

## Earnings Conference Call Transcript

Event: Bharti Infratel Limited Second Quarter Ended September 30<sup>th</sup>, 2019 Earnings Conference Call

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<b>Bharti Infratel Limited Second Quarter Ended September 30, 2019 Earnings Conference Call</b>
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**CORPORATE PARTICIPANTS****Mr. Akhil Gupta**

Chairman – Bharti Infratel Limited

**Mr. Devender Singh Rawat**

Managing Director and Chief Executive Officer - Bharti Infratel Limited

**Mr. S. Balasubramanian**

Chief Financial Officer – Bharti Infratel Limited

**CORPORATE CALL PARTICIPANTS****Mr. Parag Gupta**

Morgan Stanley - Mumbai

**Mr. Sanjay Chawla**

JM Financial - Mumbai

**Mr. Rajiv Sharma**

SBICAP - Mumbai

**Mr. Vivekanand Subbaraman**

Ambit Capital - Mumbai

**Mr. Himanshu Shah**

Dolat Capital - Mumbai

**Mr. Gaurav Singhal**

D K Partners - Hong Kong

**Mr. Varun Ahuja**

Credit Suisse - Mumbai

**Mr. Gabor Sitanyi**

Fiera capital - Mumbai

**Mr. Abhiluv Gupta**

Global Infrastructure Partners - Mumbai

**Mr. Rohit Chordia**

Kotak - Mumbai

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**PRESENTATION****Rajyita - Moderator**

Good afternoon, ladies and gentlemen, I am Rajyita, the moderator for this conference. Welcome to the Bharti Infratel Limited Second Quarter Ended September 30, 2019 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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**Mr. Akhil Gupta – Chairman – Bharti Infratel Limited**

Thank you. Thank you all for joining us on this earning call of Bharti Infratel for the Second Quarter ended September 30, 2019.

Before I speak about the quarter and the key developments, let me first share an update on the merger scheme with Indus Towers. As you would recall in April 2018 when we announced the merger of Bharti Infratel and Indus, we had a long stop date of October

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24, 2019 a period of 18 months in that scheme of amalgamation. This long stop date required many closing conditions to be completed including, but not limited to the government approvals and filings.

As for the status, we have received most of the government approvals except for one pertaining to the Foreign Direct Investment (FDI) enhancement from the Department of Telecommunication or DoT. That being pending, the Board of Directors of Bharti Infratel yesterday reviewed the status and concluded that since that vital approval has not been received and therefore the other closing conditions and the processes have not yet been able to start, it is not possible to complete the merger by the long stop date.

The Board thereafter authorized a Committee of Directors to explore and evaluate all possible options to secure the best interest of the company and its shareholders under the current pattern circumstances. Further, the Board also mandated that the Committee will forward its recommendations to the Board on or before October 24, 2019 and based on the recommendations received, the Board shall take a suitable decision on the way forward, which of course we will share with you as soon as the Board takes a decision.

Moving on to the business side, I think there were two good developments this quarter. First as you all know the Indian Mobile Congress was held recently. It saw participants including the mobile operators from India, equipment providers, policy makers, discussing and showcasing new technologies particularly 5G, Internet of Things, Smart Cities and the related use cases and applications.

The second one was release of E&Y's thematic report titled "Next-gen Infraco: Unlocking New Business Opportunities", which explores opportunities for companies in infrastructure like Infratel and Indus to go beyond the traditional towers to additional revenue streams such as fiber, small cells, edge data centers, data centers, WiFi and smart cities and beyond. Such shared infrastructure, we believe will become necessary over the next four to five years for supporting the operators in providing digital services on 4G, 5G and the other evolving technologies in a cost-effective manner across India. As per the report such adjacent opportunities and requirements would entail outlay in the region of \$10 billion to \$13 billion, a very large Capex outlay, which we believe is best incurred on the basis of sharing between operators. This to our mind provides a huge potential of growth for companies like us.

Coming to the financial and operational highlights of the quarter; the results of the quarter and I must first of all place a disclaimer that they are not comparable to the results for the corresponding quarter last year. This is on account of two things a) Impact of Ind-AS 116 that is lease accounting, which came into effect from April 1, 2019 and that resulted in a significant increase in EBITDA and b) the reversal of tax provision of last quarter and lower provision this quarter due to our choosing the reduced income tax rate of 25.17% instead of 35.94%, which was announced recently.

Based on the above and with disclaimer as above as on September 30, 2019 the consolidated tower base stood at 93,421 and the consolidated co-locations were at 173,406 with a factor of 1.86. It is noteworthy that after declines in the previous quarters ranging from 13% to 20% on a year-to-year basis in the last four quarters, the co-locations were virtually flat this quarter, declining just 0.6% on YoY basis.

Towers on the other hand are increasing and are showing an increase in YoY trend for the last couple of quarters, which points to densification requirements of the operators.

The consolidated revenue for the quarter at Rs.3,638 Crores was largely flat on YoY basis. Excluding the impact of Ind-AS 116, the revenue would have been Rs.3,561 Crores, declining 3% year-on-year. Similarly consolidated EBITDA at Rs.1,885 grew 25% YoY on reported basis with an operating margin up 51.8%. However, excluding the impact of Ind-AS 116, the EBITDA would have been Rs.1,486 Crores more or less flat, down by nearly 1% year-on-year with a margin of 41.7% up 60 basis points YoY. The consolidated profit before tax was at Rs.1,043 Crores, which grew 6% YoY. On like-to-like basis, this growth would have been 1% year-on-year.

As mentioned earlier, we decided to let the new tax rate and the current quarter tax rate incorporate the impact of the same on the profits for the half-year ended September 30, 2019. Thus the consolidated profit after tax for this quarter stood at Rs.954 Crores showing a growth of 61% year-on-year; however, if we exclude the impact of Ind-AS 116 and difference in the tax provisions, the PAT for the quarter would have been Rs.729 Crores, up 14% YoY on like-to-like basis.

Operating free cash flow at Rs.1,080 Crores grew 8% year-on-year; however, without Ind-AS, it would have been 1% year-on-year. The return on capital employed pre-tax and our return on equity posted for the quarter were very healthy at 26% and 28% respectively versus 34% and 16% respectively in quarter ended September 30, 2018.

I would also like to announce that we announced yesterday that Mr. S. Balasubramanian, the CFO of the Company has expressed his intention to explore opportunities outside the Group and he has tendered his resignation, which will be effective from closing of the business hours on December 5, 2019. On behalf of everybody at Bharti Infratel, I would like to thank him for his immense contribution to Bharti Infratel in the short period of time that he was with Infratel and on a personal note and more important for his contribution to the Bharti Group where he was at Airtel over the last 14 years. I wish him all the best.

In summary, after a year of tremendous turbulence due to large scale exits by Vodafone Idea, I am really pleased to note that we are practically back at the same level as last year, which indicates a steady growth, which we are achieving. We expect this growth to continue on the tower side in future. We also expect that our companies will be the major beneficiaries of large opportunities in adjacent areas as I pointed out above because of our experience and expertise and a very strong balance sheet.

Thank you all we can now open the floor for questions and answers please.

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**Rajyita - Moderator**

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

**Mr. Parag Gupta - Morgan Stanley – Mumbai**

Thanks and good afternoon. You know my first question with respect to the merger update that you provided to us. Could you give us a sense of what in your view is holding up the final government approval and what are some of the options that are actually available to the company going forward?

**Mr. Akhil Gupta – Chairman – Bharti Infratel Limited**

Well, obviously the government approval is held as far as we know only because of the procedure involved and as far as the options are concerned well, I think it may not be right for me to share it with you before I share as a part of the Committee and the Board on 24<sup>th</sup> and as I mentioned we would, of course, the Board will convey its decision and we will announce it to the markets on 24<sup>th</sup> and we may follow it up with a call, which I have asked Surabhi to try and fix as soon as possible or thereafter.

**Mr. Parag Gupta - Morgan Stanley – Mumbai**

My second question is Reliance Jio talked about touch in close to 99% population coverage and incremental Capex will be lower to that extent and we already know what is happening with one of the other operator with respect to debt so how should one think about tenancy addition so let us say over the next three to four quarters. Should we see anything that could accelerate this process or do you think it should be more or less in line with what we saw in this quarter?

**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Hi Parag, D.S. Rawat this side. Firstly, we are seeing some uptake on new tower build out that we can see out of the numbers too and also as Akhil mentioned after five quarters of year-on-year negative growth we are seeing for the last 2 quarters, at least positive net additions. We hope this momentum continues from our own standpoint. You rightly mentioned operators were going through a consolidation phase and we did see a slowdown that is coming in on account of consolidation primarily on Voda-Idea. We think large part of that has also played out. We expect things to pick up from here. As I said we are seeing some early uptake on rollout numbers what we are seeing from operators. On Jio, I would not like to make specific comments. That is for Jio to answer in terms of how they intend to take this from here on. They have shown leadership in terms of both the amount of traffic carried and also the number of sites that they have been building in the past. We do see them going through a phase where they are trying to reevaluate the next phase of rollout.

**Mr. Parag Gupta - Morgan Stanley – Mumbai**

Okay. Thank you.

**Rajyita - Moderator**

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

**Mr. Sanjay Chawla – JM Financial - Mumbai**

Good afternoon. Thank you for the opportunity. My both the questions are related to Indus. First question is what percentage of Indus Towers stock has been pledged with lenders by one of the shareholders, if you could disclose that? And secondly there is a significant amount of debt in Indus Towers right now and that has gone up I think over the last two quarters so is it in anticipation of cash payout which will likely to happen, could you just explain why the debt has gone up? And a small question is also on receivables they are still going up, any comment on that?

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**Mr. Akhil Gupta – Chairman – Bharti Infratel Limited**

Let me take up the first one. Well all I can say is that the 42% in Indus owned by Infratel is not pledged. As for the balance, I do not think, I am authorized to disclose even if I know. I think you have also asked that to Vodafone-Idea, PEP and Vodafone.

**Mr. Sanjay Chawla – JM Financial - Mumbai**

The debt increases in Indus?

**Mr. Akhil Gupta – Chairman – Bharti Infratel Limited**

Indus is the normal increase. I think in Infratel, yes, we did take some debt and kept it in anticipation of payments to Vodafone-Idea.

**Mr. S. Balasubramanian – Chief Financial Officer – Bharti Infratel Limited**

On the receivables, we are having a slight increase in the receivable over the last few quarters. This is due to the financial circumstances at the operators end and we are looking to relax some of the payment terms for the operators. These are offered on the non-discriminatory basis to all the operators and we believe that this will incentivize the customers to come back and increase the co-locations with the companies.

**Mr. Sanjay Chawla – JM Financial – Mumbai**

Just staying on that what is the provisioning policy with regard to the receivables, currently?

**Mr. S. Balasubramanian – Chief Financial Officer – Bharti Infratel Limited**

Essentially, we provide for greater than 90 days.

**Mr. Sanjay Chawla – JM Financial - Mumbai**

This is a policy which has been continuing so far and there is no plan to change it?

**Mr. S. Balasubramanian – Chief Financial Officer – Bharti Infratel Limited**

Yes, that is there in the quarterly pack as well.

**Mr. Sanjay Chawla – JM Financial - Mumbai**

Okay. Thank you very much

**Rajyita – Moderator**

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

**Rajiv Sharma - SBICAP- Mumbai**

Thanks for the opportunity. Couple of questions from my end, I understand that there is a regulatory delay in terms of the approval for the merger, but is there a need to revisit whether the merger should be done or not because the management itself has previously highlighted the various positive and synergies and maybe circumstances, the sector dynamics have been weak but the big pictures kind of remains intact. So, what is driving that view, legality aspects are there, but one could just move to rollover the dates as well. The other aspect is your Capex. We are not seeing much tower additions, the demand has been weak, so if you could help us provide color on Capex, what is been driving that? That is from my side.

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**Mr. Akhil Gupta – Chairman – Bharti Infratel Limited**

First of all, let me answer the question regarding the merger. I think very clearly process and procedure in terms of approvals is just one of the aspects and that is precisely some of these issues in the current circumstances, the Board that is why authorized a committee to quickly come back, exactly the same answers on what is their recommendation on various options available and I would request just to please wait for a couple of days for the Board to make an informed decision with respect to the various options.

**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

For your question on Capex, Rajiv, as I mentioned, Akhil also mentioned in the beginning we are seeing some uptake over the new build towers that is happening right now, the number of towers that we build on a consolidated basis is close to what we have build in a full year in last few years, so given that you do see a small uptake on Capex but not very significant from the levels that we have been in the past.

**Rajiv Sharma - SBICAP- Mumbai**

Just a follow-up so apart from the 3,000+ towers we mentioned that where revenue is coming but they have applied for exit, is there anything incremental which is pending above the 3,000 towers?

**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Nothing.

**Rajiv Sharma - SBICAP- Mumbai**

So, and by when these 3,000 towers will be absorbed in the base?

**Mr. S. Balasubramanian - Chief Financial Officer – Bharti Infratel Limited**

So long as they continue, they continue to pay the rental and hence we continue to bill them. The day they remove the equipment that is the day when it will...

**Mr. Akhil Gupta – Chairman – Bharti Infratel Limited**

How long do you expect, I think that is his question. Couple of months.

**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Couple of months, a month or two, I would say. Normally, the project planned as they tend to execute over a period of time and also redeploy this in the some other locations if it is needed, so we expect that to be done in couple of months.

**Rajiv Sharma – SBICAP - Mumbai**

Is there any new tenancy, which has come from Vodafone-Idea, just from a broad perspective?

**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Again, I cannot give you customer specific tenancy additions but we do see them continuing to do small amount of rollouts.

**Rajiv Sharma - SBICAP- Mumbai**

Which is not restricted to load increase, it is beyond that?

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Yes

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**Rajiv Sharma - SBICAP- Mumbai**

Ok. That is helpful. Thank you so much.

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**Rajyita - Moderator**

Thank you very much Mr. Sharma. The next question comes from Mr. Vivekanand Subbaraman from Ambit Capital, Mumbai. Mr. Subbaraman you may ask your question now.

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**Mr. Vivekanand Subbaraman - Ambit Capital - Mumbai**

Thanks a lot for the opportunity. Couple of financial questions; is there any change in the contractual terms that effect the energy margins they continue to remain low for the first half and second financial question is how much of exit penalty is part of rental income? Is it Rs.90 Crores or higher and how should one look at this on a BHIN and plus 100% of Indus basis? Second question is you mentioned that the tower requirements are going up and your gross tower addition has picked up, so I understand that this is likely to be because incumbents are catching up with Jio on 4G population coverage, but beyond that, will the industry need towers and how should one look at the long-run tower demand for the industry? Thanks.

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**Mr. Devender Singh Rawat - Managing Director and Chief Executive Officer – Bharti Infratel Limited**

Let me answer the first and the last question. I think I leave Bala to answer the second one that you had, Vivekanand. The first one on energy, we said that energy contracts, we have tried to move into a construct where we find a contract for a certain period of time so that there are incentives where either parties to try and reduce that. And some of the contracts do come up for renewal and that is the impact that you are seeing besides the seasonality impact that is typically there between the first and second quarter owing to floods and summers that went by. We still expect that on a full year basis we should be towards the 3% goal that we have set in the past for ourselves. So we continue to work with operators, so that has been one of the causes that you are seeing the margins to look lower on this quarter in particular. On the coverage front, we do see sites being built both for capacity and coverage. Today, I think data usage is going up steadily and we do see that in a busy hour there are sites which get congested and every time, a new site is placed in these locations again, there is huge amount of traffic that you were able to generate for the growth there, so we think again in the long run that besides coverage there will be sites required more and more for capacity, as the utilization goes up, as you get high-end devices, as you get applications that are going to supply rich content from normal HD to 4K and beyond with AR (Augmented Reality) VR (Virtual Reality), so these trends will continue and that is one of the reasons why we do see that there are sites that will keep coming in for capacity requirements unless they start moving into small cells, in-building those could be other ways to cater for the capacity demands there and of course coverage does remain. There are also sites being built in remote parts as part of the USO project too, so we do see tower buildup happening across the country and there are still if you look at the last report that was submitted either in the Parliament or TRAI discussion, was more than 50,000 villages still remain to be connected in terms of coverage and there is government emphasis to see that even these get connected in a reasonable future time.

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**Mr. S. Balasubramanian - Chief Financial Officer – Bharti Infratel Limited**

On the exit charges, it is already there in the report, but just to respond back, I think we have recognized roughly Rs.101 Crores in this quarter and on an ongoing basis based upon the current settlement that we have done it is likely to be at 100% around Rs.150 Crores odd.

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

That is to come regularly for the next two-and-a-half three years, so it is pretty normal revenue now.

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**Mr. Vivekanand Subbaraman - Ambit Capital - Mumbai**

Just one or two small follow up. You mentioned that the alternatives small cells, in-building coverage etc., are also there for operators for capacity needs. Has your dialogue with operators progressed on evolving a model for sharing of infrastructure on small cells and in-building coverage also? Secondly the exit charges you mentioned, can you also give the numbers for BHIN plus and 100% Indus, the 2Q FY20 and likely increase?

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**Mr. Devender Singh Rawat - Managing Director and Chief Executive Officer – Bharti Infratel Limited**

Let me answer the first one again. On small cells, we do have a product that is offered to the customer given that we were participating in Smart Cities and other tenders too, there are small amount of deployments that operators have done in some of these towns particularly whereas I said there is a street furniture and other things that has been available to us, in-building as a product was there even during 2G time, but the penetration is very limited to areas like malls and airports, railway stations where there are high footfall, we are seeing some traction in moving towards hotels and others, buildings that are of commercial interest too, but the pace has still not picked up and we believe given that data is at higher frequency band, their penetration inside the building is even weaker and also global statistics says that about 70% to 80% of data is actually consumed indoors, we think there is huge potential there, people who want to compete on service differentiation, to use pretty much higher frequency bands too for small cell deployment within building or in areas of high footfall, but as yet to take off in a meaningful way for us to start reporting that as a separate line item.

**Mr. S. Balasubramanian - Chief Financial Officer – Bharti Infratel Limited**

On the follow-up question on the exit charges as we have mentioned the 100% combined amount will be Rs.150 Crores.

**Mr. Vivekanand Subbaraman - Ambit Capital – Mumbai**

Thank you.

**Rajyita - Moderator**

Thank you very much Mr. Subbaraman. The next question comes from Mr. Himanshu Shah from Dolat Capital, Mumbai. Mr. Shah you may ask your question now.

**Mr. Himanshu Shah - Dolat Capital - Mumbai**

Thanks for the opportunity. Sir, can you just provide some color on the tax rate, like for the first half, the tax rate has been lower than the marginal tax rate in the revised rate, so what should we assume for full year at consolidated level?

**Mr. S. Balasubramanian - Chief Financial Officer – Bharti Infratel Limited**

As stated by the Chairman in the call, we have adopted the new tax rate which is 25.17% which is the announced rate and you can assume that that should be the rate on which we will be on the full year basis. So this quarter, we had the impact of the previous quarter tax, which was charged at 34.94% has come to 25.17%, so that is also flowed on, that is roughly around Rs.109 Crores plus also the deferred tax liability which we have stated in the balance sheet in the past has been restated from 34.94% to 25.17% that is another Rs.70 Crores which has flown in this quarter, so going forward there would not be this kind of an adjustment, it will be simple Profit Before Tax (PBT) into 25.17% is what you should assume.

**Mr. Himanshu Shah - Dolat Capital – Mumbai**

Fair enough, thank you sir. That is, it from my side.

**Rajyita - Moderator**

Thank you very much Mr. Shah. The next question comes from Mr. Gaurav Singhal from D K Partners, Hong Kong. Mr. Singhal you may ask your question now.

**Mr. Gaurav Singhal - D K Partners - Hong Kong**

Thank you. I have few questions on Indus on dividend. I see that you have not got any dividends in this quarter as well. What is full year March 2019 declared dividend for Indus, what is our net and gross financial debt on a standalone basis?

**Mr. Akhil Kumar Gupta – Chairman - Bharti Infratel Limited**

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Well, the dividend in Indus was not declared because obviously we were waiting for the merger and we will have to see, I do not have the figure off hand as to what would the cumulative amount that there may be really allowed, to give a dividend, so maybe we can come back separately on that.

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**Mr. Gaurav Singhal - D K Partners - Hong Kong**

Does the shareholder agreement require them to payout like certain percentage dividend?

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**Mr. Akhil Kumar Gupta – Chairman - Bharti Infratel Limited**

I do not think you need a shareholder agreement on that. Ultimately if the company has excess cash, there will be a dividend payout.

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**Mr. Gaurav Singhal - D K Partners - Hong Kong**

Got it. What is net and gross financial debt of Indus, the latest number?

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**Mr. S. Balasubramanian – Chief Financial Officer - Bharti Infratel Limited**

Can you repeat the question please?

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**Mr. Gaurav Singhal - D K Partners - Hong Kong**

What is your net and gross financial debt at Indus on a standalone basis?

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**Mr. S. Balasubramanian – Chief Financial Officer - Bharti Infratel Limited**

Indus net debt will be roughly around Rs.4,000 Crores.

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**Mr. Gaurav Singhal - D K Partners - Hong Kong**

And you mentioned in your release on the merger that apart from the regulatory approvals there are some other CPs that have also not been met. Can I just understand what the nature of the CPs is?

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**Mr. Akhil Kumar Gupta – Chairman - Bharti Infratel Limited**

The usual closing adjustment and calculation based on the latest net debt position, etc. so there were whole lot of those processes which need to be completed and those definitely take time.

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**Mr. Gaurav Singhal - D K Partners - Hong Kong**

One last question, can you comment a little bit on the rentals and the trend for rentals per tenant, do we have visibility on that number for the next three years or so, how should we think about the trend for that going forward?

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Gaurav, it is difficult for us. We have explained the construct. The way it works is if the tenancy ratio moves up, the rent per tenant comes down. There is a discount that we pass to everybody whereas the new build towers again the rent per tenant moves up so it is difficult to get an exact model to tell you where we expect this to move, but the trends are secular in that sense when the tenancy ratio moves up as an overall ratio number, this will come down otherwise the 2.5% annual increase that is built in into the tenancies is there and some loading charges which keeps on coming.

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**Mr. Gaurav Singhal - D K Partners - Hong Kong**

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Got it. Thank you.

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**Rajyita – Moderator**

Thank you very much, Mr. Singhal. The next question comes from Mr. Varun Ahuja from Credit Suisse - Singapore. Mr. Ahuja You may ask your question now.

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**Mr. Varun Ahuja – Credit Suisse - Singapore**

Thanks for the opportunity. First, I want to check on rental sharing revenue per operator, for Indus it fell around 5% on a quarter-on-quarter basis, any specific reasons? Are we seeing loading from 3G coming down that is the reason? Just wanted to hear a commentary on that what has led to the decline in sharing revenue per tenant during the quarter? And on dividends, is it fair enough to assume or expect that with the reduction in tax that should help the dividend payout. Will the management be considering? Will it change out the policy? How should we think about the tax benefit and dividends?

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**S. Balasubramanian – Chief Financial Officer - Bharti Infratel Limited**

On the Indus average revenue per tenant last quarter had certain one offs which resulted in a higher ARPT for them and you should assume that this quarter should be the normal for them. If you see the trends between March versus September, these are all in line with other than for the impact of the lease accounting.

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

With the tax rate coming down would there be a higher dividend, that was his question?

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

Well, we have a dividend policy where we do declare whatever net profit is available. I think it is 80%, as the net profit goes up there will be more dividend unless it is required for more Capex or other things.

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**Mr. Varun Ahuja – Credit Suisse - Singapore**

Lastly are you seeing any impacts from the 3G network being closed? It is going to be meaningful with the operator looking to close down?

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

No. Not at all. Actually, lot of this is getting reuse for 4G. We do not see any impact on the account of 3G closure for any of the operators.

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**Mr. Varun Ahuja – Credit Suisse - Singapore**

Thank you.

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**Rajyita - Moderator**

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

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**Mr. Gabor Sitanyi– Fiera Capital - London**

Thank you very much for the opportunity. Just wanted to follow-up on that merger review, which I think the question suggested seems a little bit odd because if you kind of miss a deadline and you just wait for one permit then you may extend the deadline. I just really wanted to understand that would that review also requested by the other parties or is it strictly an Infratel internal review or have you been approached by Bharti Airtel or Vodafone-Idea to review the deal? That is my first question. Thanks.

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

I am unfortunately not in a position to disclose any developments in this regard because I would be duty bound to make my recommendations to the Board based on all possible explorations and possibilities and therefore humbly I would request you to please wait till 24<sup>th</sup> when the Board would take a decision and make the necessary announcement.

**Mr. Gabor Sitanyi – Fiera Capital - London**

Right. The second thing is just following upon what you said earlier because I also wanted to ask about why the rent per tenancy was falling especially at Indus. Can you perhaps say that this one-off you mentioned in the last quarter what was that and how big was it in the Indus revenue line?

**S. Balasubramanian – Chief Financial Officer - Bharti Infratel Limited**

These do normally happen with the operators in terms of some settlements or some of the write backs which will keep coming so I do not think we will be able to disclose any specific transaction, but we will have to consider this as one off which happened in the last quarter.

**Mr. Gabor Sitanyi – Fiera Capital - London**

Right, I was expecting to disclose the specific transaction but it would be helpful if you have such one offs to make it clear at the time that you had one-off because otherwise people obviously mistakenly use a higher base, but may be if you later can disclose it at some point, how big that was because we need to see the clear picture in terms of what is the sustainable level?

**Mr. Akhil Kumar Gupta – Chairman - Bharti Infratel Limited**

I take that, it is the good point, but I would request is please use the current rental per customer as they actual rental per customer going forward.

**Mr. Gabor Sitanyi – Fiera Capital - London**

Understand. Thank you very much.

**Rajyita - Moderator**

Thank you very much, Mr. Sitanyi. The next question comes from Mr. Abhiluv Gupta from Global Infrastructure Partners, Mumbai. Mr. Gupta you may ask your question now.

**Mr. Abhiluv Gupta - Global Infrastructure Partners - Mumbai**

Historically the energy reimbursements have been higher than the energy cost, but there appears to be a deviation in this quarter, can you please detail out the reason for this?

**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Hi, Rawat this side. I have said this earlier there are contracts that are long-term contracts, some of them yearly contracts that have come up for renewal and as part of that renewals, some of the energy gains that we were having in the past that have been passed on besides the seasonal impact on which we do see costs moving up so as part of the arrangement in these contracts, we track works towards energy cost reduction for the operators and that is what you are seeing as an impact on the first and second quarter that you have seen. As I said in a full-year basis we still hope from being zero sum game to make about up to about 3% profits. So our endeavor would be to see that we reach to a maybe a 3% level by the year end on a full-year basis.

**Mr. Abhiluv Gupta - Global Infrastructure Partners – Mumbai**

Right but the energy reimbursement would be higher or at least equal to the costs?

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Yes, only then we could have probably margin a little on those.

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**Mr. Abhiluv Gupta - Global Infrastructure Partners - Mumbai**

My second question was on the co-lo tenancy additions. So it appears like co-lo tenancy addition. Would typically be in the range of 470 to 480, which is quite flattish so do we expect higher co-lo tenancy rollouts in future or what is the view on this?

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

We hope this will pick up from here on. These are early signs and we do not see all of it cracking at the stage so we hope that as the market gets more competitive on service differentiation, they will be higher uptake on these co-lo numbers that we see here.

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**Mr. Abhiluv Gupta - Global Infrastructure Partners - Mumbai**

Thank you.

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**Rajyita – Moderator**

Thank you very much Mr. Gupta. A follow-up question comes from Mr. Vivekanand Subbaraman from Ambit Capital, Mumbai. Mr. Subbaraman you may ask question now?

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**Mr. Vivekanand Subbaraman - Ambit Capital - Mumbai**

What could your market share of the telecom industries macro towers be and how is the same for small cells and in building and how has this changed in the last year or so can you explain that?

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Again, Mr. Vivekanand, I am sorry as I do not have a public report that I can quote on and unlike the operators we do not have platform where I can get authentic information to establish how these market shares would have moved. We do track some of these numbers internally but again as I said these are as accurate as I could get information around, so hard for me to make that statement. We were gaining on an overall tenancy market shares that I knew of till the time Jio started to build their own towers in between so after that we do not have a public report which I can refer to and tell you exactly where we stand on some of these market shares. Last was at 38% and 43% on co-locations that we had and that report is fairly dated now, so it does not have so much relevance today.

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

But I think clearly between Indus and Infratel, we are the clear leaders is all I can confirm.

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**Mr. Vivekanand Subbaraman - Ambit Capital – Mumbai**

Ok. Any sense on how this share would be in small cell and in-building coverage build out?

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

We will absolutely and certainly be the leaders in that as well.

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**Mr. Vivekanand Subbaraman - Ambit Capital – Mumbai**

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Thank you.

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**Rajyita – Moderator**

Thank you very much, Mr. Subbaraman. The last question comes from Mr. Rohit Chordia from Kotak Securities, Mumbai. Mr. Chordia, you may ask your question now.

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**Mr. Rohit Chordia - Kotak Securities – Mumbai**

This is Rohit from Kotak. A quick couple of questions; one, if I could get a comment on the divergent trends in rental per tenant between Indus and Bharti Infratel standalone, please, in trend and the other one not so much? The second question on energy, these renewals perhaps happening every year, so what is different this year. We have not seen such weak numbers on energy margins in any of the previous years. So there is something different, renewals cannot explain it to be honest, so if I could get a comment on that also, please? Thank you.

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

Rental per tenant, I think we just answered this earlier, Bala will probably reiterate for your benefit. On energy too, I tried answering that earlier. Some of the contracts are for one year, some are for two and some are for three-year period. So the maximum we have signed is about a three-year contract. It just happens that some of these have come up for renewal at about the same time and also the seasonal effect that we have on the first and second quarter typically. So we do see that. It is pretty normal from our own standpoint of where we expect some of these to be. And again, we expect that some of these will again be long-term contracts, meaning you will have a larger window where you were able to bring in gains by bringing in initiatives to save on energy.

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**Mr. S. Balasubramanian – Chief Financial Officer - Bharti Infratel Limited**

So on the rental side, it is ARPT, as stated in the earlier response. Indus had a one-off in the last quarter, which resulted in a higher revenue per tenant, and which is basically you should see on the figures the current, which is for the September end should be the used for the purpose of whatever you want to consider. That should be the level.

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**Mr. Rohit Chordia - Kotak Securities – Mumbai**

Bala, quickly on this, I am also looking at the YoY numbers that takes out this one-off factor of the previous quarter. I am not talking QoQ. Even on a YoY basis, on the standalone side, we have seen that almost a double-digit growth in rental per tenant adjusted for lease accounting, while for Indus it is materially lower at around 4-ish percent, if my math is right. That is what I was seeking some inputs on. Why is such divergent trend between the two entities YoY, not talking about last quarter's one-off at all?

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

There is an increase 12% on YoY in Indus as well. Ind-AS adjustment I do not know if you can get an Ind-AS adjustment for the prior period. There was slightly a higher impact that you saw, that was what Bala was referring to. When you look at Q1, the Ind-AS impact is showing a bump up on our performance at a glance that you see there and that bump-up is actually pre-Ind-AS versus post-Ind-AS. The bump-up in Indus was higher than that you saw in Infratel. But when you look at year-on-year basis, there has been an increase on both the sides that you see on those numbers, too. A little bit of difference is there on the loading and other charges that would be applicable in some of the cases, but not very material. As Bala said, this is the new base that would be there for Indus, too.

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**Mr. Rohit Chordia - Kotak Securities – Mumbai**

I will take it offline with Surabhi, please. Thank you so much.

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**Rajyita – Moderator**

Thank you very much, Rohit. At this moment, I would like to hand over the call proceedings to Mr. D.S. Rawat for the final remarks.

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**Mr. Devender Singh Rawat – Managing Director and Chief Executive Officer - Bharti Infratel Limited**

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Thank you very much. As Mr. Akhil cited despite loss of significant percentage of co-locations over the last 4 to 5 quarters, we have managed to close this quarter with consolidated revenue at Rs.3,638 crores, down by 1%, and profit after tax at Rs.964 crores, up by 61%. With the positive net adds during this quarter too, we hope that this trend will continue. Post consolidation the operators have raised significant capital and will focus on their data strategy, ensuring a strong 4G pan-India presence. We are fully prepared to capitalize on this and other emerging new opportunities such as 5G, Smart Cities, IoT, etc., as highlighted in the EY thematic report by playing a key role in building and sharing vital telecom infrastructure with all customers on a non-discriminatory basis.

Before we close, we would like to take this opportunity to thank our CFO, S. Balasubramanian, for his valuable contribution at Infratel over the last one year. We wish Bala the very best. On behalf of the entire Bharti Infratel team, I thank you all for your continued support and wish all of you a very happy Deepavali. Thank you.

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**Rajyita – Moderator**

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