

## Conference Call Transcript

Event: Bharti Infratel Limited Fourth Quarter and Full Year Ended March 31, 2018 Earnings Call

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<b>Bharti Infratel Limited Fourth Quarter and Full Year Ended March 31, 2018 Earnings Conference Call</b>
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**PRESENTATION****Kamaldeep - Moderator**

Good afternoon, ladies and gentlemen. I am Kamaldeep, the moderator for this conference. Welcome to the Bharti Infratel Limited Fourth Quarter and Full Year Ended March 31, 2018 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 risks 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. Thank you all for joining us on this earning call of Bharti Infratel for the fourth quarter and the full year ended on March 31, 2018. As you all know, the year gone by saw the Indian telecom industry undergoing an unprecedented consolidation in the wake of intense price war, which has led to 5 operators ceasing to exist either on account of mergers or outright shutdown of operations in the last year. These include Tatas, Telenor, RCom, MTS and Aircel. As a result, the tower companies did see significant exits of co-locations from these operators. Due to this, we had a loss of approximately 10,000 co-locations in fourth quarter, which took the total tally of exits for the full year to approximately 22,000 on a consolidated basis. It is important to highlight that with these exits, the bulk of the adverse impact from consolidation, other than the impending impact of Voda-Idea merger, is

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now behind us. As of March 31, 2018, the total consolidated tower base stood at 91,451, with co-locations at 206,000 approximately, with a co-location factor of 2.25.

A positive outcome of this consolidation, of course, has been that the fundamental structure of the Indian telecom industry, which very clearly heretofore, was totally faulty and broken, with 10 to 11 operators in each circle, is now finally being corrected. With the Voda-Idea merger, the industry would be left with three private operators plus a government-owned operator in the form of BSNL and MTNL. I believe this is an ideal structure, and with this as well as the fact that the data demand is growing at a very rapid pace. For instance, in 2017, it grew by 144% in terms of data consumption as per the latest Nokia MBI report. It is now clear that all three private operators will have to invest heavily in rolling out 4G across the country to remain competitive.

In addition, in the longer term, we all know that advent of 5G would significantly increase the demand for sites because of the spectrum being in high frequencies and also due to deployment of critical applications on IoT, which would require ubiquitous coverage. As a result, we at Bharti Infratel and Indus remain excited about the potential for tower industry in India in times to come.

Coming to the financial highlights for the quarter and full year, our consolidated revenues at Rs.14,490 crores grew 8% year-on-year; EBITDA improved to Rs.6,427 crores, up 8%; EBIT improved to Rs.4,034 crores, up 11% year-on-year; and operating free cash flow grew by 13% year-on-year to Rs.4,202 crores.

However due to the loss of co-locations during the year and particularly the last quarter, the results for the quarter showed lower growth rates on a Y-to-Y basis. As a result, consolidated revenues at Rs.3,662 for the quarter grew 4% Y-on-Y. EBITDA was at Rs.1,606 crores, remaining more or less flat at 1% growth Y-o-Y, and the consolidated EBIT for the quarter was at Rs.1,020 crores, up 2% year-on-year.

Operating free cash flow is, again, more or less similar as last year, down 1% to Rs.1,016 crores for the quarter. The ROC pretax and the return on investment post-tax remained strong at 34% and 15.4%, respectively. The Board has recommended in its meeting yesterday a final dividend of Rs.14 per share for the financial year ended March 31, 2018, which is subject to shareholders' approval at the AGM.

On the new revenue streams, you remember we have spoken about Smart City projects. Both Infratel and Indus are investing in Smart City projects in a selective manner as pilots in Bhopal by Infratel and Vadodara by Indus. Both of these are in final stages of completion and commissioning.

To conclude, we do expect some more short-term challenges in form of cancellation of co-locations, particularly due to the impending Voda-Idea merger. Of course, as yet, the timing for these remains completely opaque because we do not know how the integration is going; however, with an improving industry structure of fewer operators, the rising consumer demand and the need to densify networks to 4G in the short-term and potentially 5G in the longer term, we do expect the industry to come out of this phase much stronger. And we believe that both Infratel and Indus are in best position, both in terms of operational expertise as well as financially to cater to the ever-increasing passive infrastructure demand of the telecom operators. Thank you. The management will take your questions now.

#### **Kamaldeep - Moderator**

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

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

Thank you for the opportunity. I have two questions. First question is regarding optimal gearing structure. Now, Akhil, thank you for the dividend, and clearly by the looks of it, the payout of dividend appears to be maxed out from the retained earnings perspective. So just wanted to understand what could be the optimal gearing structure for the company going forward, i.e., in a scenario even if Indus is bought via a share swap, the combined company will still remain a net cash company. And second question is more on the lines of the near-term demand for the industry. And again, by the looks of it, the supply is higher than demand, so we have 450,000 to 500,000 towers in India, and if you look at the individual needs of the three strong operators, I mean, Jio publicly has said 200k, Idea-Vodafone clearly are rationalizing, but, I mean, eventually, they could be anywhere between 180k and 220k and Bharti Airtel today is around 160k, 170k. So clearly, I mean, the supply is much higher than demand. In that scenario, we have someone like an ATC, who lost a couple of its anchor tenants. So do we see a pricing pressure per se coming? And more importantly, where is the growth going to come in the near term?

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

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Sachin let me start by answering the second question first in terms of supply versus demand. And this we have said earlier, too, that tower capacities are not fungible capacities. If there is a requirement, those requirements have to be met in. Clearly, there are two aspects of growth, the first one led by coverage where there is still rural parts of the country where we continue to see rollouts being done by leading operators; and second is more quality-led where, within the city, there are infill sites required both for coverage and capacity reasons. Both are being filled up, as we speak. Yes, to a certain extent, there are towers, which can be used where the operators do use these up for filling up coverage gaps, and there are new towers still being built. If you notice our own numbers that there is new rollout numbers that are coming out in terms of new build of towers as we speak now, too. Whether towers that have reached a zero tenant level on account of exits for some of our competitors, those towers could potentially have other tenants in the neighborhood, too. And hence, I would not agree on the fact that the supply versus demand, there is an excess of supply. The demand is in portions where it is needed and, clearly, that is what is being filled by building in new towers and wherever there is a co-location potential that is the easiest thing to get covered up to. With Jio's announcement of 210,000 towers, that is clearly showing us that the new normal is going to be north of 200,000 towers to an operator who is trying to compete in this post-consolidation scenario. And as you are aware, the leading operators in the past were somewhere between 140,000 and 160,000 tower locations that they were present on, clearly means there is a further requirement of rolling out new towers also as we go forward. On gearing...

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

Well, you answered the question. That is a fact, we have maxed out the dividend as you have seen. But let us see, whatever is possible we will keep doing to make it a little better financial structure. But in today's circumstances, I think slightly extra cash is not a bad problem to have.

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

No, no, absolutely. So, Akhil, on the same point, is there an opportunity in anyone of these new steams like Smart Cities where there could be some heavy investments being made over a period of time to reach the optimal gearing?

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

Well, the way the Smart City projects are coming up, I do not expect the possibility of big investment all of a sudden. They will keep coming up, but then, of course, as you see, we have very solid free cash flow, which keeps adding to it. So I do not think that any of these new projects like Smart Cities will, all of a sudden, consume a massive amount of Capex.

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

Got it. And just a follow-up for DS. So DS, I hear you on what all the 3 telcos are doing. Let me put my question the other way around. So what happens to these extra towers? So let us say, each of the top three ends up going maybe to 200k and 250k, but still the number of towers in the industry is 450k to 500k maybe with the smaller telcos. So all these towers with zero tenants, eventually, they will be, what, more than 200,000? What happens to them?

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

Zero-tenant towers have to be brought down. That is the very obvious thing. Wherever it is in vicinity of another tower, particularly if it is Indus-Infratel, we have made that case earlier that for an operator, it is economically cheaper in the long run to go on a tower where there is an existing tenant. And if he is going more likely as a third tenant in the case of Indus-Infratel, our tenancy ratio has been north of 2, any tenant who is coming in on these towers is more likely to be the third, the price he pays not only on the rental but also on energy is going to be significantly lower over the entire period. So it does not make sense to have two towers standing next to each other, particularly if it is a zero-tenant tower. So the choice would be to dismantle those towers. And in some cases, where operators have gone bankrupt and there were large exposures, we have seen that happen too. There is a running cost of being the tenant and also that asset getting kind of damaged if it is lying unused in these locations. So one has to dismantle some of these towers. On the analogy front, I think we did refer earlier about China Telecom and operators where there are in excess of 1.5 million towers from leading operators there, and that is all macro that we are looking at. Small cells, in-buildings, those are growth areas that we are not looking at right now. We only created more pilots and trial deployments for them. So we still see a lot of growth coming in and some of these could be newer types of towers, as we said, or could be solutions, which are specific catering to the buildings where the coverage for data in particular is weaker

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

Yes. No, I agree on China towers, but, again, the tenancy out there is very low, 1.2, 1.3 kind of thing. Anyways, okay.

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**Kamaldeep - Moderator**

Thank you very much Mr. Salgaonkar The next question comes from Mr. Manish Adukia from Goldman Sachs, Mumbai. Mr. Adukia you may ask your question now.

**Manish Adukia - Goldman Sachs - Mumbai**

Good afternoon and thank you for taking my question. My first question is somewhat related to your previous response, DS. So if you can just comment on the impact on your company due to consolidation in the tower space per se. So ATC continues to expand its tower portfolio through inorganic route and, on the other hand, you have some of the peers like GTL and Reliance Infratel who seem to be under pressure. So have you seen so far any impact whatsoever on Bharti Infratel positive or negative due to the ongoing tower consolidation? That is the first question. And my second question, again, is somewhat related to the earlier response. What are the kind of conversations right now you are having with your leading customers in terms of rentals. Are they, for example, trying to negotiate for lower rentals? And directionally, do you see rentals per tenant moving up or down over time ex of inflation escalation?

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

So first, in terms of impact, tower consolidation, in a way, is good. That way, we will have operators of similar scale and size, as the market clearly is heading towards a consolidated scenario, too. For an operator, too, it is good one less governances to do, uniform launch of products and services would be faster. That is an advantage that comes in. Second, two operators smaller size competing is worse than having one large operator compete with you. Again, I mentioned earlier, tower capacities are not fungible capacities. That means whatever is an overlap between those 2, those towers would have to come down after the merger that happens because these are in pretty much the same geographic areas as the mergers are happening. And hence overlap towers would come out, and that is when they would be able to take their tenancy ratios up. We do not see that causing any change in the competitive scenario, if that is what you were referring to earlier, because those towers vary which were there, some of them would probably inch up to a higher tenancy ratio, provided they do consolidations between the two towers. In terms of price impact and negotiation with operators, yes, their balance sheets are stressed. This is a constant thing that goes on. Operators try and see if they can negotiate and get better terms on every opportunity that they have. But the industry has been by and large stable for the years that we have seen because, on a build versus buy, still it is far cheaper to go in for a tower on a shared basis with an IP-1 as of today. So till that time that barrier is breached, we do not see that to be a potential challenge for any of the tower companies there. In terms of operators that have kind of gone bankrupt or have got into a territory, again, deep discounting does not help, and I said that in my earlier answer where I said even if you go in as a first tenant into a tower which has potentially gone 0-tenant. Firstly, the requirement might not be there. That is why that tower has remained as a 1-tenant or a 0-tenant tower by the other opcos. And B the cost over the life of the contract that one fulfills is going to be significantly higher, too.

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

Especially, the energy costs.

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

Yes, the energy reasons.

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

So even if somebody was to compromise on rental, on energy the actual cost versus the charge of, say, a second tenant will just kill that tower company.

**Manish Adukia - Goldman Sachs - Mumbai**

Right. And just if I can follow up on the comment around tower consolidation, now ATC, of course, has grown its portfolio in the last couple of years in a meaningful manner here in India. And for them, a large chunk of their revenues today comes from outside of the top telcos. So do you see any activities from them, which seems to suggest maybe they may be getting more competitive? I understand that existing capacity is not fungible, but for new tower or tenancy demand, for example, do you see them competing more aggressively with your customers? Or nothing has really changed there?

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

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We have not seen a change as of yet. The market itself was a little subdued, as you must have seen from the numbers, too. The big focus from operators is loading 3G, 4G, and more so 4G on their existing towers and complete their footprint. So we have been doing far more amount of loadings over the last two quarters than the new builds. And if our new build numbers are indicative, I do not have data on public domain to compare and give you an absolute number, but we do not see a change on ground, which is significantly different than what we have seen in the past.

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**Manish Adukia - Goldman Sachs - Mumbai**

Sure, thank you and all the best.

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**Kamaldeep - Moderator**

Thank you very much Mr. Adukia. 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**

Thank you for the opportunity sir. First question, can you explain the average rental per tenant and why it is not moving up? See, there are a few factors, which should impact it positively, which includes exits and resultant increase for remaining tenants. There is annual escalation of 2.5%, which you will be charging for new business. And there is 4G loading, which is happening at a great pace. So all of these factors should increase your average rental per tenant, but we have not seen that impact. Is there any factor, which is weighing on it? That is question number one. And second question is on Idea-Vodafone. Have you had any discussions with them regarding exits? And is there any way you can especially regarding exit penalties, you had any discussions? Is there a way that can be waived or lowered? That is it, two questions.

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

Kunal, Pankaj this side. So on average revenue per tenant, if you look at it, clearly, I think, directionally, I agree with you, it should move up, and it is actually moving in that direction. But because of certain other factors, which happen on a quarter-on-quarter basis, we are not able to see it from that perspective. Like this particular quarter, let us say, there was an Aircel churn, which led to a bit of a drop happening because while the revenues were not there, but in terms of the total co-locations, the complete exit happened, whereas from an average sharing perspective, those co-locations or tenancies were still there in the December month. Thus, otherwise, directionally, I think they should be inching up.

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**Kunal Vora - BNP Paribas - Mumbai**

Okay. So should we be expecting some increase going forward -- sorry, yes?

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

Kunal, just to add, if you look at our year-on-year numbers where we are trying to do averaging on these numbers, you will see that there is a significant uptick on the revenue per tenant that you see whereas on a quarter-on-quarter, as Pankaj said, there are aberrations, and hence, you are able to see some of those looking in divergence to the long-term trend.

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**Kunal Vora - BNP Paribas - Mumbai**

Okay, understood. Going forward, what should we expect? Should average rental is something which we should expect will increase, like, say, it will be flattish, and should we be building an improvement going forward?

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

At this point of time, I think because of the consolidation and a bit of a subdued-ness happening, I think we should see a similar trend, but directionally, once it settles down, we should see this inching up.

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

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Yes, but if the tenancies go up, then surely it would come down a bit.

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

So, Kunal, there is a direct correlation. As the tenancy ratio is moving up, it is in pure math, it is supposed to come down. As you rightly said, loading is a kicker up and also the escalator that comes in are the two kickers that came in, come in. We are hoping whenever Massive MIMO deployment starts, that could be loading revenue that will start to be the next loading revenue increase that we are likely to see.

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**Kunal Vora - BNP Paribas - Mumbai**

Understood. Great. My second question, please.

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

On Voda-Idea, there are no discussions as yet on any of the exits nor their plans. So they have still not shared their plans going forward. Last, as per paper report, they are waiting for a DOT approval, and we are making a guess that post that, there will be engagement with tower companies on a going forward basis.

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

But we do not know how their integration is happening...When do they start rationalizing the towers?

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

As yet, yes.

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**Kunal Vora - BNP Paribas - Mumbai**

But on exit penalties, can there be any second thoughts or like it is a given like they have to just pay. If they exit a few sites, they have to pay? Or is there a scope for a renegotiation?

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

Exits, by the contract, yes, they have to pay. If there are other compelling propositions that are there, we are happy to look at that and look at options which are a win-win for an operator, and we clearly see Voda ideas one of those long-term operators there. We could look at those options.

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**Kunal Vora - BNP Paribas - Mumbai**

And just like one more question, if you can. Is all the pain pertaining to the weaker operators behind now, RCom, Aircel, Tata, Telenor? Is there anything left now like at the end of fiscal 2018? I understand Idea-Vodafone we will see the impact in FY2019. But on other weaker operators, are we done with it?

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

Yes, most of it is done, except Uninor, which is also waiting for the final leg of integration with Airtel.

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**Kunal Vora - BNP Paribas - Mumbai**

Understood, okay. That is it from my side, thank you very much sir.

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**Kamaldeep - Moderator**

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Thank you very much Mr. Vora. 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 for the opportunity. Just two questions from my side. Firstly, is there any scope at Infratel or Indus level to reduce the number of towers given the exits or the potential exits, which may be underway? And if you could not quantify the Voda-Idea potential impact? I understand it could be spread over 4 to 8 quarters. But given that they define 60000 as towers where they are co-located, how much this would be in Indus and Infratel?

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

On towers that are to be dismantled, as an ongoing business, we normally look at towers which are coming down on 0-tenant, but for Infratel and Indus in particular, we have no towers that are coming up for dismantling on account of any of the exits. We had not built towers for, I should say, other than the leading operators in the past, and hence, our exposure is negligible to any of these exits that come in, in any of the locations there.

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**Rajiv Sharma - HSBC - Mumbai**

So Voda-Idea exits.

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

Rajiv, on Voda-Idea, while we do not have the specific numbers, but looking at the way Voda-Idea talked about these tenancies, which we are just seeing, and if we go back and look at the towers on which the common tenancies coexist, our estimate is maybe we will have somewhere around 20,000 to 25,000 tenancies, which there is a possibility of this getting impacted. Now honestly, we do not know the timing, and hence, it can get actually get coming on or spilled over across multiple years, so to say. But I think that is what the estimate, we believe, is there at this point of time.

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

So their 60,000 tally also included the towers in Infratel circle which is sold because practically on those they were both there.

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**Rajiv Sharma - HSBC - Mumbai**

Yes. So this 25k tenancies, this is at the consolidated level or it is at Indus level?

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

This is at the consolidated level, Rajiv.

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**Rajiv Sharma - HSBC - Mumbai**

Thank you, that answers my question. And any outlook on the Capex number, what we should see next year? And if I can understand where the Capex is happening with this Massive MIMO, will we need more Capex because that is one potential trigger it seems like in urban centers. So will there be some Capex requirement? Or it could be done without any major incremental Capex?

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

On Massive MIMO, we do not expect a huge amount of Capex there. But yes, it is marginally higher than a standard Capex that we put for loading on the towers, but not very significant.

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**Rajiv Sharma - HSBC - Mumbai**

That is helpful. Thanks a lot.

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**Kamaldeep - Moderator**

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

**Pranav Kshatriya - Edelweiss - Mumbai**

Thanks for the opportunity. I have a couple of questions. Firstly, can you comment on Indus acquisitions, where are we currently in that discussion? Can we see anything coming through in the next few months? That is my first question. Secondly, you said that Uninor is one of the tenant for whom a tenancy cancellation is pending. Can you quantify how much it is pending? And third question is, if we look at the gross tenancy additions for the last two quarters, that translates into roughly 4% annualized tenancy addition currently, which is significantly below 8% what was done in last year that is FY2017. And this is also coming at a peak Capex. So how should we be seeing this panning out in the coming years? You expect this to accelerate? If yes, what should drive the growth?

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

So first to answer your question, we do not give operator's specific numbers, so I am sorry I will not be able to give you Uninor specific numbers there. On gross additions, your observation is right. We have said that the last two quarters, particularly towards the end of the year, have been softer and that is primarily because incumbents were going through either consolidation or integration or 4G rollout to a great extent to max out on the capacity requirements on 4G. We hope that this trend will reverse from there on. The first two quarters, of course, were significantly higher, too, and that is why, in fact, the fall looks even steeper. But we hope that these growth rates will come back going forward once all this integration activity and the basic 4G coverage on nearly 100% of the existing sites by incumbent is done, there will be an addition of new sites that would come up. On specifics on Indus...

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

Indus-Infratel merger remains a potential. It is always a possibility. But as you can imagine, these are shareholders' matters. And therefore, as Infratel, we are not in a position to comment much on this.

**Pranav Kshatriya - Edelweiss - Mumbai**

Sir, if I can just follow up on the second answer. I mean, what exactly is leading to significantly lower tenancy addition in the last two quarters? Is it because of the newer operator not really contributing as much as it was contributing in the last year? Or there is something else to it?

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

So the two drivers of growth in the past were, of course, the leading operators, Airtel, Vodafone, and Idea doing their bit of tenancy additions and, of course, the kicker was coming in on account of Jio doing significantly higher in the first quarter. We have seen Jio go between phases. They had completed their earlier phase by the end of second quarter, and they are in the planning phase for the next phase of rollout, which is what they have announced, and we are hoping to get our fair share of that business as we move forward. On Voda-Idea, as I said, they are more focused, while they still continue to roll out, but their focus on new rollout is significantly lower over their emphasis of bringing in 4G, and that is what is coming in as large part of Capex addition. In terms of perspective, we probably did the highest amount of cabinet expansion in the last year that we have ever done in our individual history as Indus or Infratel. So that is the kind of rollout that is going on to make sure that all their existing sites come up to 4G offering in all the locations that they are present in.

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

Pranav, another thing is, if we look at even on a full-year basis, the gross additions are still in the similar range. We have done 18,000 last year and maybe close to 17,000, which happened. While you look at the quarter-on-quarter...sorry.

**Pranav Kshatriya - Edelweiss - Mumbai**

There is a marked difference in H1 and H2. That is why I am a little concerned on the trajectory of the growth. Anyways thank you so much, very helpful.

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**Kamaldeep - Moderator**

Thank you very much Mr. Kshatriya. The next question comes Mr. Akshen Thakkar from Fidelity, Mumbai. Mr. Thakkar you may ask your question now.

**Akshen Thakkar - Fidelity - Mumbai**

Yes. Guys, just one basic question on Capex. If we just look at on a consolidated basis, the Capex more or less has remained in the Rs.2000 crores levels for the last four, five years, but the number of tower adds that you have done in the last 4-5 years has been progressively coming down. So we should then include Capex per tower, and I am only looking at growth because you have sort of call out maintenance Capex separately on a consolidated basis, which, again, has been around Rs.400 crores, Rs.500 crores, so Rs.1500 crores for progressively lower and lower amount of Capex. Is there a change in the kind of towers that you are putting up? And is that like the right number to go work with going forward?

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

No, there is not any change, which has happened in terms of the tower design. And I think the way the Capex is happening in terms of the gross co-los more or less running at similar trend. Average Capex, what we have seen is more or less for each of the new tenancies, at our towers relatively at a similar level. And hence, directionally, it would be better if we continue with the same stuff. We have not seen any major change, so to say.

**Akshen Thakkar - Fidelity - Mumbai**

Okay. But, I mean, the incremental tenancies has nothing to do with your Capex and growth front, right? That has to do with towers. And your number of tower adds has been coming off every year?

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

So incremental tenancy also, it is not only the towers wherein you incur a Capex, there is minor Capex, so to say, as compared to a new tower which still happens on each tenancy, too, because there are batteries to be upgraded and beyond a certain number of operators on certain side, there are DG sets to be upgraded, which then is very a smaller percentage as compared to what you see on a new tower completely.

**Akshen Thakkar - Fidelity - Mumbai**

Okay that was the only question I had. Thank you.

**Kamaldeep - Moderator**

Thank you very much Mr. Thakkar. The next question comes from Mr. Anirudh Gangahar from Nomura, Mumbai. Mr. Gangahar you may ask your question now.

**Anirudh Gangahar - Nomura - Mumbai**

Thank you for the opportunity. Two questions. One, is there any Capex guidance for this financial year vis-à-vis last year? And secondly, for this year as well, do we expect any changes in the kind of energy EBITDA margins that we would tend to have or the guidance remaining around 5% to 6%, as has been the case for the last few years? Those are my two questions. Thank you.

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

Anirudh, while we do not give the specific numbers, but more in terms of Capex depending upon the new volumes, I think, directionally, the kind of averages we have been incurring in the past should be a better number to take even for the current year because we do not see anything changing on that front, and we are hopeful that much kind of investment would still be required. More in terms of EBITDA margins, I think there is a continuous effort in terms of optimizing the network and then trying to make sure we try and get the maximum margin. So directionally while, quarter-on-quarter, you will see these the margins increasing. But in terms of an overall year approach, as you know, there are pricing resets, which happen every year. So even post that, there are

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more energy initiatives, which happen in terms of further investments, electrification and everything. And hence, on a Y-on-Y basis, I think, for modeling, 5% to 7% should still be a better number to be considered.

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**Anirudh Gangahar - Nomura - Mumbai**

Thank you. I mean I was just curious because now the industry structure has also changed a little. This is a kind of a transition year for a lot of things. So could there be some more pressure from the operators, given that most of them seem to be heading southwards as far as margins are concerned? If I can slip one other question, again, from the commentary for the last two quarters, we have been expecting the second phase of Jio to kick in for the last now 6 to 9 months or so, 6 months precisely. Any color incrementally as to whether we are close to it or we still -- it is a bit of a waiting game here?

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

Cannot comment about specific customers and their plans at this stage, I am sorry about that. We will have to just as business flows in, we are happy, we are ready in terms of capability and also in teams being ready to roll out with our partners. So we wait for whatever time operators want us to focus on either new rollouts or tenancy additions or cabinet expansions.

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**Anirudh Gangahar - Nomura - Mumbai**

Thank you.

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**Kamaldeep - Moderator**

Thank you very much Mr. Gangahar. The next question comes 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 for the opportunity. I had a question on the lease rentals, minimum lease rentals and the lease periods, that have been trending down. So given the new pricing framework, which you had done about a year back now wherein it is getting harmonized under the rate card approach, would this minimum lease rental and minimum lease period continue to trend down for the next couple of years, like each maybe 2 years or around? Just want to understand that?

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**Ms. Surabhi Chandna – Head- Investor Relations – Bharti Infratel Limited**

Srini, can you repeat your question? We could not hear you very clearly.

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**Srinivas Rao - Deutsche Bank - Singapore**

Sorry, I was saying that the minimum lease period and the minimum lease rental -- contracted rentals, that data which you provide every quarter, that has been trending down. I just want to understand will it continue to trend down for the next, say, two to three years? Or at some point it will start to rise again?

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

So, Srini, Pankaj this side. So that is a function of the incremental tenancies coming in. Earlier that period, you had contracted our contracts, which were still running for 15 years. And as you know, now almost all the new contracts are coming with a tenure of 10 years. So as we see depending upon the volume, it is an impact of that 15 to 10, which is bringing it down from that perspective. So as volumes start ramping up, we should ideally see then these numbers either going flattish or going up.

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**Srinivas Rao - Deutsche Bank - Singapore**

Okay. And just to clarify all your new tenancies, even with incumbent operators, are a 10-year time frame, right?

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

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Yes.

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**Srinivas Rao - Deutsche Bank - Singapore**

Thanks.

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**Kamaldeep - Moderator**

Thank you very much Mr. Rao. The next question comes from Mr. Gabor Sitanyi from Fiera Capital, London. Mr. Sitanyi you may ask your question now

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**Gabor Sitanyi - Fiera Capital - London**

Thank you very much for the opportunity. Just wanted to get an idea about the long-term topline growth rate once the dust settles and the Idea-Vodafone consolidation happens. From that new base, if you look up the next sort of three to five years, perhaps if you can reconstruct a topline growth rate in terms of the various layers, tower rollout, how do see the tenancies and because of the rate card, how the tenancy rates going up, what kind of topline growth would that add up to. That is on a sustainable basis. That is my first question. The second one, if and when the Infratel-Indus merger happens, have you looked at it what kind of cost saving would that make possible, if any? Thanks.

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

This is DS Rawat. As a company, we do not give guidance on future plans. But from an ambition standpoint, if you clearly look at historical trends that we have done in the last five, six years. If you look at the CAGR growth, we hope to replicate those over the next five to six year period, too. And this is from our tower business that we are working on as we speak.

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

Well, on the potential of merger, if one must theoretically think of Indus-Infratel, I think besides some cost savings, which could be Rs.40 crores, Rs.50 crores, Rs.60 crores a year, perhaps, I think the major saving could be in DDT, dividend distribution tax.

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

Secondly, there is also a possibility of since the Capex will become combined on the economies of scale.

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

On the economies of scale. So about Rs.500 crores is the dividend distribution tax, which is paid by Indus.

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**Gabor Sitanyi - Fiera Capital - London**

Thank you very much.

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**Kamaldeep - Moderator**

Thank you very much, Mr. Sitanyi. At this moment, there are no further questions from participants. I would like to hand over the call proceedings to Mr. DS Rawat for the final remarks.

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

Thank you. As Akhil cited, the telecom industry has seen an unprecedented consolidation, which led to five operators exiting during the year. As a result, we saw negative net additions for the first time at Infratel on a full year basis. Nonetheless, remaining operators are focusing on the data strategy, ensuring a strong 4G pan-India presence. We have said it before and still believe that consolidation is good for the industry in the long run, as it will lead to stronger and stable operators doing faster nationwide rollout. We have closed the year with consolidated revenue of Rs.14,490 crores and EBITDA of Rs.6,427 crores, both growing at 8% year-on-year.

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Going ahead, we believe operators would want to monetize the increasing data consumption and look to improve the quality of service. We are best placed to capitalize on this opportunity by playing a key role in building and sharing vital telecom infrastructure with all customers on a nondiscriminatory basis. On behalf of entire Bharti Infratel team, I thank you all for your continued support. Thank you.

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**Kamaldeep - Moderator**

Thank you, 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.