation of the committee, has decided to conserve cash in the short term. This decision has been made after due consideration of a variety of contextual factors, which include the evolving industry landscape, stability of our customer, along with the elevated capex for the Company and inorganic growth opportunities. The Board believes that this is in the best interest of the Company, strengthening its financial resilience and enabling it to respond effectively to any emerging opportunities and/or risks, ensuring the security of its long-term business interest. The Board will continue to monitor the evolving situation closely and reassess its decision by the end of financial year. The Board remains fully committed to creating value for the shareholders, including by way of earliest possible reinstatement of distributions basis the above factors.

I would now request Vikas to take you through our financial performance for the quarter ended on June 30, 2025, and I look forward to your questions. Over to you, Vikas. Thank you.

Vikas Poddar:

Thank you, Prachur, and good afternoon, everyone. I'm pleased to present our financial results for the quarter ending 30th June 2025.

We had an encouraging start to the year with the momentum seen in co-location additions of the previous few quarters continuing in this quarter as well. This, in turn, has translated into a steady financial performance with healthy cash flow generation.

Turning to the financial performance of the quarter. Gross revenues grew by 9.1% year-on-year to INR 80.6 billion. Core revenue from rental were up by 10.1% year-on-year to INR 51.1 billion, underpinned by another quarter of significant additions to our existing tower and co-location base. On a sequential basis, our reported gross revenues and core revenues were up by 4.3% and 1.4%, respectively. Please note that the core revenue for Q4 of the last financial year included onetime reconciliation benefits, as I had mentioned in the previous quarter's earnings call. And Q1 of this year includes the first full quarter revenue for the towers we acquired from Airtel in the last quarter. These two factors broadly offset each other and the resultant sequential growth that we see is on account of our organic business performance.

Moving on to profitability. Reported EBITDA declined 3.4% year-on-year and was broadly flat quarter-on-quarter at INR 43.9 billion. The EBITDA margin was lower by 7.1 percentage points year-on-year and 2.4 percentage points quarter-on-quarter at 54.5% in Q1. I would like to remind you that Q1 and Q4 of FY25 included write-backs of approximately INR 7.6 billion and INR 2.3 billion, respectively, relating to the collection of overdue receivables from a major customer. Similarly, the customer cleared additional dues amounting to INR 0.9 billion in Q1 FY26. Another point to note is that Q4 FY25 included the recognition of operating expenses and depreciation related to the tower acquisition from Airtel based on common control accounting treatment. Adjusted for the write-backs and common control accounting impact of the acquisition, our EBITDA grew 13.6% year-on-year and 0.6% quarter-on-quarter.

Our energy margins were at -4% in Q1 compared to -5.2% in Q4 and -5.5% in Q1 of the last financial year. Please note that Q4 included accounting impact of the common control transaction, which I alluded to earlier, and normalized energy margins stood at -2% in Q4. However, as touched upon by Prachur earlier, please note that Q1 FY26 saw an unexpectedly higher number of weather disruptions due to early onset of monsoon season, which led to an increased use of diesel at our sites in order to maintain network uptime, thereby affecting our margins adversely. Please note that we continue to work on the deployment of energy storage solutions and transitioning towards renewable sources of energy to reduce our diesel consumption.

Our profit after tax fell by 9.8% year-on-year and 2.4% quarter-on-quarter to INR 17.4 billion. Adjusted for the aforementioned one-offs, our profit after tax grew by 23% year-on-year and declined by 6.9% quarter-on-quarter.

We delivered strong returns with a reported pre-tax return on capital employed of 28.1% and post-tax return on equity of 30.8% over the past 12 months.

Our free cash flow generation remained strong at INR 15.7 billion in Q1, driven by sustained business momentum and the collection of overdue receivables, which also resulted in a reduction of INR 4 billion in trade receivables during the quarter.

To conclude, it has been a good start to the year, underpinned by healthy co-location additions and notable financial performance. We continue to sharpen our focus on cost efficiency and technology-led transformation, including automation and AI. With structural growth drivers firmly in place, we remain confident in our ability to deliver sustainable value in an evolving market.

With that, I will now hand it back to the moderator to open the floor for questions.

Moderator: Thank you very much, sir. We will now begin the question and answer interactive session. The first question is from the line of Sachin Salgaonkar from Bank of America.

Sachin Salgaonkar: Two questions. Number one, I just wanted to double-click on management's point of not returning cash back to shareholders in the near term. On two aspects, one, what has changed in terms of management thinking in terms of stability of that one particular customer? Because we know for a fact that the customer has been clearing dues on time, paying backlog. So, if anything incremental has changed in the last 3 to 6 months, I would love to actually understand that.

And second subpart of the question is management did mention on certain inorganic growth opportunities. Any broad aspects we could get clarity in terms of how management is thinking? So that's question number one.

Question number two is, when we look at the tower additions this quarter, maybe there's a bit of a seasonal impact where the tower additions are a bit slow. But on an annual basis, is it fair to say that the growth for this year in terms of number of tower adds will be lower as compared to last year because that one particular customer is not adding that many towers and going ahead, the growth could slow down to a new normal. So, any clarity in that direction would be helpful.

Prachur Sah: Thanks, Sachin. So the first question was - I think when the committee made a decision, it was not just based on one factor. There were many factors that were considered which included the stability of the customer. And the opportunities that you mentioned.

So I think there was no specific change per se, but I think it is a conscious call that the Board has taken in terms of conservation of cash, and they will revisit the decision at the end of the financial year. From a tower additions point of view, there are two aspects. One is the seasonality, as you mentioned in Q1, it did impact the tower additions. But at the year level, we expect the growth to remain robust.

I think we have a visibility on our order book today. And based on the order book availability today across all the customers, we believe the tower additions will continue to be very strong for Indus even in this particular financial year.

In terms of the other opportunities, I think as we look at the overall industry scope, we started some bit of consolidation when we took Airtel Towers in the last quarter. And hence, any other opportunities that are there to consolidate the towers, we'll be considering during the course of the year. So I think these are the broad 3 answers to the question that you raised.

Sachin Salgaonkar:

Got it. Just one small follow-up out there. Clearly, if nothing has changed per se from the stability of a customer and there are multiple factors which are being looked by management, I think the broader question which comes is, is there some kind of a reinstatement of dividend policy, which could be expected, if not in the near term and medium term?

Because quite frankly, the stability of the customer will be an issue now, will be an issue a year down the line and perhaps after that as well. So as a shareholder, should we not expect any dividend going ahead? Or is there a certain policy which one could expect from management going ahead? And of course, one understands a near-term issue, but this is more like a particular framework in terms of how to think about cash returns to shareholders in a medium-term perspective.

Prachur Sah:

No, but I think, Sachin, I don't think there is -- this is more a policy discussion. It is just a call that the Board has made. I think the Board remains committed to rewarding the shareholders as per the policy. The dividend policy requires the Board to consider certain predefined parameters, including future cash requirement of the company before distributing its free cash.

So as I mentioned in my commentary, I think Board will be relooking at the decision at the end of the financial year. And it definitely is keeping the interest of the shareholder in mind. So I think there's no large level policy change that is being discussed here. I think it will evolve - we will continue to monitor the situation closely and make the assessment at the end of financial year.

Moderator:

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

Sanjesh Jain:

Just touching upon again on the inorganic growth, Prachur, you mentioned that it's largely because of industry consolidation -- the scope of inorganic infrastructure business, which is TowerCo. or does the scope expand beyond this and you may look at entering any other businesses, allied or non-allied? Any thoughts there will be helpful. That's one. Number two, on the tower addition...

Prachur Sah:

I'm not able to hear you very clearly. I think your line has a little bit of a breakup happening. So we couldn't hear the question properly.

Sanjesh Jain:

So first on the inorganic growth, Prachur, you mentioned that you would look at further industry consolidation if any opportunity comes around this. But is inorganic limited to the tower industry or we are open for doing inorganic in a non-allied business, any other businesses other than the tower industry? That's number one.

Number two, on the tower growth for FY26 and the capex for this number, the capex appears to be higher. Is that indication that we couldn't deploy while we had an order book and that's where the inventory lying with us and Q2, Q3, we may see an acceleration as the weather conditions normalize. Will that be a normal reading for us which we are writing?

And third, on the energy margin, though we had challenges, but on a year-on-year basis, our energy margin losses have come down by 160 basis points. Will it be fair to assume that at least 160, 200 basis points reduction in the losses is quite feasible for this year?

- Prachur Sah:** Okay. I'll try to remember all the questions. So in the first question, from an inorganic point of view, I think when I said inorganic opportunities, I think it's both organic and inorganic, especially in the tower space. So the idea is to see how we can capture the maximum market share when it comes to towers in India. So as of now, the focus remains the tower business growth. So I think that clarity we have. The second question that you had was...
- Sanjesh Jain:** On the capex and tower growth...
- Prachur Sah:** Elevated capex, right? So the capex, to be honest, I think capex is a factor of multiple things. It's a factor of what we are spending on growth, what we are spending in replacement, what we are looking at an aging infrastructure in terms of deployment, in terms of making sure the towers are strengthened and have a robust setup. It's a combination of that. So I think that's the reason of the capex that you see. And as coming quarters continue, the capex will continue to be distributed in these 3 parts.
- The last question was energy margin. I think, yes, compared to last year, the energy margin has improved by 160 basis points, and it has been through concerted actions in terms of how we can improve our cost programs and deployment of solar and lithium-ion batteries across our sites. While I cannot comment on an exact number, but of course, the intention is to improve this energy margin as we move forward.
- Sanjesh Jain:** Got it. Just one follow-up on the capex part. One is growth. Second is the maintenance. Third is the replacement of the capex, which we are rolling out. Can you break the capex in the 3 buckets for us in this quarter?
- Vikas Poddar:** So Sanjesh, if I may take that. I think we already in the investor pack gave a split of maintenance and other than maintenance. Basically, what we have in the other than maintenance is while the understanding that you have is it's all towers, but we are also doing a lot of sites which are solar and also replacing our batteries and upgrading batteries to lithium-ion, adding DGs and all that.
- So there are various upgrades that happen to the towers, which don't add to the tower count, but nevertheless incur a capex. And you're also right in understanding that the first quarter was obviously seasonally impacted in terms of rollout and all. So we do carry work in progress, which will show up as rollout in the subsequent quarters.
- Moderator:** The next question is from the line of Aditya Suresh from Macquarie.
- Aditya Suresh:** Just on the macro tower addition comments, given that you mentioned that you have a backlog, which is fairly robust, are you able to provide any range of how your footprint could look like in the next, say, maybe 1 year or perhaps in 2 years? And I guess the related question to that is, would these kind of tower additions be all largely single tenancy?
- Prachur Sah:** No, I think while I cannot provide you the numbers, because it all depends on the customer plans, we have a strong order book. So as I said, the tower rollout will remain robust, at least we have visibility in the next 4 to 6 quarters, it will remain robust. What was the second question?
- Vikas Poddar:** Single tenancy.

Prachur Sah: No, I think it's going to be a combination. I think as you saw in this particular quarter, we had a rollout of close to 2,800 towers and 6,000 tenancies. So we expect both tower and tenancies to grow. I don't know the ratio in which they will grow, but these towers will continue to have an option to have a second tenant, and we believe tenancy will come through.

Aditya Suresh: Okay. And in terms of the sharing revenue per operator per tower, can you speak about the trends there? There's been a gradual moderation in that ratio over the past couple of years. It seems to be still moderating. Any thoughts, color here on this as you kind of add towers, will this improve?

Vikas Poddar: Aditya, let me take this. So I think even in the previous quarter, I had sort of clarified this. While we look at the ARPT trends, but somewhere, I think it is very important to understand that the ARPT trends are not really reflective of the health of the business. There's not a very strong correlation or close correlation in terms of margin growth and all. Let me give you an example.

When, let's say, we have more sharing as we had in Q1, we had almost 2-plus sort of tenancy, incremental tenancy on the new towers. So whenever we have new sharing, that really brings down the ARPT, but that really adds to the margin because we get a lot of operating leverage and a lot of that revenue, sharing revenue actually flows down to the margins.

So somewhere talking about Q1 trend, I think sequentially, the decline that you see is driven by, of course, more sharing because we had a significant sharing growth, co-location growth.

And second is, as I mentioned in my commentary earlier, we had some non-recurring one-off reconciliation revenue benefits in the previous quarter, which are obviously missing in Q1. So to that extent, we had some benefit.

And finally, I think what also happens in our business is, we pay rates and taxes to various municipal corporations, and we charge back those rates and taxes to our customer. And typically, rates and taxes are billed by most of the municipal corporations in Q3, Q4, typically in the second half of the year.

So first half of the year sees a dip in the rates and taxes and to that extent, the chargeback of those taxes as well. So there are basically these factors. But obviously, I mean, it does not impact the margin is what I would like to emphasize.

Aditya Suresh: If I can just check in terms of rent erosion as contracts coming up for renewal, are you seeing much deflationary pressures there?

Vikas Poddar: Well, as of now, it is pretty much the same. The framework that we had agreed 2 or 3 years back, I think we are still sort of working on the same framework. So there's no incremental impact of any renewal. I mean I would like to reiterate that renewal is always a win-win because we get visibility of 10 years cash revenue, etcetera, with a small decrease.

So I think there's no major change, I mean, as far as that is concerned. In any case, I mean, most of the portfolio has already been renewed by now. There's very little left for subsequent renewals in the next couple of years.

Moderator: The next question is from the line of Vivekanand Subbaraman from Ambit Capital Private Limited.

Vivekanand Subbaraman: Yes. So I have 2 questions. One is the maintenance capex that you had in calendar year 2024, that was INR 11.9 billion. But in the first half of this calendar year, you have almost spent that much on maintenance capex, INR 11 billion to be exact. So could you explain to us the factors why maintenance capex has gone up so much? You have added some network sites by acquiring them from Airtel, but that does not seem to explain this jump in maintenance capex?

The second question I have is your attitude towards debt. Now while delaying cash return, you highlighted that one of the reasons why you chose to delay cash return and re-evaluate it is perhaps opportunities in the tower space, both organic and inorganic.

My question is, is debt now completely ruled out as far as capital structuring is concerned? How should we think about the long-term balance sheet structure? Because previously, you had given indication and even shareholder voting for the Airtel towers, you had clearly specified that you wanted to fund that transaction using debt. It seems that now you are not pursuing that? So an explanation on this front would really help.

Vikas Poddar: Vivekanand, I'll take that question. So I think, first of all, on the maintenance capex, your observation is right. I think the important point to note is, obviously, we have an aging portfolio. And there are basically years when we will see a lot of focus on tower strengthening, maintenance etcetera.

So this is one such year where we are focusing a lot on strengthening our towers and basically making those towers ready for any tenancy growth and so on. So that is one. Two, I think as we had shared earlier also, I think as part of our strategy, we are transitioning from the old tech batteries to more lithium-ion new tech batteries, which have a higher upfront capex involved. But from a TCO perspective, the total cost of ownership is much lower because they have longer life. So that is, again, part of our strategy. Which is reflecting in the higher maintenance capex.

Coming to the discussion around debt, I think the reduction in debt that you see is largely reflecting the cash management that we are doing. I mean it is part of the cash preservation. And of course, as and when the Board decides to distribute, all that will be used.

So this is basically parking the cash as part of our cash preservation strategy, and that is showing up. I mean of course, there's a lot of leverage headroom and there is absolutely no attitude of having any averseness to increasing our debt as and when required.

Vivekanand Subbaraman: All right. I have one follow-up on the maintenance capex explanation. Thanks for the color. So what you are suggesting is that there is some onetime or perhaps periodic maintenance capex that has now been undertaken, which is resulting in a very big spike. And perhaps this could also normalize once you are done with the augmentation of your legacy towers and maybe this cycle of replacing lead acid with the lithium-ion batteries.

Is that how one should think about it? Because the question that investors are looking to answer is what is the recurring maintenance capex that one can assume in a rupee million per tower or on a recurring basis, how should one think about maintenance capex?

Vikas Poddar:

Yes. See, just to give you a sense, typically, we would replace, let's say, almost one-fourth or one-fifth of our portfolio in terms of batteries. So you could probably expect 3 to 4 years of sort of high maintenance capex and then things will obviously subside because then the useful life sort of takes over.

Moderator:

The next question is from the line of Arun Prasath from Avendus Spark.

Arun Prasath:

My question is on the energy margins. If we have to see how the energy margins are -- how much contribution or the loss in the energy margins coming from, say, diesel pilferage and say, versus the reconciliation of the units between you and the clients, which bucket is contributing more to this energy margin?

Second, if by doing more and more solar, directionally, are we planning to reduce the energy margins because of the diesel pilferage that's happening? And third, how do we charge back this to the customer? For example, if in solar, obviously, the operating cost is very lower after the capex is done. So will the benefit passed on to the customer or we will be showing this in the energy margins?

Prachur Sah:

Arun, from energy margin, I want to clarify. I think there is a factor of timing. There is a factor of reconciliation. There is a factor of different commercial model that we have the customer with. So I don't think we should be looking at a split of where the energy margin is coming from.

I think we have a holistic plan that we are working towards to make sure that we are more energy efficient towards the customer and we improve our margins. As far as solar is concerned, I think solar is service revenue for us, because we are deploying a capex and we are getting a service revenue out of it.

Hence, the energy generation is part of the energy units that the customer gets if they are on the pass-through or if it's a FEM, whatever be the structure be. So from a solar point of view, our revenue is similar to our loading revenue in our IP fee.

Arun Prasath:

Sorry, one clarification. We keep saying that the energy margins are negative because of the timing issues, but this never seems to get reversed. It's always only piling up. Can you please help us understand this?

Vikas Poddar:

So I mean, see, the energy margin is not only the timing issue, as we have explained in the past, it is basically the difference between what the expected cost is and what the actual cost is. And as we've also explained in the past that there is a difference because sometimes our energy costs are higher because of weather disturbances.

They are also sometimes higher because of the DISCOMs not billing us correctly and giving us abnormal bills. So there are various reasons because of which we get into these reconciliation

issues between what it should be and what it is. So it is not only timing, which basically should get reversed over the next few quarters. It's not always that case.

Arun Prasath:

But what is a structural solution for this reconciliation issues? We have so much tech and at some point of time, because we are talking about INR 1,500 per tower per month, which is almost like a very big amount for our portfolio. So how we are planning to address this reconciliation issues?

Prachur Sah:

Yes. So I think, again, there is reconciliation, there's operational efficiencies. As we said, from an operational point of view, as you mentioned yourself that there is a deployment of solar. We have changed our strategy to move to lithium-ion batteries, which are more robust. So one is the operational reduction of cost, hence, reducing the gap between should be and what the actual cost is.

And secondly, on the reconciliation issues, one effort that is currently ongoing and which we are working with the different DISCOMs is how we can get smart meters installed at our sites. What the smart meters do, they provide you the accurate billing that is reflected on that site.

So I think that is a little bit of a longer-term project. However, the progress has started. We have started deploying in a few states more aggressively than the others. So I think enabling the connectivity on the sites along with smart meters, plus whatever efforts we are putting on the renewable side, and our storage solutions is what is going to be making a positive change on the energy margin over the next few years.

Moderator:

The next question is from the line of Aliasgar Shakir from Motilal Oswal Mutual Fund.

Aliasgar Shakir:

Just a follow-up on the dividend policy. So last call, you had indicated that the amount was lying idle and therefore, being used for the acquisition instead of funding it through the debt, that is the normal route that was indicated. And as the Board decides, this acquisition will be routed through the debt and the cash flow will be given for dividend payment.

Now that we are, I mean, shifting this to '26, should one assume that basically the '25 cash flow that was used towards the acquisition will now remain there or that will also be available along with the cash flow being made in FY26 for the dividend payment whenever it comes through after the Board decision?

Vikas Poddar:

I think there's no change in the stance. I think, like I said, the cash has been generated. We have collected all the backlog receivables, most of it. And as part of our cash management, instead of keeping that cash idle, we have either reduced our debt or used it for a very strategic acquisition. But as and when this decision of distribution happens, I think all that will be utilized. So it is only a cash management thing that we are doing. I mean there's no change in our stance from that perspective.

Aliasgar Shakir:

Got it. So both '26 cash flow generation as well as what was available in the previous year will be available for dividend payment?

Vikas Poddar:

Yes.

Moderator: Thank you very much. At this moment, I would like to hand the call over to Mr. Prachur Shah for the closing comments.

Prachur Sah: Thank you. To conclude, we are encouraged by the strong start to the year marked by healthy co-location additions, and we remain focused on executing our strategic priorities with discipline and agility. We are also sharpening our emphasis on automation, AI, laying the foundation for a more agile and intelligent operating model.

At industry level, structural growth drivers like rising data consumption, increasing 5G adoption and the network gap between operators continue to create meaningful growth opportunities. With our scale, strength of execution and readiness to adapt, we believe we are well positioned to lead in this evolving landscape.

Thank you all for attending this call. See you next quarter. Thank you.

Vikas Poddar: Thank you.

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