

## Earnings Conference Call Transcript

Event: Bharti Infratel Limited Second Quarter Ended September 30<sup>th</sup>, 2020  
Earnings Conference Call

Event Date/Time: October 23<sup>rd</sup>, 2020 at 1500 hrs IST

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

**CORPORATE PARTICIPANTS****Mr. Akhil Gupta**

Executive Chairman – Bharti Infratel Limited

**Mr. Bimal Dayal**

Managing Director - Bharti Infratel Limited

**Ms. Pooja Jain**

Chief Financial Officer - Bharti Infratel Limited

**Mr. Sachin Naik**

Acting Chief Executive Officer and Chief Operating Officer – Bharti Infratel Limited

**Mr. Surabhi Chandna**

Chief Investor Relations Officer - Bharti Infratel Limited

**CORPORATE CALL PARTICIPANTS****Mr. Sanjesh Jain**

ICICI Securities - Mumbai

**Mr. Pranav Kshatriya**

Edelweiss Securities - Mumbai

**Mr. Kunal Vora**

BNP Paribas - Mumbai

**Ms. Mansi Sajeja**

SBI Funds Management - Mumbai

**Mr. Rohit Chordia**

Kotak Securities - Mumbai

**Mr. Siddharth Misra**

Fidelity International – Mumbai

**Mr. Mohit Khanna**

Future Generali Life Insurance - Mumbai

---

**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, 2020, 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!

---

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

Thank you and welcome everybody, and thanks for joining us on the earnings call of Bharti Infratel for the Second Quarter ended 30 September 2020.

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

I am pleased to inform that joining me on the call today is Bimal Dayal, the current MD and CEO of Indus Towers, who has been appointed yesterday as the MD of Infratel by the Board in its meeting. Bimal has been the CEO of Indus Towers for the last four years and, before that, as the COO, he has been associated with the company for more than 10 years. As informed earlier, Bimal was the proposed CEO of the merged entity by the shareholder groups that is Bharti Airtel and Vodafone Plc. Also joining me on the call today are Sachin Naik, acting CEO and COO; Pooja Jain, CFO; and Surabhi Chandna, Head of Investor Relations.

First of all, I am really pleased to inform that the long outstanding matter of merger of Indus and Infratel, which has been pending since 2018, is now coming to a close, with the Honorable National Company Law Tribunal (NCLT) giving their approval to the merger in their hearing yesterday. The formal order is awaited. We would now move towards concluding the closing adjustments and are likely to file with the Registrar Of Companies (ROC) in 30 days as the final step.

This much-awaited merger would create one of the largest tower companies globally. Just to give you an idea of the scale of the combined entity, if I look at the full year audited results of March 31, 2020, the combined company had it been merged at that point, would have looked as under: a tower base of just over 169,000, co-location base of over 311,000, revenue of Rs.25,566 crores, EBITDA of Rs.12,723 crores, profit after tax of Rs.5,034 crores, and operating free cash flow, that is EBITDA(adjusted) minus capex, of Rs.6,977 crores, that is just a shade under Rs.7,000 crores. This truly will be a big company.

The last quarter, as many of you would have followed, was an eventful one for the Indian telecom sector as the Honorable Supreme Court, in its judgement dated September 1, 2020, granted the operators ten years to clear their Adjusted Gross Revenue (AGR) dues. This was a welcome judgement, especially for the telecom operators that have already been witnessing a deterioration in their financial health owing to the competitive pressures.

The Honorable Supreme Court also directed telcos to pay 10% of the total dues demanded by Department Of Telecommunications (DOT) by March 31, 2021. We believe that a closure of this longstanding litigation will help alleviate the investor concerns from a regulatory perspective and bodes well for the passive infrastructure industry.

During the quarter, Vodafone Idea announced that its Board has approved fund raising plans of Rs.25,000 crores, which will support further investment for the company and reinforces their commitment to the telecom sector.

COVID-19 reinforced and underscored the importance of communication networks and the associated passive infrastructure, especially for a country like India, which has very limited fixed line connectivity. I think both Indus and Infratel did a great job in keeping the networks up 24/7 in very difficult situations at places and we are absolutely committed that with lockdown continuing in some places still, we will keep up the networks going round the clock. The loss to the passive infrastructure industry and to the telecom industry on account of COVID have been relatively small as compared to many other industries.

I mentioned about the merger of Indus and Infratel earlier. Let me quickly recap, for the benefit of all investors, some of the salient features, which we have, of course, from time to time been giving, but just to recap them in one place. PEP, that is Providence Equity Partners elected to receive shares against their 4.85% in Indus, they would be getting approximately 3.2% in the combined company. Vodafone Idea elected to receive cash for their 11.15% in Indus, and the cash consideration is likely to be in the vicinity of about Rs.4,000 crores.

Vodafone Group opted for shares in exchange for their 42% shareholding in Indus and they are estimated to get approximately 28.2% of the combined company. Airtel's shareholding in the combined company is estimated to be around 36.7%, which was earlier 53.5% in Bharti Infratel. The parties have also agreed to a security package for the benefit of the combined company, which can be invoked in the event Voda Idea is unable to satisfy certain payment obligations under its MSA agreements with the combined company. This includes a prepayment in cash of Rs.2,400 crores to be made at completion, to be kept as a security; a primary pledge over the part of the shares to be owned by Vodafone Group with a value of roughly about Rs.4,000 crores at the current stock price. Additionally, a secondary pledge of our shares owned by Vodafone Group in the combined entity with the additional liability cap Rs.4,250 crores.

Overall, the security package will provide the combined company a comfortable payment cover for the operational payment due from Vodafone Idea.

Moving on to the business performance on a consolidated basis, the tower base grew 4.1% year-on-year on a proportionate consolidated basis to 97,283. The net tower additions at 1,482 towers during the quarter were the highest in a quarter in the last 8 years.

Colocation base grew 1.7% to 176,332, and the net colocation additions at 2,116 were the highest in a quarter in the last three years. The closing colocation factor stood at 1.81.

On the financial highlights, for the quarter, the consolidated revenue was Rs.3,695 crores, EBITDA of Rs.1,836 crores, profit before tax of Rs.983 crores and profit after tax of Rs.733 crores.

The operating free cash flow was Rs.1,035 crores that is EBITDA minus capex. The return on capital employed and return on equity on a pretax basis for the quarter were approximately 23% and 29%, respectively.

To conclude, the regulatory uncertainties are now behind us, and we believe that a strong digital story is unfolding and potentially, there will be acceleration with the launch of next-gen 5G technology in the next couple of years. I think the telecom sector will

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

warrant further investment across stakeholders because of that. The strong increase in new towers and tenancies in this quarter would definitely indicate green shoots towards this.

We believe this will also provide opportunities for passive infrastructure companies like us to evolve into shared digital infrastructure providers with more sharing elements added to the portfolio. We are waiting for DOT's note to allow us, as IP-1s, to add some more active infrastructure elements. Hopefully, that should be done soon.

Industrial leadership, seasoned customer relationships, financial prudence and healthy financial positions are likely to give us and the combined company a strong head start into the next decade of strong digital growth in the country, and we remain excited to explore these opportunities.

Before I hand over the call to the moderator for question and answers, let me formally welcome Bimal as the new MD of Infratel. His appointment before the formal completion of merger process will clearly enable a smooth transition.

I would also like to take this opportunity to bid goodbye to Sachin Naik, who will be leaving us today to join as the COO of the tower company being owned by Brookfield. My sincere thanks to Sachin for his great contribution in making Infratel a strong and reliable company in his role as COO at Infratel for the last four years. On behalf of all of us at Infratel and myself, I wish Sachin a great future and continued exemplary success in his new role.

With that, I would like to hand over to the moderator to open the floor for questions and answers.

#### **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 question on a first-in line basis. To ask a question, participants may please press “\*” “1: now.

The first question comes from Mr. Sanjesh Jain from ICICI Securities, Mumbai. Mr. Jain, you may ask your question now.

#### **Mr. Sanjesh Jain - ICICI Securities - Mumbai**

Thanks. Good afternoon everybody. A couple of questions on the merger scheme. First on the, security pledge which Vodafone Plc is offering in lieu of VIL. So this pledge is valid for how many years? Is there any deadline for this pledge to stop being there? That is the first question. The second question, on the related part, so we know the amount so assuming the share price volatility is there so this amount will be maintained and the number of shares, which is pledged, will move up according to that? So these are the two questions on the security pledge.

#### **Mr. Akhil Gupta - Executive Chairman – Bharti Infratel Limited**

Thank you. The answer to the first question is the primary pledge is valid for two years. On the second one, the number of shares to the pledge has been finalized, which on the current price of about 200-205, is close to about Rs.4,000 crores so number of shares are fixed, and the volatility value will change.

#### **Mr. Sanjesh Jain - ICICI Securities - Mumbai**

My few questions on the operations' side. How do you see the tower addition? Because we have not seen these kind of tower additions for many years now, it looks quite robust. Do you see these run rates continuing for next few years considering that Bharti Airtel is trying to expand their penetration deeper into the market? Do you think these tower additions can sustain for a few more years?

#### **Mr. Akhil Gupta - Executive Chairman – Bharti Infratel Limited**

Well, we do not give any guidance and certainly, we do not disclose our discussions with our customers. But yes, I think the tower addition in this quarter is a very strong one. As we have repeatedly said, we believe it is only a matter of time that the growth in this sector will be, taking away all the uncertainties on the legal front, is bound to come back. So to answer your question, while we cannot give any definitive trend, well, we do hope that this trend will continue. The telecom sector, as the COVID has shown, is an absolute lifeline of this country and to deepen it and take it deeper with more capacity, more coverage, is a natural phenomenon.

#### **Mr. Sanjesh Jain - ICICI Securities - Mumbai**

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

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

Just one last question. Now the merger is finished, we are almost under completion, any synergy benefits we have identified? I know that it is very small that we have earlier mentioned, but is there any number you want to quote on the synergy benefit which may occur to us on the operational cost side because of the merger?

---

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

Well, I gave you the total size of the company. I think without distracting you from the big story, that synergy value is something which is not too relevant in the context of the size of the company.

---

**Mr. Sanjesh Jain - ICICI Securities - Mumbai**

Thank you and best of luck.

---

**Rajyita - Moderator**

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

---

**Mr. Pranav Kshatriya - Edelweiss Securities - Mumbai**

Thanks for the opportunity. I got three questions. Firstly, the tenancy additions for the quarter were pretty strong. Was there some component of Q1 sites coming into Q2? Or can we take this as a run rate addition? And also on that, can you please comment, the tenancy cancellation has also slowed down. So can we safely say that the worst is behind and we will see a healthy tenancy addition and very less cancellation, if any?

---

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

In the telecom sector, if my experience shows me, I would never want to use that we can say comfortably and certainly. There are many uncertainties in this sector. But yes, I guess the tenancy addition that we have seen and the reduction in the churn that I think looking at the situation of the industry and the uncertainties which were hanging over it, being behind us, I would expect this to be a steady trend going forward. This definitely, to me, looks like something which should be steady.

---

**Mr. Pranav Kshatriya - Edelweiss Securities - Mumbai**

The second question is for the second quarter in a row, we have negative energy margin and we were expecting to come to 2% on an overall basis, but that has not come. Is there a risk to that 2% number per se? And my last question is on you talked about the active component. I mean, what sort of business model are we looking at, at this point of time? If you can throw some color, that will be helpful.

---

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

Before I ask Sachin to give you some idea and also Bimal to give you some idea on the negative energy margin, on the active component, well, it is a little too premature to talk of a business model on that or a business plan on that. I think let us wait for DOT to come out with that, and we can give you some color. But let me give the floor to Sachin and then to Bimal to give you some idea of what is happening on the energy side.

---

**Mr. Sachin Naik – Acting Chief Executive Officer and Chief Operating Officer – Bharti Infratel Limited**

This is Sachin here. As we have been consistently talking about energy, energy should always be seen from a full year perspective. One change we are seeing this year is that some of our operators actually have gone through a passthrough model. And a passthrough model, as you know, is a zero margin business. A slight negative margin, which has come in this quarter, is because of some disputes which have come. And since it is a model which has been adopted for the first time, we are confident that in time to come, these disputes will be resolved and our policy of being very conservative, we have done the provisions against this. So you will see a slight dip in margin. But we are confident that overall, we will come back to the guidance which we have given of 0% to 3%, tending towards more zero because of the passthrough situation, which operators have adopted.

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

**Mr. Bimal Dayal - Managing Director - Bharti Infratel Limited**

Thank you. Thank you, and good afternoon, everybody. It is a pleasure to be here. On energy, I just want to make a comment here that whereas there is a movement towards passthrough, it has been our endeavor to have all the customers on the fixed energy model (FEM). And we believe this fixed energy model provides a win-win for both tower company and the customers. And we are actually doing what it takes to move our customers towards the FEM model. With this, we will start to invest the right capex and actually do the right thing of energy reduction as well. So I think this is where we want to go directionally. Over to you.

**Mr. Pranav Kshatriya - Edelweiss Securities - Mumbai**

Thank you that is it from my side. Thank you so much

**Rajyita - Moderator**

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

**Mr. Kunal Vora - BNP Paribas - Mumbai**

Thank you for the opportunity. Congrats for a good quarter. On receivables, the number has been consistently increasing. It has gone to about Rs.30 billion from Rs.25 billion a quarter back. So once the merger concludes in 3Q, can we expect a sharp decline in this number considering that we will be retaining about Rs.24 billion and that will be adjusted against the receivables?

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

I think that is a fair assumption, Kunal.

**Mr. Kunal Vora - BNP Paribas - Mumbai**

Second question on exit payment received. Last two quarters, we have seen about Rs.50 - 70 crores compared to Rs.100 crores in the three prior quarters. Is it largely because of liquidity issue of one of the operators? And should we expect it to again get back to Rs.100 crores plus once the merger happens?

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

Yes, it links back to the first question. Yes, some of the exit charges, because they recorded on actual receipt, so they were not there. But I am sure that this merger and the arraignment of adjustments against amount to be paid, all those will be settled.

**Mr. Kunal Vora - BNP Paribas - Mumbai**

Just the last one, like, how much of the exit penalty collection is left now? You are supposed to collect, if I am not mistaken, around Rs.1,100 crores. Will the entire amount be collected by FY2022?

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

No, there is a certain timeframe which has been given. There are installments. So I am not too sure as to how much is the amount. The balance would be in the vicinity of Rs.800 Crores - Rs.900 crores.

**Ms. Surabhi Chandna – Chief Investor Relations Officer – Bharti Infratel Limited**

Kunal, are you asking about the balance question? Are you asking about the run rate?

**Mr. Kunal Vora - BNP Paribas - Mumbai**

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

I am asking about the balance now. So I know part of the amount has been collected, but what is the...?

---

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

Part of it has been collected. The balance between Indus and Infratel...

---

**Ms. Surabhi Chandna – Chief Investor Relations Officer – Bharti Infratel Limited**

Let me come back to you offline on that.

---

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

It should be Rs.800 crores to Rs.900 crores total. But let us come back to you on that.

---

**Mr. Kunal Vora - BNP Paribas - Mumbai**

That is it. Thank you.

---

**Rajyita - Moderator**

Thank you very much Mr. Vora. The next question comes from Ms. Mansi from SBI Funds Management, Mumbai. Ms. Mansi, you may ask your question now.

---

**Ms. Mansi Sajeja - SBI Funds Management Private Limited - Mumbai**

A couple of questions just to follow from the energy cost question. When you said that there are certain disputes which need settlement, is that the other disputes with the tenants or other disputes with the energy suppliers? If you could provide that. Second, the overall security package in the opening remarks, you said that it would provide adequate cover. If you could just quantify how many months of receivables of cover can it provide, including what is on balance sheet today as well as what is billed? So how many months of billing is this? Third small thing is on general capex guidance, is there anything that we can take through for the combined entity?

---

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

So on the disputes, mainly it is from the operators. But sometimes, it is also because of wrong billing by the energy providers because of the disputes happen. So out of abundant caution, we do provide for the dispute so that there is no sudden hit in the P&L later on. So that is the situation of disputes. What was the second point, please?

---

**Ms. Mansi Sajeja - SBI Funds Management Private Limited - Mumbai**

How many months of receivables?

---

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

I would say, overall, a full year's billing of both rental and energy.

---

**Ms. Mansi Sajeja - SBI Funds Management Private Limited - Mumbai**

12-months billing, which will include the receivables, so receivables on book is about 150 days for the combined entity.

---

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

Yes, the receivables will be cleared within this transaction. So roughly, the balance security, which has been provided, should cover about a year's billing.

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

---

**Ms. Mansi Sajeja - SBI Funds Management Private Limited - Mumbai**

Okay. And maybe any CAPEX guidance you have provided that?

---

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

Our capex still depends on the customers because we do not build any tower on a prospective basis, and we only build it against an order. I would say that since there is no constraint on capex to be incurred by us, it would not be of much relevance. But we show what the capex has been incurred. I think this quarter's capex can be treated, we would believe, as the capex going forward.

---

**Ms. Mansi Sajeja- SBI Funds Management Private Limited - Mumbai**

Thanks a lot.

---

**Rajyita - Moderator**

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

---

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

Good afternoon. A quick question, again, on the energy side. We have seen that full circle from the passthrough to fixed energy and moving towards passthrough again. I am just curious to understand what happened, we keep calling this a win-win model i.e. the fixed energy model. And yet, the operators seem to go back to the old model. Did the fact that we made more margins then through the interim years than our initial guidance of 3% to 5%, we have margins touch close to 8% to 10% for the full year. Did that sort of lead to operators feeling that it was not really a win-win for them?

---

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

I did not fully understand the question, Rohit. But if I understood correctly, you are saying between the passthrough and the FEM, what prompted them to go to passthrough? Bimal, did you get the question? Can you repeat it, Rohit? I think we could not hear

---

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

Sure. Let me rephrase it again, please. What I am saying is we seem to have come a full circle from passthrough to fixed energy and now going back towards passthrough. We keep calling it a win-win model. Yet the customers i.e. operators do not seem to be seeing it as win-win. Did the fact that we made actually higher than our guided margins or our guidance earlier used to be 3% to 5%, which is now 0% to 3%, and we ended quite a few fiscals with close to 8% to 10% energy margins. Did that lead to a situation where your customers felt, no, it was not really a win-win, and we need to go back to passthrough? So what really broke this equation is what I am curious to understand.

---

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

Yes. I do not think that broke the equation. My feeling is and I will ask Bimal to come in a little later. What has happened is that over the years, we keep adjusting the FEM and keep giving discounts for the savings which we make. But some of the operators felt that in terms of the actual utilization of the power capacity which they have put up, there were gaps. So that might have prompted them to just get a reset and try and see what the right FEM model should be. But Bimal, I would want you to elaborate.

---

**Mr. Bimal Dayal - Managing Director - Bharti Infratel Limited**

Just to add on to this, I think there was one more reason. I think the model which we were operating also became a little bit complex as well to operate and cumbersome from a customer's perspective as well. There are other things when I said we are putting in endeavors to take them to FEM is that we are ironing out those as well. Hence, I think we are saying the customers probably will see this as a win-win again and not a cumbersome model.



<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

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

Yes, I think the bottom line is that we do believe that as fixed energy model with appropriate safeguards, whereby the margin for the tower company is a limited margin and there is no extraordinary profit being made by tower company, is a real win-win between the towercos and the operators. And I am sure with mutual consent and discussions we will be able to come back to that model.

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

Sure. Understand. A quick second question, this is more on the capex per tower standpoint. Have you been able to, let us say, get some savings on that for new tower structures or some other reengineering that we have done? Has that come down over time? I am looking at the last 3-4 years. Has that number generally come down? A similar tower in the last 3-4 years is causing it?

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

It is a lot dependent on the commodity prices and if the steel price goes up, it will go up. From a design perspective, we do try to keep innovating and it comes down. So there is no specific trend which we can point out. It depends really on the commodity price. Also the price for lead, which is on the batteries, and then the generators wherever we have to put in, I would say there have been gains and there have been some increases. On an overall basis, it has been fairly steady overall.

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

Thank you so much. All the best.

**Rajyita - Moderator**

Thank you very much, Mr. Chordia. The next question comes from Mr. Siddharth Misra from Fidelity International, Mumbai. Mr. Misra you may ask your question now.

**Mr. Siddharth Misra - Fidelity International - Mumbai**

I just wanted to check on the contracts that you have with the operator. When are you going to negotiate that? And should we expect some change in the charges that the operators are getting right now? So if you could just shed some light on that.

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

Well, my expectation is that as and when these contracts of the MSAs come up for renewal, which will come up for different towers at different points of time, I think there should be just a renewal because there can be points of argument on both sides. The towerco could demand more, could feel that we deserve more on some fronts. The operators could feel that they deserve some concessions. But on an overall basis, my feeling is that the MSA is pretty balanced, and the renewals should take place on or about where the MSAs currently are.

**Mr. Siddharth Misra - Fidelity International - Mumbai**

Can I know, when is the first set of negotiations happening? Is this the first one? I am asking on the first one, not the bulk of renewal. I am asking the first set?

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

2023 is when some of the large numbers will come up for renewal.

**Mr. Siddharth Misra - Fidelity International - Mumbai**

Is 2023 the first one, I am asking of the first one, not the bulk of them?

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

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

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

Yes, thereafter they will keep happening year-after-year. Some of them still happen even now.

---

**Mr. Siddharth Misra - Fidelity International - Mumbai**

And so you do not expect any changes in terms of loading charges of the rate card that you have currently for the operator?

---

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

As I said, at this point of time, I would say, on an overall basis, a macro basis, it should be on or about where we are, but I cannot comment on individual elements, a little too premature for that.

---

**Mr. Siddharth Misra - Fidelity International - Mumbai**

Got it. Okay. So basically, you are saying that it will follow similar to the current MSA in terms of all these charges and the inflation and all of that?

---

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

As I said, on a macro basis, overall basis, my feeling is the same. It would be near about the same, but a little early to really give any details on that.

---

**Mr. Siddharth Misra - Fidelity International - Mumbai**

Thank you so much.

---

**Rajyita - Moderator**

Thank you very much Mr. Misra. The next question comes from Mr. Mohit Khanna from Future Generali Life Insurance, Mumbai. Mr. Khanna you may ask your question now.

---

**Mr. Mohit Khanna - Future Generali Life Insurance - Mumbai**

Good afternoon Sir. I just wanted to know if the Foreign Direct Investment (FDI) limit of Bharti Airtel has been increased because I think Bharti Airtel is going to be considered as a foreign promoter in Bharti Infratel and also the FDI limit has been increased or not?

---

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

What has been increased, Mohit, sorry?

---

**Mr. Mohit Khanna - Future Generali Life Insurance - Mumbai**

The FDI limit, investment limit in Bharti Infratel, has that been increased? That application...

---

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

Yes, we have already got the approval.

---

**Mr. Mohit Khanna - Future Generali Life Insurance - Mumbai**

So how much is it now?

<b>Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call</b>
---

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

It has increased upto 100%, I think.

---

**Mr. Mohit Khanna - Future Generali Life Insurance - Mumbai**

So we have 100% FDI limit. Will Bharti Airtel be considered as a foreign promoter in our entity?

---

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

No. No, I think they will be considered as an Indian one. But it does not matter as long as we have the FDI approval.

---

**Mr. Mohit Khanna - Future Generali Life Insurance - Mumbai**

Fair enough. Also, after the merger, does Bharti Infratel continue to be a subsidiary to Bharti Airtel?

---

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

No. Because as I mentioned, from 53.5%, it will come down to 36.7% approximately. So it will be nobody's subsidiary. Infratel, which will be renamed as Indus Towers in the combined entity, will be no one's subsidiary.

---

**Mr. Mohit Khanna - Future Generali Life Insurance - Mumbai**

Thanks for the clarification. Thank you so much.

---

**Rajyita - Moderator**

Thank you very much Mr. Khanna. At this moment, I would like to hand over the call proceedings to Mr. Akhil Gupta for the final remarks.

---

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

Thank you very much. I think before we close the session, I would definitely request the two gentlemen here, Sachin Naik first, and then Bimal Dayal, to say a few words. Sachin?

---

**Mr. Sachin Naik – Acting Chief Executive Officer and Chief Operating Officer – Bharti Infratel Limited**

Good afternoon, everyone. I would like to take this opportunity to thank all the investor community for the great support we have received throughout the years and especially during this call. COVID, let me say, it created a new normal. In my experience, last four-year experience with Bharti Infratel, I should say that best-in-class has got a new normal. So this company has really grown to define new standards for best-in-class. Last four years also has been a great learning for me and I would like to take this opportunity to thank Akhil, DS, who is not in the call, but has been my boss for the last four years and Bharti. My telecom journey is such an Ericsson, and I have grown up actually in telecom industry admiring the leadership of Bharti. So again, Akhil and everyone, thank you for the great opportunity to work with Bharti Group. Thank you.

---

**Mr. Bimal Dayal – Managing Director and Chief Executive Officer – Bharti Infratel Limited**

Thank you. Thank you, Mr. Gupta. This is a tremendously exciting opportunity. I will take this opportunity to share who I am and where I come from in brief, probably give a little bit of my inputs on what I think about the market as well and some of the opportunities, which I believe are on the table for us to look at. I come with a 30-plus years of experience panning four companies, Tata Telecom, Ericsson, Qualcomm and Indus Towers. When asked about Indus, I believe that this journey is about creation of a world-class institution. And for me, this canvas just got bigger. On market, I believe Mr. Gupta shared that we have had highest ever tower growth this quarter, which is certainly an indication of customer demand, which is driven by ever-increasing data consumption by end users. We have also seen very good traction with Smart Cities. I am a believer in Smart Cities, which gives us very good stickiness with customers and a clear opportunity to do more. Also, with 4G, we believe small cell population is and will increase, and we are poised well to capture that in 5G. This will become a necessity and will increase the relevance of a tower company. Last-mile fiber will be an enabler for 5G, and I believe a lot of towers are yet to be connected. While doing all this, I think

**Bharti Infratel Limited Second Quarter Ended September 30, 2020 Earnings Conference Call**

one thing is fairly clear to me that whatever we do, we will not compete with our customers. All this to me is exciting opportunity. Lastly, over the course of time, I look forward to interacting with investors and analyst community. Thank you very much.

---

**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.