

**Bharti Infratel Limited Fourth Quarter and Full Year Ended March 31, 2015 Earnings Call**

## Earnings Conference Call Transcript

Event: Bharti Infratel Limited Fourth Quarter Ended March 31, 2015 Earnings Call

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**Bharti Infratel Limited Fourth Quarter and Full Year Ended March 31, 2015 Earnings Call**

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**Devender Singh Rawat**

Managing Director and CEO – Bharti Infratel Limited

**Harjeet Kohli**

Group Treasurer – Bharti Infratel Limited

**Pankaj Miglani**

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**Gaurav Malhotra**

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**Rajiv Sharma**

HSBC – Mumbai

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**Viju George**

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JM Financial – Mumbai

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BNP Paribas - Mumbai

**Vivekanand Subbaraman**

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**PRESENTATION**

**Bharti Infratel Limited Fourth Quarter and Full Year Ended March 31, 2015 Earnings Call****Shareena- Moderator**

Good afternoon, ladies and gentlemen. I am Shareena, the moderator for this conference. Welcome to the Bharti Infratel Limited fourth quarter and full-year ended March 31, 2015 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 culminated, post an announcement. 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 risk that we face. I now hand over the call to our first speaker of the day, Mr. Akhil Gupta. Thank you, and over to you, Mr. Gupta!

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Thank you. On behalf of all my colleagues at Infratel and myself, a very warm welcome to all of you on this fourth quarter and the full year ended March 31, 2015 earnings call of Bharti Infratel. The telecom sector in India is clearly going through a very exciting, though of course at times very turbulent times. The last few months have seen very hectic action starting with the auctions, which as you all know, saw very high bids particularly for 900 megahertz band where renewals became must and this of course was followed by a very hectic debate on net neutrality. Now a lot has been written and said about these but to us what emerged out of these are the following facts, a) the operators now collectively have invested just under US \$50 billion in spectrum between the various auctions that have been conducted between 2010 and 2015. Clearly most of the spectrum is to be used for data networks and it is also important to note that in the true sense even for the spectrum, which was auctioned in 2010, the network rollouts have just about started. So there is a long way to go for the rollouts against the spectrum that has been acquired. B) The telecom operators I think have collectively and in absolutely unambiguous terms have committed and pledged their support to net neutrality, more important what they have clearly said is that they aim to provide access to all customers to internet in every part of India as soon as possible.

I think this is an extremely important step in the direction of digital India, which has been much talked about because there can be no digital India unless the common citizen of this country in every part of India gets access to internet. So this is a very, very positive development. It is also obvious to us that the telecom operators would have to quickly rollout the data networks deep into this country, they will start with 3G and then rollout 4G and this is not only to fulfill their commitment but the fact that the investment in spectrum that has already been made, the only way that can make economic sense is that these networks are spread across the country and more and more customers are brought into its ambit. We feel accordingly that for the tower industry it is imperative that we all get ready for accelerated rollouts. The readiness will not only be in terms of the capital required but will also be in terms of our organizational capabilities since the acquisition of new sites as demanded by our customers will become challenging in times to come. I can confirm that at Bharti Infratel and Indus we are fully geared up to meet the expected acceleration in demand by the operators and we are committed to providing them their required sites in the shortest possible time.

It is also interesting to note the emphasis laid by the government in terms of smart cities. As you know hundred cities have been identified to be turned into smart cities and a lot of work is in progress at various levels in this regard. We believe that the tower companies could have a very prominent role to play in these since one of the fundamental pillars of smart cities will be a very robust telecom infrastructure and needless to say there can be no multiple infrastructures and therefore this infrastructure will have to be shared amongst various operators for enabling them to provide their services. Similarly, I think the data growth and the data revolution, which we are witnessing will start opening up opportunities in adjacent areas, what clearly comes to mind is the possibility of providing transmission on a shared basis to our customers from our towers, Wi-Fi hotspots in buildings or in open spaces; it can be shared, between operators, IBS - in-building solutions, may be distributed antenna systems and so on. On many of these things are we are doing some pilots. Clearly they will evolve as more networks rollout and there is more data uptake.

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Let me very briefly talk about the results for the quarter and the full year in financial terms. They have been with you and I hope you have had a good chance to go through the same, so let me just summarize and say that the quarter as well as the full year have been very steady and very satisfying in terms of performance but before I talk of financial performance let me point out a few operational parameters. The collocations for the year were over 15000 showing a growth about 42% over last year, In FY14 the additions were just above 10500. The tenancy or the sharing factor as at the end of March 31 2015, has grown to 2.11, which was at just under 2 at 1.99 in March 2014. So quite clearly in terms of the sharing there has been a very significant improvement.

Total new towers created on a consolidated basis were 2500 plus this year, almost double of last year. Last year they were 1285. So we are clearly seeing acceleration, but I believe more is to come. In terms of financials, the EBITDA for the full year for the first time, I am pleased to report has exceeded 5000 Crores that is Rs.50 billion showing a very healthy growth of 15% over previous year. The profit after tax was just under 2000 Crores or Rs.20 billion up 31% year on year and the adjusted fund from operations that is EBITDA minus maintenance and general corporate Capex was Rs.4.6 billion up 16% over last year. Similarly for the quarter EBITDA was at Rs.13.29 billion, a growth of 15% and the EBITDA margin for the last quarter was at 45.1% versus 41.6% last year. The last quarter rollouts were predictably a little slow, since the operators were clearly pre-occupied in the auction and I would say despite that the quarter results have been quite healthy. What is most satisfying to me; however, is the fact that the robustness of the business model has once again been proven and this would be clear from the fact that while the revenue for the year grew by 8% EBITDA grew by 15% and profit before tax and PAT by 31% which clearly shows that as we sweat out existing assets the incremental growth in profit and cash flows is more than the growth in revenues.

The Board of Directors yesterday announced a final dividend of Rs.6.50 per share which along with the earlier interim dividend of Rs.4.50 will make it a total of Rs.11 per share with this we have paid out more than what is specified in the dividend policy. We have paid more than 90% of net profit of the company including the dividend tax. We still of course have excess cash on our balance sheet. We have not had the opportunity of making any acquisitions so far as we have not come across anything really suitable. Unfortunately despite repeated reminders we have not yet been able to get the clarifications regarding the provisions in the Companies Act for utilizing this excess cash for buyback or for return to shareholders in any other form. We would of course continue our effort in this regard.

Let me summarize by saying that we do expect the rollout by the operators in all parts of the country in the coming years to accelerate. Accordingly we do hope that the CapEx would increase, which will provide us a long-term foundation for growth. We are at Infratel and Indus in full preparedness and we believe we are best placed for meeting this expected increase in demand in every which way. More important we are committed that we would be able to show the same urgency that our customers would have for rolling out their networks and increasing their market share.

Thank you very much. Let me hand it back to the moderator for the question and answer session now.

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**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 constraint 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 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. Sachin Salgaonkar from Bank of America, Mumbai. Mr. Salgaonkar you may ask your question now.

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**Sachin Salgaonkar - Bank of America – Mumbai**

Hi, thank you for the opportunity, and congratulations for a good set of numbers. My two questions are; first, I mean, before the latest auction, the general expectation was tenancy addition for data will happen more on 1800 and 2100 bands, but post this auction it looks like 900 and 800 bands could turn out to be the preferred bands for data. Obviously these require lesser towers and tenancies. So from that perspective, does anything change from a longer-term outlook for the tower industry, and particularly for Infratel? That is question one. And question two is on outlook for dividend payments. So obviously in FY 2015 dividend was much higher than the earlier guidance, so any thoughts on revising the guidance up, I know Akhil you have touched upon this, but how should we look at the future dividend payment versus acquisition, M&A opportunities in India and South Asia? Thanks.

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Let me take the second part first. I think on dividend the company has a very robust and a very clear dividend policy, which has been spelt out and I would say that policy prevails. We have this year paid out a little more than what is there in the policy, but by and large I would say the policy, which is available on the website, will guide us in terms of dividend. I cannot give you any specific guidance in this regard because I cannot give you any guidance in terms of the net profit, so my giving you a guidance on dividend could amount to a guidance on net profit, which as you know we do not do.

Your question about 800 and 900 I think we have analyzed it very carefully and what we believe is that since now the operators have an added complexity of putting up the networks with multiple technologies on spectrums on various towers. I think we do not see that merely because there could be 800 or 900 it would reduce the demand. Ultimately there will be more and more capacity needed, there is going to be very finite capacity on 800 and 900, which will need to be supplemented for 3G in case of 900 with 2100 and for 4G that is the LTE which obviously will consume much more capacities, 800 will have to be supplemented with 1800 and 2300. So on an overall basis, we believe that having networks on 800 and 900 would actually develop the data markets much faster. Please also remember that 900 is basically being used today for 2G and therefore in order to shift it to 3G there will be many other towers needed and many other locations needed because 2G is not going anywhere, it may not be rising too much, but it is not that it is vanishing. So overall I would say we do not see that as a major concern. D. S., would you want to add something to that?

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

It is already covered Akhil. From a data growth requirement, there is a substitution that you are seeing on spectrum that people have taken as additional spectrum beyond 5 megahertz, so unless you are able to carry the traffic that you have on 900 megahertz to an alternate band, which could be 1800 you will not be able to free large chunks of 900 for carrying data. This looks like an entry strategy to have better coverage on 900 wherever they have got contiguous 5-megahertz spectrum, which they can use for 3G and similarly on 1800 for LTE contiguous spectrum both on 850 and on 1800.

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**Sachin Salgaonkar - Bank of America – Mumbai**

Okay, very clear. One small question to follow up

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**Harjeet Kohli - Group Treasurer – Bharti Infratel Limited**

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Sachin, I just want to complement on Akhil's answer on the dividend. I think you also were seeking to ask if there are acquisition opportunities and they materialize would the dividend continue or not. The P&L for the company free cash flow is reasonably strong for the year to be able to fund the dividend and the existing cash in hand and potential leverage at a point as and when required will fund the acquisition. So it is not either-or situation.

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

I think given the cash position I do not foresee that if there is an acquisition we will have to fund it from the net profit for the year. So that should be in the normal course available for us.

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**Sachin Salgaonkar - Bank of America – Mumbai**

Thank you for that, and I completely agree with that. And hence my question, given the strong free cash flow and expected outlook to improve, any thoughts on actually increasing the dividend guidance, because you know Harjeet and Akhil for the points which you rightly mentioned, your balance sheet is strong, your free cash flow is strong, then why not look to increase your payout up from 90% to something above, which anyways you already proved it you can do it, in this year?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

From 90% I can only increase it to 100%, so as a prudent policy, I think it is good for the companies to just keep maybe 10% or 15% in reserve, so 90% as per Companies Act maximum will go to 100%, there is not too much of room there. I do not think we really need to amend the dividend policy, but as you have seen we have exceeded the limits provided in the dividend policy and from time-to-time we will keep having a look at it.

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**Sachin Salgaonkar - Bank of America – Mumbai**

Got it, very helpful. Thank you.

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**Shareena– Moderator**

Thank you very much Mr. Salgaonkar. The next question comes from Mr. Gaurav Malhotra from Citigroup, Mumbai. Mr. Malhotra you may ask your question now.

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**Gaurav Malhotra - Citigroup – Mumbai**

Good afternoon everyone and thank you for the opportunity. Just had two small questions. You know, we keep coming back to the energy margins, and I know they tend to be volatile and continued investments will be made in that area, but the margins have been going up continuously over the period of time. So any sense as to, is it that we are not investing as much on the energy front right now? And when should we start seeing those margins coming to more normalized levels? That is the first question. The second is just on the Capex guidance for the next year, please. Thank you.

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

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As far as energy margin is concerned, we have been speaking about the same in the past. This being a quarter wherein you know it is bit of a seasonality as well as the number of days are less, margins should always be viewed on a yearly basis and if we see on a yearly basis, it will actually be in the range of somewhere around 7%, versus 11% what we are seeing now. Having said that you know the energy initiatives continue to happen depending upon the site requirements or the tower requirements and not that one has stopped the investment in the towers and hence the margins have gone up. So the suggestion there would be to look at it on a yearly basis and the investments still continue and as has been reiterated in the past, we should expect the margins to hover in the range of 3% to 5% and that seems to be the continuing guidance for the future too.

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

It is difficult to give CapEx guidance. I think that with the increase in demand, it should be going up, but as you know we do not make any towers prospectively except for maybe a few sites, if they are really coveted, I would not hesitate to make it but traditionally we do it on the basis of orders, but yes generally looking at the trend and looking at our expectation of accelerated rollouts, we would expect a higher Capex than last year which of course is good for business because that ensures that there are more towers and there is more business coming in subsequently.

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**Gaurav Malhotra - Citigroup – Mumbai**

Thank you.

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**Shareena– Moderator**

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

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**Rajiv Sharma – HSBC – Mumbai**

Thanks a lot for the opportunity. A couple of questions from my side. First is, the operators, Akhil are divided between 3G and 4G. Idea, Vodafone seem to be more focused on 3G, Reliance Jio is a complete 4G player, and Bharti is doing 3G, or has 3G spectrum in all the markets, but could move to 4G as well at some point of time. And there could be a situation where there will be interim shutdown of 3G because 4G handset process are declining rapidly. So what does this mean for tower companies that today the investment is being put in 3G, if they are written off and if those towers are replaced with 4G kits or how do you tackle the situation? Are you getting into short-term contracts, how will this impact the financials of Tower Company, this transition in 3G to 4G?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

I think first of all as tower companies, you know we have the same structure. You can put 3G, you can put 4G, tomorrow 5G comes, you can put it in that, we do not have any short-term contracts, minimum period is generally 10 years if not more and therefore from a tower companies point of view this does not make any difference. Let me talk about my assessment of 3G and 4G. I think first of all there is not a situation where anybody you can say is moving from 3G to 4G. I think all this is going to co-exist for a long time. 3G and 4G will co-exist for quite some time and I would say that with perhaps the exception of Reliance Jio, who have decided to go at least at this point totally with 4G. I do not know whether they plan to take some

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3G capacity from others or do something about it, but I am sure all the other operators who have 3G spectrum will be going also for 4G and therefore they would be using either the same tower or depending on the spectrum on which they go for 4G maybe new towers. So I think on an overall basis, the 3G and 4G are going to coexist in this country for a long, long time. As I say first and foremost the coverage of the nation, with the data networks will have to be with 3G that is the more developed technology and on back of that starting from big cities 4G will start getting rolled out, but yes, ultimately 4G will be all over the country. It is just the matter of years certainly not months, but it will take years where it could happen. So there is no conflict as far as the tower industry is concerned.

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**Rajiv Sharma – HSBC – Mumbai**

And the other two questions I have are: operators are suggesting that the Capex for them will not go up post auctions, couple of operators had some calls and they said their Capex is not going up in FY 2016, but there will be a lot of focus on improving data coverage. Will this mean that investments at 2G will start seeing decline and that could hurt your incremental collocation number, and it will be more of increase in revenue per tower because of loading?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

No, I think Tower Company's dependence on 2G in gaining collocations are fast gone. It is very clear that no operator would like to put too much of their investment on 2G going forward, but our main thrust of collocation and sharing has to come from data networks not the 2G networks, so in fact, as the operators shift the Capex from 2G to 3G and 4G most of the tower industry will be benefited because for the same geographical coverage they will need many more towers than what they might have needed on just 2G. It is actually helpful to us.

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**Rajiv Sharma – HSBC – Mumbai**

Which means you are saying they will need standalone towers where they do not currently have any 2G BTS, they may go for either an integrated 2G plus 3G BTS or they may go for a pure 3G BTS on new towers?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Absolutely, I think, if they take new towers, my feeling is that will also put 2G on it maybe not the full capacity, but some capacity and then put 3G and add 4G as and when it comes, but please remember this is WCDMA Technology, as the towers get loaded the radius shrinks and that is when the operators need more towers. So they would start with the existing towers, but our experience shows that once you are there with your data network and capacity gets filled on a tower you need new base stations.

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**Rajiv Sharma – HSBC - Mumbai**

Are you seeing this trend already with operators going for new towers or standalone towers for data?

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

Yes to a point especially in the cities where they have launched 3G we have noticed that operators are bringing in either a combined equipment for 2G and 3G and more of this is used in data sites. To the point

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that Akhil mentioned earlier in category B and C circles where the number three or four operator has a huge gap from number one operator there we still see voice led catch up being down by operators. There also there are some displacements that you see on base stations that are getting moved on to see that the coverage is comparable with the leader.

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**Rajiv Sharma – HSBC - Mumbai**

And just one last question from my side is, the recent TDSAT judgment on the AGR, is there any thought for the license fee on tower companies? Is there any feeling you have on that?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Not at all. I think TRAI recommendation is very clear, in fact it is a very recent recommendation reversing their earlier recommendation, I absolutely see no reason or possibility of that being reversed.

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**Rajiv Sharma – HSBC - Mumbai**

Thank you very much. That is very helpful.

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**Shareena– Moderator**

Thank you very much Sharma. The next question is from Mr. Srinivas Rao from Deutsche Bank, Singapore. Mr. Rao, you may ask your question now.

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**Srinivas Rao - Deutsche Bank - Singapore**

Thank you very much Sir. Congratulations on the strong results. Two questions. One on the cash flows for the year, not the AFFO, but the overall free cash flows taking into account Capex, interest and taxes, that this year has kind of been flattish compared to last year, primarily on account of your higher tax. So just wanted to get your thoughts around what could be the reason and also any guidance around the tax rate? Will it remain at current levels?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Last year the tax rate in the last quarter was high due to surcharge proposed in the Budget. The normalized tax rate will settle at around 34%.

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

Srini, I think the way to look at it is that ETR should be comparable to the normal tax rate only. The high tax is more on account of the impact of surcharge taken in this quarter on the deferred tax amount, but otherwise ETR remains as the normal corporate tax rate.

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**Srinivas Rao - Deutsche Bank - Singapore**

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And my second question is again on just a discussion, which preceded. Would it be fair to say that if a telecom operator put up a single box to support multiple technologies, then the rent paid is only for one single tenancy? And are you seeing that trend start in India?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Actually they are healthy trends from our point of view because every tenancy has a standard configuration and if the equipment which customers bring are compact, it creates additional space for us on the tower to accommodate a new tenant.

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**Srinivas Rao - Deutsche Bank - Singapore**

So you are saying that that kind of a trend actually is helpful, because it leaves more space for additional tenancies?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Yes, that's true.

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**Srinivas Rao - Deutsche Bank - Singapore**

Thanks a lot. Thank you very much. I will come back for more questions.

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**Shareena- Moderator**

Thank you very much Mr. Rao. The next question comes from Mr. Viju George from JP Morgan, Mumbai. Mr. George, you may ask your question now.

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**Viju George - JP Morgan - Mumbai**

Thank you for taking my question. I have two questions, one relating to pricing and the other one relating to your dividend payout. On pricing, when it comes to contracts that are renegotiated, and those contracts that have come to their end of their cycle, is there any pricing trend that you are seeing? Are you getting an increase in price if the contract is over and is getting renegotiated with respect to those contracts that are opening up?

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

So far none of our contracts have come up for renewal. We have not seen any pricing changes in the market place too, to comment on any of these. The earliest I think they come up about is about four years from now, three or four years from now. So, we do not see any changes on account of contracts coming up for renewal in our case.

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**Viju George - JP Morgan - Mumbai**

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And one other question I had, I think I picked this up, but I just want to confirm that I picked it up correctly. You did mention that some of the tenancies coming through, for the first time that is, first time tenancies are straight 3G-enabled tenancies, so data tenancies. So we may have a situation down the road where an increasing portion of tenancies would be first time 3G tenancies, as opposed to 2G getting upgraded to 3G. Is that the understanding?

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

Sorry I did not get the question correctly there, but to explain that, yes the new tenancies that come in are for data only, those are typically tenancies that have come up from Jio or an existing 3G operator in the city. For the existing operators who are 2G and 3G in the cities when they put in a base station, they prefer to bring in a combined base station of 2G and 3G.

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**Viju George - JP Morgan - Mumbai**

And just one last clarification on dividend I think you have paid a dividend of including dividend distribution tax of Rs.24.8 billion, but your consolidated profit was Rs.20 billion. So, that makes the payout exceeding 90%, right? I am just not able to reconcile that?

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**Harjeet Kohli - Group Treasurer - Bharti Infratel Limited**

The percentage of what you can pay from the company as dividend is from the standalone profits, so if you see on a standalone level, Bharti Infratel also gets dividend from Indus, which if you consolidate it is a elimination item, but at a standalone level, the profits will be upwards of 2700 Crores of which including DDT we would have paid around 92-odd percent.

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**Viju George - JP Morgan - Mumbai**

That explains it. Thank you very much. All the best for 2016.

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**Shareena - Moderator**

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

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**Pankaj Suri - Nomura - Singapore**

Thank for the opportunity. Three questions from me. Number one, tenancy ratio has risen quite well. I mean it is above two times now. How do you see this heading into in the next three, four years? That is number one. Number two, on the margin front, what are you expecting this year? Should we see another couple of point's expansion? The third question that I have is on the dividends again. I think one of the key reasons why I think the management did not want to go for a special was because it wanted to distribute cash in a tax efficient way. So would you consider the REIT structure for that? I mean, something like what the US tower companies have done and we are seeing some activity on the REITs front in India now. Do you think that can solve the problem, and probably help to increase the dividend payout? These are the three questions from me.

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Let me take up on tenancy and margins, tenancy we have gone to 2.12 at the close of March and likelihood is that this should keep going up, but please do remember that we already now have a very large base of collocations and therefore to keep going on a very vast pace will not be really possible. We do not give any specific guidance but yes generally speaking with more business expected and more rollouts expected, we would expect this to go up. Similarly on the margins we have now a big base and therefore while the nature of this business is such that as we sweat assets more, the margins would increase. I do also hope that in the coming years we will add more new towers as well. So, I would not really want anybody to get carried away in terms of huge margin expansion expectations. Hopefully with the robustness of the business model there should be some improvement, but it should not really be seen as a large improvement. On the REIT structure yes, we have had some discussion, but nothing suggested that it is of the same nature as the US where there is a massive tax break and therefore this has not been seen as being helpful in terms of distribution of cash. We do not have any plans in terms of REIT.

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**Pankaj Suri - Nomura - Singapore**

If I can just sneak in one more question so, clearly I think you are expecting the tenancy growth to be pretty strong in the next year. Can I ask you how should we see the tower growth in the next year as well? Do you think it can exceed the FY 2015 number, or would it be in line?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Most likely yes, I think as I said that we do expect the rollouts to be faster but normally what we have seen is that as people rollout data networks operators first use existing towers where they put up as loading the 3G or 4G BTS. As the capacity on these sites gets exhausted they need new towers. So hopefully, they should be higher but as I mentioned earlier, this business is not about making new towers it is more about the collocations and therefore every time where we have collocation that is what is certainly more accretive from tower company point of view, but yes, more towers will mean more opportunities for collocations in years to come.

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

And I think Pankaj, if I may just quickly add what has happened is because of the strong onset of data demand at the retail consumer level, the operators are trying to satisfy that data demand, even if an operator number one who chooses to ask a tower company to build a new tower, he will reasonably incubate for the other two or three large data players which closely follow to bring in their own tenancy on these towers. So it is unlike historical cases of a new tower, which has to be incubated for a long period for a second tenancy to come in. I think in these times with the data demands as fast as they are growing, incremental tenants on even new towers is fast to come. The only other point I will add is if you look at the last two three years of average it is about 2% to 3% on the average is the growth on the tower base for our company and on tenancy it will be about 9% to 10% depending upon which year and that is where Akhil was mentioning is the way in which the operating leverage kicks in.

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**Pankaj Suri - Nomura - Singapore**

Very clear. Thank you so much.

**Bharti Infratel Limited Fourth Quarter and Full Year Ended March 31, 2015 Earnings Call****Shareena - Moderator**

Thank you very much Mr. Suri. The next question comes from Mr. Pranav Kshatriya from Edelweiss, Mumbai. Mr. Kshatriya, you may ask your question now.

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**Pranav Kshatriya – Edelweiss - Mumbai**

Thanks for the opportunity. Almost all the questions have been answered, only one question. You talked about adjacent areas for growth. Can you name or rather quantify what kind of rollout we have seen in the adjacent area, and what kind of return profile are you expecting from these?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

I certainly cannot quantify because these are very early days for these. As I said as data proliferates many of these opportunities will evolve, we are doing some pilots but it is too early to either put any numbers around it or the investment around it, all I can assure you is that the investments will be made once we are convinced that the return is good. I think that fundamental precaution we will certainly take, but these are little early days to really quantify anything on these lines.

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**Pranav Kshatriya – Edelweiss - Mumbai**

Thank you. That is it from my side.

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**Shareena - Moderator**

Thank you Mr. Kshatriya. The next question comes from Mr. Mithen Lathia from HDFC Mutual Fund, Mumbai. Mr. Lathia, you may ask your question now.

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**Mithen Lathia – HDFC Mutual Fund - Mumbai**

Thanks. Sir, could you shed some more light on these pole sites, is Infratel and Indus setting up a lot more of these pole sites? What is the share ability or how does the Company look at that part of the business?

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

Pole sites are typically being built in areas where there is a constraint around space, typically on highways and in locations where there is constraint around space. As of today, we have planned to approach some of the government agencies, and also national authorities, highway authorities to see if they are willing to give away sites on a long-term lease which is where we are building these pole sites. We continue to use these for specific applications where there is space constraint. Towards this from an operator standpoint, these are also being built to have at least three tenants, of course with lesser amount of antenna loading than the traditional tariff that we used to have. Some of these places also have restraints on putting a diesel generator set and hence some of these sites are actually built without a diesel generator set in these locations.

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**Mithen Lathia – HDFC Mutual Fund - Mumbai**

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For us, from an Infratel perspective, the economics are not very different when one considers the rental and the cost of such sites.

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

Yes. As of today, they are marginally higher on the pole itself in terms of construction on a like-to-like tower basis, but as I said so is the loading levels are lower we are incurring largely the same cost as we incur for a normal ground based tower.

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**Mithen Lathia – HDFC Mutual Fund - Mumbai**

Sorry -- so the cost is similar you're saying, between GBT and a pole site?

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

Yes.

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**Mithen Lathia – HDFC Mutual Fund - Mumbai**

The second question I had was, as in the new businesses to set up fiber on behalf of the operators, has Infratel sort of moved ahead in terms of deciding and what are the pre-requisites that it will need to be able to do so?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

Not yet, I think the area which a tower company like Infratel or Indus would be perhaps more keen is to see that we that we can connect our sites to the nearest transport optic fiber network of whoever might have it in a city or a town. So those are the opportunities, which we are looking at but at this point, I would not be able to give any details of how it would emerge or what kind of potential would there be in the long-term.

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**Mithen Lathia – HDFC Mutual Fund - Mumbai**

Thanks. Appreciate it.

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**Shareena - Moderator**

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

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**Sanjay Chawla – JM Financial – Mumbai**

Good afternoon. Thank you for the opportunity. My first question is on your Capex, particularly energy related Capex. This has ranged between Rs.400 crores to Rs.500 crores per year. Should we continue to build this level of CapEx on the energy side, or do you think this can come down over the medium to long

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term? That is first question. Secondly, a lot of the operators have acquired additional 900 spectrum which they will be using for 3G, so can you comment on the treatment of this 900 3G equipment, if it is put in addition to the 2100 3G on the same site, from a rental point of view, would it count as extra loading or would you be treating it as a fractional loading in terms of revenue, the rental?

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

I was not able to figure out from where you have picked up the number of around 500 Crores on the energy related Capex because we do not even report that number.

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**Sanjay Chawla – JM Financial – Mumbai**

I think this number you probably mentioned about a year ago on one of your earnings calls that this is the typical range of energy Capex per year.

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

I think, Sanjay, the IPO prospectus carried a prospective plan, where I think across two to two and a half years we had given 300 to 350 odd Crores of Green Capex, per annum, this number currently is much lower than what you are mentioning. Right now we do not have that breakup, which we are disclosing so I cannot talk about that, I think the construct there is very simple. All of that energy Capex is actually return yielding because that helps us in reducing the energy cost, wherever fixed energy models are implemented, which are there in most of the circles. From that perspective that Capex has immediate yield both from a pure economic perspective on the investment that is done as also because there is accelerated depreciation available under the tax laws for the Green Capex that we have.

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**Devender Singh Rawat - Managing Director and CEO –Bharti Infratel Limited**

Sanjay to your second question on 900 additional 3G, the construct of MSA does not differentiate between 900, 2100, or 1800. There is a base configuration that is applicable once an operator comes in as a tenant to the site. Anything beyond that there is a menu card basis, which they would pay for extra space, power or antennas that they put on the tower. So should an existing operator get a new 900 megahertz and if he brings in new sets of equipment for that, that will translate into paying up for power and antennas and that would in a normal case of mean about 10% to 15% roughly about Rs.3000 as an additional monthly rental to be paid to the tower company; however, if it is a combined base station as we talked of earlier, and are within the configuration, then They would not have to pay anything other than the rental charges that they have been paying for those sites.

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**Sanjay Chawla – JM Financial – Mumbai**

So my question is, if someone already has a 2100 equipment there, and they want to collocate additional 900 equipment and also antennas, would you recover another Rs.3,000 to Rs.4,000 per month on this or it would be a fraction of that?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

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That is the function of the main configuration. If that doesn't get exceeded, he is free to put it up. And thereafter as D.S. said there is a menu card and so it is difficult to point out as to what the additional revenue, and it depends on what he wants to put up.

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**Sanjay Chawla – JM Financial – Mumbai**

Just one housekeeping question Indus has paid some dividend in the fourth quarter, but I just could not locate the dividend tax item in your cash flow statement?

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

The dividend coming between Indus and us gets eliminated at a consolidated level.

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**Sanjay Chawla – JM Financial – Mumbai**

I am sorry, the dividend tax, I meant, DDT?

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

It has to be there. 493 Crores. The exact for this March maybe this is appearing as a liability, which will get paid subsequently.

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**Sanjay Chawla – JM Financial – Mumbai**

So the 400 odd Crores dividend from Indus has not come in this quarter in terms of the cash flow?

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

Yes, so dividend has come in, since this came in only in the last month, the DDT gets paid only in April and hence it is not appearing in the cash flow statement.

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**Sanjay Chawla – JM Financial – Mumbai**

Okay. Fair enough.

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**Shareena - Moderator**

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

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**Kunal Vora – BNP Paribas - Mumbai**

Thanks for the opportunity. Two questions. First is, will it be possible to comment on whether your rates are higher or lower compared to the competition - the pricing? And what are the trends, are you seeing any

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pricing competition, especially to win an incremental business, which comes in from, like, say someone like Jio? That is first. Also will it be possible to comment about incremental market share over the last year, how much have you got like say of the new business which has come in? And the second question is, again, something it has already been answered a little bit, but just wanted to get some sense on the Capex has gone up significantly over the last one year, more than 30%. The breakup between new towers, new tenancies, loading, green Capex, what's really driving the significant increase? Thank you.

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

Firstly on our rates in the market, they are comparable. So we do not see a gap in our rate. You could ask configuration to configuration, but those rates are all comparable in the market place. Your second question about pricing pressure in the market to which we stated earlier, we do not see any pricing pressure especially to acquire new tenancies and I mentioned earlier that the tower capacities are not fungible and there are very little options if someone wants to get into a particular location for a tower, the most suitable tower with higher tenancies is a preferred tower because of the construct of MSA where there is a sliding scale both on rental and energy. So given that Indus Infratel has a higher tenancy market share as of today, we become the preferred partner both from rental and also energy perspective. You have to understand while energy is a pass through the higher you move up in tenancies the per operator energy cost keeps on coming down, thus higher tenancies increase the attractiveness of Indus Infratel towers. On incremental market share I am afraid this is not in the public domain so I would not like to comment while we believe we continue to gain market share in our areas of operations. Last was Capex guidance, do you want to...

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

Kunal, Pankaj this side. On Capex, you know, we do not give the guidance per se and looking at you have the towers and the tenancies and there is a bit of the rate availability which is there in the prospect as in IPO documents, so rates remain in the same range and whatever residual is left from that is a mix of a bit of a Capex incurred on the the loading as well as energy initiatives. So I think maybe you can actually look at that and try and do the build up there.

**Harjeet Kohli - Group Treasurer – Bharti Infratel Limited**

I think the other way also to look at this Kunal is the schedules, which we have provided there is a maintenance in general corporate Capex line, which tells you what is a routine necessity, continuity investment and rest all of the balance is really a growth capital expenditure which could be in new tower builds, or for tenancy additions as Pankaj was mentioning, or for the loading, or electrification. So all of the capex beyond maintenance capex is yield generating. Maintenance Capex is given in this particular IR report on Page 26. I think it is in schedule 7.3.1F.

**Kunal Vora – BNP Paribas - Mumbai**

My question was actually only on growth Capex, just like wanted to get some sense.

**Harjeet Kohli - Group Treasurer – Bharti Infratel Limited**

This particular year we have about 511 Crores spent on the maintenance and general corporate Capex and the overall CapEx that we spent was a little over 2000 Crores, so just 25% which goes on to the

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maintenance side. The balances are all Capex, which either yields over time to a new tower build or is immediately on the tenancy upgrades and the loading benefit that we get.

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**Kunal Vora – BNP Paribas - Mumbai**

Just one follow-up, on the pricing side again. So, is the pricing flexible or is it fixed pricing? Is it possible to negotiate pricing or you generally have a rack rate and there is no negotiation, which can happen?

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

Kunal, we have standard master service agreements with each of the operators and these are pretty much nondiscriminatory so this is a predefined rate that is applicable and available to all operators.

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**Kunal Vora – BNP Paribas - Mumbai**

Thank you.

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**Shareena– Moderator**

Thank you very much Mr. Vora. At this moment we will take one last question Mr. Vivekanand Subbaraman from HDFC Securities from Mumbai. Mr. Subbaraman you may ask your question now.

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**Vivekanand Subbaraman - HDFC Securities - Mumbai**

Good afternoon. Thanks for the call. On the other expenses side, usually in the fourth quarter there are expenses pertaining to pre-summer maintenance, which we have observed in the past couple of years. But this quarter, the repair and other expenses have remained fairly stable on a sequential basis and on a year-on-year basis too, we have seen that there is a decline, so any thoughts on this? Thank you.

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

Clearly last year we had a spike happening on account of this. This year the maintenance profile has slightly undergone a change and we have not seen that kind of an incremental Opex coming into play. Having said that on preparedness front, a bit of expense has been incurred and largely we do not see any major spike happening on this count now.

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**Vivekanand Subbaraman - HDFC Securities - Mumbai**

So the current quarter's trend that we see on the repair and maintenance expenses, is that reflective of the longer-term trend of repair expenses?

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

Yes, we can safely presume the same. The best is to cumulate for the four quarters because there are chances of some aberrations in some quarters. I think cumulative one year should be a good benchmark.

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**Vivekanand Subbaraman - HDFC Securities - Mumbai**

This is helpful. Thank you.

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**Shareena– Moderator**

Thank you very much Mr. Subbaraman. I would now hand over the call proceedings to Mr. D. S. Rawat for the final remarks.

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**Devender Singh Rawat - Managing Director and CEO – Bharti Infratel Limited**

Thank you very much. The year gone by, was a year of growth and positivity. The spectrum auction in early 2014 provided a vital boost to the telecom sector at the start of the year. During the year we witnessed huge demand for data networks. The testimony is the fact is addition of over 15000 collocations in financial year 2015 vis-à-vis 10500 collocations added in 2014. The robustness of our business model is once again established by the fact that on a year-on-year basis revenues grew by 8%, EBITDA grew by 14% to 5000 Crores and profit after tax for the year is close to 2000 Crores up by 31%. All of this is just the start of a high growth phase, the telecom sector is entering into. Recently concluded spectrum auctions have further boosted the momentum and provided the required long-term stability to the operators and the need to monetize the investment made in spectrum at the earliest will lead to a steep rollout requirement of the networks in the coming quarters. As a company we are well positioned and extremely focused to capitalize on the growth opportunities and win with the customers. I on behalf of my entire team thank you all for your continued support and look forward to an exciting journey ahead. Thank you very much.

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**Shareena– Moderator**

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