



“Vodafone Idea Limited Q3 FY23 Earnings
Conference Call”

February 15, 2023



Vodafone Idea Limited
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Moderator: Good afternoon, ladies, and gentlemen, this is Neerav the moderator for your Conference Call. Welcome to the Vodafone Idea Limited Earnings Conference Call.

For the duration of this presentation all participant lines will be in the listen-only mode. After the presentation a question-answer session will be conducted. Should you need assistance during this conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

We have with us today Mr. Akshaya Moondra – CEO of Vodafone Idea Limited and Mr. Murthy GVAS – CFO of Vodafone Idea Limited along with other key members of the senior management on this call.

I want to thank the Management Team, on behalf of all the participants for taking valuable time to be with us. Given that the Senior Management is on this Conference Call, participants are requested to focus to key strategic and important questions to make sure that we make good use of the senior management's time. I must remind you that the discussion on today's call may include certain forward-looking statements and must be viewed therefore in conjunction with the risks that the company faces.

With this, I now hand the conference over to Mr. Akshaya Moondra. Thank you, and over to you, sir.

Akshaya Moondra: Thank you Neerav. A warm welcome to all participants to this Earnings Call. Yesterday our Board of Directors adopted the Unaudited Results for the Quarter Ending December 31st, 2022. All the results related documents are available on the website and I hope you had a chance to go through the same.

Personally, I'm happy to share that in the Board meeting yesterday our Board has appointed Mr. Murthy GVAS as interim CFO of the Company. After a brief update on our strategic initiatives along with key highlights during the quarter, I will handover to Murthy to share details on the Company's financial performance.

First of all, let me talk about the issue of equity to government towards interest related to deferred AGR and spectrum dues.

In line with the Reforms and Support Package for Telecom Sector communicated by Government on September 15, 2021, we had opted for the upfront conversion of interest arising due to deferment of



*Vodafone Idea Limited
February 15, 2023*

spectrum instalments and AGR dues into equity. On February 3, 2023, Ministry of Communications, passed an order directing the Company to convert the NPV of the interest related to deferment of spectrum auction instalments and AGR Dues into equity shares to be issued to the Government of India. The total amount to be converted into equity shares was Rs. 161.33 billion. The process of issue of these shares to Government of India has since been completed. This conversion reaffirms government's commitment to implement the Telecom reform package and to maintain healthy competition in the sector with three private players.

Additionally, we have issued Warrants to one of the Vodafone group entities in July 2022 when they had invested Rs. 4.4 billion into the company. Pursuant to exercise of option attached to the Warrants, we have issued 427.7 million equity shares at an issue price of Rs. 10.2 per share.

With these equity issuances, the Promoter shareholding now stands at 50.4% and GoI shareholding at 33.1%.

Secondly on the fund raising

The shareholder resolution approving the preferential issue of OCDs to ATC India, one of the largest infrastructure service provider for the company, had lapsed as the allotment of OCDs could not be completed within the prescribed period of 15 days from the date of passing of the shareholders' resolution. Fresh approval has been given by the Board for issue of OCDs amounting to Rs. 16 billion, subject to approval of the shareholders for which the EGM is scheduled for February 25. These funds will be mainly used to pay amounts owed to ATC India under the master lease agreements and, to the extent of remainder, for general corporate purposes.

The engagement, cooperation and support through this transaction reflects ATC India's underlying confidence in the company and its plans. Both parties remain committed to develop a top quality nationwide 4G & 5G network as well as contribute towards India's digital transformation.

Now moving on to our strategic initiatives, the first priority area for us remains focused investment approach

We continue to follow a focused approach to investments, biased towards our 17 priority circles which contribute over 98% of our revenue.



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February 15, 2023*

Over the last several quarters, our network investments have been impacted on account of liquidity constraints. We, however, continue to refarm our 3G spectrum to 4G and have closed around 2,800 3G sites during the quarter while we added around 2,000 4G sites. Even though our overall broadband site count has remained flattish compared to last quarter, our broadband coverage as well as capacity has expanded. We continue to offer superior customer experience as reflected in our consistent top ranking in several league tables across data and voice. We are the fastest 4G network in India as per independent third party reports and we have the highest rated voice quality in the country as per TRAI's "MyCall" app data for 23 out of 26 months between November 2020 and December 2022.

We have the advantage of having latest 4G equipment and technologies which are capable of upgrade to 5G. 5G rollout has been considered as part of our overall capex plan and we continue to work towards rolling out 5G for our consumers which can be executed quickly once funding is in place. In the meantime, we have live 5G clusters in Delhi and Pune where we have partnered with various OEMs to test compatibility of available 5G handsets. Further, we are in advanced stages of discussion with various network vendors for finalisation of our 5G rollout strategy.

Moving on to our next pillar on market initiatives

Our unified brand "Vi", continues to garner good reception, building brand affinity across all customer segments in the country. In a country which is passionate about cricket, we engaged with users through Vi 20 FANfest on social media and stayed one of the buzziest brand of the world cup this season. Vi 12 Days of Christmas contest was done to engage with users on social during Christmas.

Our relentless pursuit on the marketing front is clearly visible with our top ranking at the SAMMIES 2022 where Vi won the best social media brand in Telecom & the best use of Video for #LookUp this Diwali.

During the current financial year, we have taken tariff interventions in postpaid as well as prepaid categories including entry level plans. We continue to focus on getting more customers on 4G/Unlimited plans for further ARPU improvements. We have seen ARPU growth for six consecutive quarters now. Q3FY23 ARPU stands at Rs. 135 compared to Rs. 115 in Q3FY22; growth of 17.4% YoY.

Moving on to Business services



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February 15, 2023*

Business Services or enterprise segment, is one of our strength areas owing to our long standing relationships with our customers as well as our ability to leverage the learnings from Vodafone group in various global markets. We continue to make progress in line with our stated strategy of transformation from Telco to TechCo. Our planned expansion of services beyond connectivity has seen good traction and we continue to work with multiple partners to make our offerings more relevant to enterprise customers.

In our endeavour to partner with enterprises in the fast evolving digital era, Vi Business has launched “Vi Secure” in collaboration with global technology leaders. Vi Secure is a comprehensive cyber security portfolio with a range of reliable solutions that offers protection against multiple threats arising from network, cloud and end points, enabling businesses to achieve their digital objectives in a secure manner.

On IoT, we continue to maintain our strong position with innovative solutions for large enterprises as well as for small businesses. We are the leader in Smart Utility as per Frost & Sullivan data for Q2FY23. We are currently working with over 25 power distribution companies, powering 2 out of every 3 smart meters in India. We aim to strengthen the Government’s Digital India mission and transform the country’s power distribution sector through our IoT solutions.

In line with our strategy towards innovation in IoT, we have recently showcased our industry first IoT lab to test and certify IoT devices. Our IoT Lab has been built in partnership with C-DOT, with an aim to simplify IoT solutions deployment and bring standardization and interoperability among IoT devices and applications as per ‘One M2M’ standard in the country.

As part of our strategy to transform from a telco to a techco, we continue to build our cloud portfolio. We are working on our cloud strategy through a combination of our own assets and strategic partnerships in order to accelerate digital transformation for enterprises.

We continue to support SMEs & MSMEs in digital adoption, transforming their businesses and making them future ready with our “ReadyForNext” program. Since its launch, ReadyForNext has helped in assessing the digital needs of several thousand MSMEs in India, offering them the right set of solutions for their digital journey. Vi Business was recognized for Best Innovation and Creativity in B2B Marketing for ReadyForNext at the Mint Marketing Awards 2022.



*Vodafone Idea Limited
February 15, 2023*

In the growing hybrid working scenario Vi Business Plus Mobility Bundling solutions are enabling today's mobile workforce to connect, communicate, collaborate and do a lot more with their postpaid plans. Bundled with benefits such as data pooling, mobile security, location tracking and entertainment, Vi Business Plus provides superior customer experience, with seamless and uninterrupted high speed data.

Vi Business is also an active participant in the fixed Data Connectivity business and continues to enjoy the confidence of some of the largest multinational and Indian organizations to connect their offices and various locations through its suite of ILL and MPLS / GMPLS solutions. Vi Business is also doing pioneering work in the space of Private Networks. Through our active and deep engagement with our large customer base, we aim to participate in building the private networks infra in the country in a relevant manner basis customer needs.

At CIO Choice 2023, Vi Business has been chosen as the preferred partner of choice for SIP Trunk, Telecom Carrier (Mobile Access), Managed Mobility Services, Cloud Telephony and Telecom Carrier (International access) on the basis of an extensive pan-India CIO referral voting process that spans across industry verticals.

The next strategic initiative is driving partnerships and digital revenue streams

We are aggressively executing our digital strategy through partnerships, in our continuing journey of being a truly integrated digital services provider. Over the last several months, we have significantly expanded our digital portfolio with addition of music, videos, gaming, jobs, education and digital advertising and we continue to add various features to our offerings.

We are seeing strong growth on the Music and Vi Movies & TV users on our platforms in the last quarter, with both showing strong growth sequentially. This is on the back of various curated content and events we created for our users.

In order to drive deeper engagement on Music, we had LIVE music concerts for our consumers on Vi app wherein renowned bands & artists like, Indian Ocean, Sunidhi Chauhan, Euphoria, Sara Gурpal and Mame Khan had performed. We continue to explore such relevant entertainment experiences for our users.



*Vodafone Idea Limited
February 15, 2023*

On the video front, our strategy has been to provide curated premium content to our consumers. We continue to build partnerships with content producers to be able to deliver an enriching experience to our users. We have added multiple new partners in the past quarter to build on our content repository. As we speak, we are, for the first time, showing LIVE T20 International 'league cricket' on Vi app to our users on the back of our partnership with Zee. We have seen highest growth on our video consumers in the past quarter.

One of our endeavor on Digital is to read the emerging trends and build relevant propositions to be able to drive meaningful engagement and create opportunities for better monetization. Snackable content as you all know has been in huge demand, which is 'shorts' or 'reels' that consumers can consume on the go in a very little time. We have recently launched a new channel – BYTES, on Vi app in partnership with NDTV to provide quick bytes of trending news & stories across sports, films & lifestyle.

As you would be aware, we had enhanced our gaming proposition with the launch of multiplayer games. On that front also, we continue to see strong growth.

Overall, we've seen a considerable jump in overall minutes of engagement, across video, music & gaming, in Q3 vs Q2.

Our own Ad-tech platform "Vi Ads" is helping us drive the monetization of our digital assets as we continue to scale our footprint and are now able to drive good demand. Vi Ads is now empanelled with almost all the top media agencies and we are part of the media plan for some of the big brands in the country. While we continue to drive demand from the large agencies and the big brands, our focus in the coming quarters is going to be on building a strong GTM for leveraging the smaller & emerging brands' demand and that is where we believe the Vi Ads will deliver tremendous value.

We will continue to have a disproportionate focus to build a digital ecosystem with our partners, enabling a differentiated experience for Vi users, which will help us to drive customer stickiness as well as provide incremental monetization opportunities.

Moving on to other highlights for the quarter



We continue to register improving 4G subscriber base for sixth quarter in a row with 1.0 million 4G customers added in Q3. The 4G base now stands at 121.6 million. However, the overall subscriber base declined to 228.6 million vs 234.4 million in Q2FY23.

Despite subscriber loss, we registered the sixth quarter of sequential growth with revenue for the quarter growing 0.1% QoQ, and which now stands at Rs. 106.2 billion. ARPU improved to Rs. 135, vs Rs. 131 in Q2FY23. On a YoY basis, ARPU witnessed strong growth of 17.4% aided by tariff hikes and subscriber upgrades.

The overall data volumes were up 0.8% QoQ, while on a YoY basis the growth was 9.9%. We continue to see the increase in the data usage per broadband customer which now stands at ~15.1 GB/month. We have also seen an increase in voice minutes per sub by 2.4% QoQ.

With that, I handover to Murthy who will share the financial highlights for the quarter.

Murthy GVAS: Thank you Akshaya. A warm welcome to each of you.

On the 'Quarterly Performance':

Revenue for the quarter has improved marginally compared to the last quarter thus registering a sequential growth in revenue for the past six quarters. On a year-on-year basis the revenue for the quarter grew 9.3%.

EBITDA for the quarter excluding IndAS 116 impact is Rs. 20 billion as compared to Rs. 21.2 billion for Quarter 2 FY23. This is primarily due to higher charge on account of customer acquisition costs and higher network expenses which was partially offset by the full quarter saving in spectrum usage charges versus a partial impact of Q2 as the rate reduction due to spectrum won in auction was applicable through August 17, 2022. The customer acquisition cost incurred has been flattish quarter-on-quarter. But the higher charge is on account of lower net deferred net compared to the last quarter which is primarily on account of change in the life of subscribers.

Excluding the impact of 116 the depreciation and amortization expenses and net finance costs for the quarter stand at Rs. 43.2 billion and Rs. 53.9 billion respectively. The reported IndAS depreciation amortization expenses and net finance costs for the quarter stand at Rs. 58.9 billion and Rs. 62.8 billion respectively.



The CAPEX spends for the quarter stands at Rs. 7.5 billion and the CAPEX for nine months stand at 28 billion.

The total gross debt (excluding lease liabilities and including interest accrued but not due) as of December 31, 2022 stands at Rs. 2,228.9 billion, comprising of deferred spectrum payment obligations of Rs. 1,398.0 billion and AGR liability of Rs. 699.1 billion that are due to the Government, and debt from banks and financial institutions of Rs. 131.9 billion. With Cash & cash equivalents of Rs. 1.6 billion, the net debt stands at Rs. 2,227.3 billion. As we have opted for deferment of Spectrum and AGR dues for a period of 4 years in line with the telecom relief package, the first payment towards spectrum will start from October 2025 and AGR from March 2026.

As mentioned by Akshaya, the interest related to the deferment of spectrum and AGR installments has been converted to an equity by issuing shares to the Government of India on 7th February 2023. The accounting of this will be considered in Quarter 4.

With this I hand over the call back to Neerav and open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivekanand Subramanian from Ambit Capital.

Vivekanand S: I have two questions. Murthy, could you tell us the net debt of the company after the government decides to exercise this and also the impact on the receivables that you have reported now after ATC converts, could you help us with this? The related point is, could you help us with the spectrum payments, the annual Spectrum and AGR payments from October 2025 to September '26? That's question one. Secondly, I see that in the notes to accounts you have mentioned two numbers, one is an 8,000 crores odd number which is the debt that is due to banks out of the 13,000 crores bank loans. Could you tell us what is the status of the discussions you are having with banks and by when can we expect some of this loan that are due for payment to get converted into long term loans?

Murthy GVAS: Your first question is with regard to the conversion of government equity and once that happens then in that case yes as compared to the amount that we show on the balance sheet there'll be initial reduction thereafter it will be made up as the moratorium period completes.



Akshaya Moondra: I think very clearly this is a reduction of 16,000 crores roughly from the debt which has been converted to equity. From a balance sheet perspective this should reflect in reduction of debt. However, what is the final accounting presentation we'll have to discuss with the auditors and decide, so we'll see. But as of today, with the conversion in reality the debt stands reduced by about 16,000 crores. On the question of receivables or let's say payables from our point of view to ATC, once ATC is subscribing to the OCDs post the shareholders' approval the payables to ATC will reduce by 1,600 crores and they will get converted to financial creditor status as the subscriber to the OCD. Your next question was relating to the dues to DoT post the moratorium period, in the period October '25 to September '26. So generally on the AGR front and I'm giving you these figures but the final figures have to be communicated to us by DoT. But based on our calculations it will be about 9,100 crores of regular installment and about 7,400 crores of installment which is arising out of the deferment. As far as the spectrum installments are concerned, it will be about 14,800 crores for the original installment and about 10,000 crores for the new installment stream which is arising out of the deferment. I was not very clear about your last question, so if you could repeat that relating to the bank debt.

Vivekanand S: Thanks for this Akshaya. On the bank debt you mentioned that there's 13,200 crores of bank debt but you've also mentioned in the notes that around 8,000 crores is payable in the next 1 year. So, what's the update on the discussions you've been having with banks on the deferment of some of this bank loan that is due in the next 12 months?

Akshaya Moondra: Firstly, we have to delink the existing debt and servicing of that debt from the new funding. The new funding is for investments. The existing debt which is there it will not be deferred; it will continue to be repaid on maturity. Since you have also touched upon the question of funding, let me answer it at this point only. So, as we have been mentioning earlier also that we have been engaged with the banks post the reforms package was announced. We have made progress with them. But at some point of time, the discussions could not progress further because the bank's requirement was that the government conversion has to happen first and only once that has happened then we can engage further. Let's say we have had constructive discussion with our consortium of bankers in the last couple of months and with the government conversion now having happened those discussions can progress further because the basic condition of government conversion has been fulfilled. We have already started engaging with them and the discussions are progressing as we speak.



Vivekanand S: I have a couple of follow ups. The first one was on the currently accounted net debt. If I understand correctly some of the interest on the deferment was accounted for as an additional— net debt used to keep going up every quarter as the—government had not yet taken the deferment amount as equity. I'm looking for a number to understand with respect to what the net debt will be after the government is allotted shares. I mean it has been allotted shares, right? You've reported.

Akshaya Moondra: Yes, the shares have been allotted. It is reflecting in the stock exchange.

Vivekanand S: Correct. Should it be just the 16,000 crores lower net debt or am I missing something?

Akshaya Moondra: No, it should be 16,000 crores lower. How it will represent in the balance sheet is something I cannot answer definitely. But effectively it is a 16,000 crore which stands reduced from the debt because that represents the PV of the future debt. You can call it future debt or installment because the easier way to understand this is that calling it that we are allowed to convert an interest is a means of deriving an amount which could be converted. In a sense what this means is that a PV of future installments has been converted and so the installments stand reduced to the extent of conversion which has happened. So effectively as on date the debt on the balance sheet should reduce by 16,000 crores. That is let's say the commercial impact and as I said the accounting presentation we'll know when we declare the next quarter result.

Vivekanand S: The last follow up question is on the numbers, you mentioned for the payments that you will need to make once the moratorium is lifted. You mentioned four numbers 9,100 crores, 7,400 crores. These two for AGR regular installment and deferment, then Spectrum regional installment and deferment. So, all these put together are 41,300 crores. Did I get this correct?

Akshaya Moondra: Yes, I mean I have not totaled them but that should be correct.

Moderator: Next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: A couple of questions on my side. First on this tariff intervention which actually you mentioned in the opening remark, can you elaborate on which are the key tax we have taken a tariff and what are the quantum?

Akshaya Moondra: Sanjesh your audio is not very clear. Can you please repeat the question? We can hear you but the audio is not very clear. Please go again



Sanjesh Jain: My question is related to the tariff intervention. Can you elaborate on the tariff intervention both in the prepaid category and postpaid category that we have taken now?

Akshaya Moondra: No, what I was alluding to in my opening remarks is that our revenue or the ARPU has increased 17.4% year-on-year. The basis of that is of course the change in subscriber mix accompanied by the tariff interventions that have happened over a period of time. I was not referring to a particular event but as you would recall that in December last year, we had increased the tariffs. We have been increasing our entry level plans where somewhere at 79 they were increased to 99. Then there was a further intervention where the offering on the 99 plan was revised in the end of June. There have been some interventions which have been done on the IoT front, there have been some interventions which have been done on the postpaid front. I was basically referring to the multiple interventions which have happened over the last year or so.

Sanjesh Jain: I was more interested because one of our peer has taken a minimum tariff hike from 99 to 155 while we are still at 99, any thoughts there? How are we looking at, are we monitoring the data? How should one read that?

Akshaya Moondra: So firstly, I would not call it a tariff hike. It is basically taking away a particular product which increases the entry level price for any subscriber who wants to subscribe to their services. It is not a tariff hike in that sense. So just wanted to have that clarity for everyone. Firstly we are evaluating this and as you are also aware this was earlier done in two markets where we have some trends available and in the remaining markets it has just been done. There is no data available as to say what the impact is. In the first round where this was done in two circles in one of the markets where we have a significant presence, we have seen different and improved trends in that market in our subscriber trends relative to the rest of the market. So, there has been a benefit to us in terms of the overall movement of subscribers. These are early signs. We continue to watch this space and we would take a decision based on whatever is best for our situation and our customers.

Sanjesh Jain: Second question is on the subscriber decline.

Akshaya Moondra: Sanjesh we are not able to hear you at all. If you are at a place where there is disturbance, I think you'll have to find some solution to that. There is too much of a disturbance.

Sanjesh Jain: Let me call back let me come back in the queue.



Moderator: Next question is from Vibhor Singhal from Nuvama Wealth Management.

Vibhor Singhal: Just basically wanted to dwell a bit further on the Vivek's question. If I understand it correctly the 16,100 crores is the net present value of the interest that has been deferred for the 4 year period provided by the government in September, 2021 reforms. If I understand it correctly part of that interest would already have accrued and probably it would already be sitting on a balance sheet. But the remaining part let's say for 2.5 years of interest would not be there on our balance sheet. Is my understanding correct that out of the 16,100 crores there would be some part let's say 35%-40% whatever that debt would be there in the balance sheet as of now which would basically get knocked off because of the equity issuance and the remaining interest will be accrued over the 2.5 years and that will basically get removed from the amount that has been issued to the government.

Akshaya Moondra: This value of 16,100 is the PV as on 10th of January which was the date when we had exercised the option. Now as I said earlier 16,100 to say interest is a means of calculating. If you were to look at it simply, if this conversion had not happened, the debt which was there on our balance sheet would have continued to accrue interest on a regular basis and after the moratorium we would have been paying installments at a certain rate. As of 10th January 2022, this debt stands reduced by 16,000 although the conversion is happening now, so the impact of that is given now. And in effect what is happening is that to the extent of the installments that have been deferred, the principal value of these installments will remain the same after a period of 4 years roughly. That is in essence what has happened is that because the interest is converted while this will continue to accrue interest but in effect the installments would be calculated as if the principal is the same as on 10th January as after the moratorium. So simply stated the way to understand this is that you forget whether this is interest or not. As on 10th January 2022, 16,000 crores of debt has been converted and assuming the conversion had happened on that date with that reduced debt the interest accrual will continue to happen on the rest of the amount. If your question is basically that, is part of this interest accrual already reflected in our balance sheet? So, it is right that from 10th January which is the PV date calculation of last year till 31st December the interest accrual is already reflecting in our balance sheet.

Vibhor Singhal: I think that was the clarification that I was looking for. Thanks a lot for that detailed explanation. Also, just to dwell a bit further on, you mentioned the four items we give once the moratorium period ends, the total of which comes out to 41,300 crores. So even if let's say by then



we are able to take a decent tariff hike and there is a growth in ARPU that appears to be a significantly high number given whatever the cash flows that we are currently generating and probably likely to improve in the next 2 to 2.5 years as well. Let's say for example we are looking at an investment at this point of time. Would our strategy be to prepay some of these liabilities so that our annual payment liabilities reduced to an extent to be able to match your cash flows? What is the thought process that we are just doing around at this point of time regarding those specific liabilities will come to you in FY26?

Akshaya Moondra: Really speaking whether I prepay or I pay later ultimately, it doesn't change my liquidity profile. We have no intention to prepay anything out of this because we would want to use whatever liquidity is available with us to make the investments. There's no question of prepayment. Just for the sake of completeness I would say that there are installments which were 14,800 of the regular installment. What I did not include there was about 1,700 crores of the 5G spectrum installment which will get added on to that. That 14,800 would actually become 16,500 crores which is the regular installment unrelated to the reforms package and 9,100 crores roughly of the AGR is again an installment which is independent of the reforms package. The other two installments of 10,000 on spectrum and 7,400 of AGR or 17,400 and all is a deferred amount out of the reforms package. As you would have seen that the reforms package also provides that these installments can be converted to equity and that judgment can be made for each and every installment independently post the moratorium period. So, when one looks at these installments these have to be seen a little differently. One is the regular stream of installment, second is the installments arising out of the deferment which are covered by the reforms package and they may have a somewhat different implication going forward.

Moderator: The next question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: My first question is on 5G. What proportion of your customers are currently using 5G devices and have you seen any change in the churn in those customers? And also, how reduce any risk as competition ramps up 5G coverage by end of '23?

Akshaya Moondra: Kunal thanks for the question. The specific data on 5G or what is happening on the 5G churn, we are not giving that but what I can say is that we are in early stages of the 5G deployment and there is no change in the overall trends that we see in terms of the subscriber movement in



different categories. We continue to watch this space and 5G is an important development. As I mentioned in my opening remarks, 5G is a part of our plan. It is clear that we will be starting a little late compared to the competition but I believe that 5G is evolving. Also, we believe that while 5G offers much better speeds really speaking from a consumer perspective that speed differential if you measure on a speed test it is visible. If you just try to see your experience it is not very different. So, it will happen at a pace. It will also require some ubiquitous coverage on 5G. Our effort will be that as soon as funding is in place, we kind of expedite our rollout to have a presence in the geographies which matter particularly in the context of 5G and so that we are able to compete as early as possible.

Kunal Vora: The second question is on postpaid. Your subscriber base seems to have increased. We have seen proportion moving up from about 8% of customers to almost like 9.6%? What's driving this? Is it M2M or is it enterprise customers? Where are you seeing the postpaid growth?

Akshaya Moondra: The growth is significant, change may be happening primarily from the M2M segment. The rest of the postpaid segment is fairly stable. The consumer postpaid segment is stable.

Kunal Vora: On churn level like 4.4% annualized churn of more than 50%, this is resulting in large SG&A cost. Has the industry taken any steps to control this? Any development on this? When do we expect this to normalize?

Akshaya Moondra: It is an industry thing, so everybody in the industry has to do it. But I can tell you that we have taken—there are two parts to this—if I were to take some time to explain this. One is that if you make an analysis, you'll find that there's a lot of rotational churn which is happening. That is why industry sees such a large number of gross adds but the net add level is much lower than the gross add level. It is very clear that large part of it is rotational churn. What you are saying is right that the industry needs to address it. We continue to make those efforts but what we have started analyzing at our end is that which are the loss-making subscribers or if there is a channel which is largely contributing a poor quality of subscribers. We have started making interventions to see that if it is possible to identify Ab Initio where you know that a particular source of acquisition or a particular subscriber is going to be a loss-making subscriber how can we eliminate the loss on that kind of acquisition. So, we have started taking those actions. I'm hopeful that everybody will take these kind of actions because ultimately it is a loss to the industry, especially at a time when everybody is not doing well financially. I mean they may be different in some level but today nobody is covering their



Vodafone Idea Limited
February 15, 2023

cost of capital and in that situation to just throw away money for this rotational churn doesn't make sense. I can assure you that we will continue to do our bit to address this and we will continue to drive and work along with industry players to get some sense of discipline where money is used for acquiring customers and not to generate rotational churn.

Kunal Vora: When have you taken this action and any early results which you see?

Akshaya Moondra: I will not be able to give you too many details but let's say we have started making these interventions somewhere in December. We have seen some improvements but what effect or impact it is having on quality it takes some time to figure out. Generally, you take interventions based on historical data but whether what result they are yielding it will take some time to see. But we believe that the basis with which we have taken the actions, we should see positive results coming out of this.

Kunal Vora: And just final question any thoughts on tariffs hike? When can we expect it and what's stopping it?

Akshaya Moondra: Firstly all of us have been saying that tariff hikes are required because the current level of tariffs do not enable anybody to recover their cost of capital. Having said that I cannot right now comment on what would be the timing of the price increase but my personal view is that the price increase is required but it needs to happen more at the unlimited plan kind of segment where what we have seen is that over a period of time the basic premise of you pay more for using more. Of course, within a range it could be limited but today we have a very wide range of usage where the customer pays the same independent of the level of usage. Gradually as happens with all industries, all services whether you use electricity, water, anything which are again in the nature of essential services there's a base charge, then there's a charge which is based on usage, your per unit usage cost reduces as you consume more. Sometimes of course there's a penal rate also as in case of electricity but let's say that's not the concept here but definitely the current structure of pricing needs to evolve over a period of time in some form where at the higher end people start paying more for using more and not that everybody pays more even though they may be using less. I say that I believe and my personal opinion is the direction in which the industry should move and let's see how it works.

Moderator: The next question is from the line of Aditya Chandrasekar from UBS.



Aditya Chandrasekar: Just had a quick question on vendor payment so I think payables to vendors like Indus, ATC etc. have been building up. So just wanted to get a sense of how we're thinking about that? How are the talks with these vendors going on and on an ongoing basis what percentage of monthly billing are we able to pay? How is that likely to improve going ahead? Just some color on this will be helpful.

Akshaya Moondra: Aditya as far as ATC is concerned you are aware of the transaction that we are doing with them and ATC has been supportive in the sense that they have agreed to convert their payable into an OCD instrument. So really speaking the ATC is being addressed through that route. The other largest vendor is Indus which of course Indus have themselves made a number of disclosures in their financials which you're aware of. We continue to constantly remain engaged with Indus. We are working in the spirit of partnership and all our vendors including Indus have been very supportive to support us in this interim period of difficulty. It is very clear that we need to get funding to be able to make investments and improve our operational cash flows to be then able to improve our vendor payment situation. The way we look at this is that currently we are prioritizing all payments which are essential for the continuation of operations and beyond that as we get the funding and start incurring and making investments and as we see cash generation from operations going up that would be the basis of our starting to clear the backlog. But our endeavor is that till we get to that point with the funding in place and the CAPEX then not being dependent on operational cash flows we can then start to gradually unwind the payables which have accumulated until now.

Aditya Chandrasekar: And secondly just a quick one on the government side I think there were some news reports that some license fee etc. is also kind of getting accumulated. Just wanted to check are we getting some pushback from them? And secondly on the deployment, 5G deployment requirements for the spectrum is there any pushback from the government for that?

Akshaya Moondra: As far as the license fee payments are concerned it is right that we have paid a lesser amount than the 100% amount. We are engaged with DoT; we have proposed a plan to them and we are requesting for their support to allow us a slightly delayed payment in the interim so those discussions are on, we are engaged with DoT on that. On the 5G minimum rollout obligation, that is not the large investment and that is something which we'll comply with.

Moderator: The next question is from the line of Piyush from HSBC.



*Vodafone Idea Limited
February 15, 2023*

Piyush: Firstly, could you provide your split of data which is going through your network between 3G-4G and what is your peak network capacity utilization levels now? The reason I'm asking is I just want to understand a little bit more about your strategy around tariff hikes and given one of your peers have removed entry level products and you have not done a similar strategy; does it mean Vi is unlikely to participate in tariff hikes because your capacity utilization is low and you would first like to improve your capacity utilization? Just some thoughts around these two questions will be great.

Akshaya Moondra: I don't think the capacity utilization or 3G-4G traffic mix has anything to do with the tariff hike decision. As I clarified earlier, we should just be clear that this is not a situation of tariff hike, this is a situation of elimination of a particular entry level product. Now really speaking whether you continue this product or not this product does not offer data and so it has nothing to do with what is the utilization. Broadly speaking I can tell you that data currently runs almost entirely on the 4G network. We have as I mentioned in my opening remarks, we have been closing down our 3G network and the 3G networks are currently maintained only where there is a significant number of subscribers who are still using the 3G network or in places where we have 3G coverage but we do not have a 4G coverage. Otherwise anywhere where we have 4G coverage and we have 3G sites gradually we are winding up. Really speaking 2G can hardly carry any significant data and 3G is something which we are winding down. So, no correlation between the traffic and the tariff related decision.

Piyush: But what needs to happen then for Vi to be confident to take another round of tariff hike because certainly we need to improve our boost, to improve our operating cash flows, right? So, what needs to be seen?

Akshaya Moondra: I would say that we need to kind of make some investments, get to a better level of offering. That is one of the things but I don't think that is the only trigger. As I said that there are different dynamics at the entry level pricing, there are different dynamics at the high-level pricing and as I expressed my personal view is that the pricing structure in terms of tariff hikes need not be that you need to move to a regime where there is some semblance of paying more for using more rather than having a very large range of this paying the same price. I cannot give you a timeline but that is a direction we would want to move quickly and we continue to evaluate as to what is the right time to do it. Entry level pricing is a slightly different dynamic and we have to kind of evaluate the situation and we will decide how to progress about it. We are watching the situation so we've not kind of taken a firm decision on that account.



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February 15, 2023*

Piyush: You're saying in the 4G mass segment where there is a good proposition to the consumer and there is an affordability, there is a higher probability of you kind of taking a tariff hike in that segment?

Akshaya Moondra: Let's say that is what I believe is the right thing to do for the industry as a whole.

Moderator: The next question is from the line of Balaji Das from Bajaj Allianz Life Insurance Co. Ltd.

Balaji Das: So, I basically have two questions like maybe to Akshaya and to Murthy sir. How much fund are you expecting because maybe currently we have a lot of vendor payments to be done 5G deployment and do we expect any fund infusion from the promoter side also? Has there been a lot of hearing one of our companies selling the stake in the Vodafone in the Indus Tower. That's the first part on the fund infusion and the second part do we are expecting any update on this AGR recalculation, petition file from the Supreme Court. So, these are the two questions if we can get more clarity on these two parts?

Akshaya Moondra: I will not be able to give you the amount of funding. All that I can say is that we have a shared business plan with the banks which includes the complete current situation of where we stand and the funding required for us to gradually move to a regular vendor payment cycle and make the necessary investments. All that is a part of our plan. I cannot give you specific figures at this point of time. As far as the AGR is concerned this is a matter which is in the Supreme Court. We have a review petition on the matter of corrections to be made and we are keeping our options open because definitely we believe that if there are errors or inaccuracies in calculation at least those should be corrected and we will continue to pursue that at a suitable time.

Balaji Das: Just a supporting question to the same like since we have a good amount of 2G users also so what is the plan which we are proposing and encouraging them to get it converted to the 4G plans?

Akshaya Moondra: There are no 2G plans and 4G plans. Basically, we are saying that there's a customer requirement. If your requirement is only incoming then you subscribe to the entry level plan. If your requirement is primarily voice but a large quantum of voice then you subscribe to what we popularly refer to as unlimited voice plans or ULV plans and if you need data along with unlimited voice then you subscribe to what we refer to as ULD plan. Really speaking as more and more devices



*Vodafone Idea Limited
February 15, 2023*

are coming except for the feature phones which can work only on 2G, every device can use data and it is the customer's requirement. You'll find a number of subscribers who may have 4G devices but who may be only mainly using voice and not so much data. I would just describe it as to look at us from what is the consumer need devoid of the device itself and we continue to address what the customer requires.

Balaji Das: Since maybe we also received a good support from the government also so can we see Mr. Birla back to the Chairman position again?

Akshaya Moondra: That is a question which I cannot answer.

Moderator: Thank you very much. Ladies and gentlemen, we'll take that as the last question. I now hand the conference over to Mr. Akshaya Moondra for closing comments.

Akshaya Moondra: Thanks Neerav and thanks to all the participants for joining this call, asking us the questions and giving us an opportunity to answer your queries. We have reported six quarters of sequential growth in several key metrics including ARPU and 4G subscribers. We remain focused on providing superior data and voice experience and are building a differentiated digital experience adding several digital offerings in the recent months. We have issued equity shares to the government consequent to conversion of the interest related to deferment of AGR and spectrum dues. The transaction with ATC clearly reflects the relationship that the company shares with one of its key vendors and their belief and long-term prospect of the company. With these positive developments we continue to remain engaged with our lenders for further debt fundraising as well as with other parties for equity or equity linked fundraising to make the required investments for network expansion and 5G rollout to compete effectively. We have been improving our performance in the last six quarters with limited investments and we are confident that with the investments coming on stream, we will be able to make more meaningful improvements in our overall performance. Thank you once again for joining this call. Have a good evening.

Moderator: Thank you very much. On behalf of Vodafone Idea Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.