



“Vodafone Idea Limited Q4 FY24 Earnings
Conference Call”

May 17, 2024



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

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 the conference please signal an operator by pressing '*' and 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 on the 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 discussions 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 would now like to hand the conference over to Mr. Akshaya Moondra. Thank you, and over to you, sir.

Akshaya Moondra: Thank you Dorwin. A warm welcome to all participants to this earnings call. Yesterday, our Board of Directors adopted the audited results for the quarter and year ending March 31, 2024. All the results related documents are available on the website and I hope you had a chance to go through the same. Let me provide key highlights for the quarter and a brief on our strategic initiatives. Post this, I will handover to Murthy to share details on the Company's financial performance.

Let me first talk about our fund raise.

We have marked an important milestone in the journey of Vodafone Idea Limited by raising Rs. 180 billion through FPO route which has been the largest in the country. The overwhelming success of our FPO is testimony to the confidence and trust that has been reposed in us by each and every one of our investors who have rallied behind us in large numbers leading to our issue being subscribed almost 7 times.



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Further, ATC converted OCDs amounting to Rs. 14.4 billion into equity shares. The transaction was an expression of confidence in VIL and its plans and has been a win-win for both parties, whereby ATC besides getting a liquid asset in the form of equity shares, has also benefited from the appreciation in the value of their investment. For VIL, this has been beneficial as this clears part of its operational dues outside of operational cash flow and additional equity raise.

Further, one of the ABG promoter group entity is contributing Rs. 20.75 billion through preferential issuance of equity shares at an issue price of Rs. 14.87 per share. All required approvals are taken for this including shareholder approval and we expect it to close during this month.

This coupled with the preferential equity raise of ~Rs. 49.4 billion in 2022 from Vodafone Group and ABG takes the total fund infusion by both the promoter groups to ~Rs. 70 billion between March 2022 and May 2024.

Considering all above, we have successfully raised equity of ~Rs. 215 billion during last 3 months.

Additionally, we are in discussions with consortium of banks to raise debt of Rs. 250 billion and additional non-fund based facilities of Rs. 100 billion. Post the Telecom reforms package in September 2021, our bank exposure has reduced by ~Rs. 347 billion.

Let me now quickly talk about our strategic initiatives.

Our first strategic initiative is our focused investment approach

Our investments have been impacted on account of liquidity constraints over last few years.

This Equity funding and proposed bank facilities are to be utilised primarily towards capex over next 3 years which is expected to be in range of Rs. 500 to 550 billion, which will enable us to effectively compete and participate in the industry growth opportunities.

The capex will be towards expanding 4G population coverage in 17 priority circles which contribute over 98% of our revenue and around 92% of Industry revenue, 5G launch in key cities or geographies, capacity expansion to address the increasing data demand and also investment to grow our enterprise business. It is important to note that since we will be launching 5G now, we will be well placed to



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effectively utilize our capex spend as we will be able to address a part of the capacity requirements via 5G instead of 4G.

We continue to work towards refarming the 3G spectrum towards 4G considering the overall ecosystem and have shut down 3G completely in 6 circles with Kerala getting added to the list of 5 other circles where it was done earlier; namely Maharashtra, Gujarat, Andhra Pradesh, Mumbai and Kolkata. In the other circles also, we continue to follow the same approach. This helps us in utilizing our capex effectively while ensuring that we continue to offer superior customer experience in these areas.

On 5G, we have completed minimum rollout obligations for 5G in 4 circles of Maharashtra, Delhi, Tamil Nadu, and Punjab and applied for completion certificate in 2 circles of Bihar and Mumbai. We are in discussion with various technology partners for finalisation of our 5G rollout plan. We are also in advanced stage of trials of Open RAN and embracing new technologies such as virtual RAN.

Moving on to market initiatives

Our brand “Vi”, continues to garner good reception, building brand affinity across all customer segments in the country. The company continues to make extensive progress on the marketing front by communicating key differentiators to consumers, entering into alliances and introducing various innovative products and services in line with emerging customer needs and preferences.

During the quarter, we continued with our brand campaign - ‘Be Someone’s We’ urging customers to be there for others and make the world less lonely with the power of connectivity and deepened emotional affinity to build positive momentum and consumer connect for Vi. This campaign was promoted across TV, digital & on ground.

Further, in our endeavor to offer additional benefits, we continued the 'Choose Your Benefit' on Vi Max postpaid campaign with the addition of Swiggy One as one of the benefits. During the cricket season, we engaged with our customers on social media through the Vi 20 FANfest program.

Additionally, we offer the most comprehensive international roaming proposition to our consumers recognizing that different consumers have different needs. Vi is the only operator in the country to offer unlimited packs across a vast expanse of 29 countries that contributes to 70% of the international roaming traffic. These packs offer unlimited voice, data and SMS that ensure peace of mind for the



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consumers. We also offer limited packs to consumers who may not have a very large need for data and or voice. Additionally we have also expanded the pack portfolio to 27 new countries this year and brought new travel destinations like Azerbaijan, Uzbekistan , Iraq etc.

Our brand continues to get more recognition and even more love. Very recently, we won the prestigious “The One Show Award” in advertising and design. Our campaign Vi Human Network Testing Network was recognised for its creativity where we partnered with Mumbai’s Dabbawalas, to test and improve the Vi GIGAnet in the pursuit of offering a superior network experience to our users. The campaign underscores that monitoring and improving a network requires a lot more than just the latest technology.

We continue to focus on getting more customers on Unlimited Data plans for further ARPU improvements. We have seen ARPU growth for eleven consecutive quarters now. Q4FY24 ARPU stands at Rs. 146 compared to Rs. 145 in Q3FY24 despite one day less during the quarter. Over the last two years, our ARPU CAGR at 8.4% is highest in the industry. That said, tariff rationalization on the higher usage plans and moving to a pricing structure of paying more for using more remains critical to ensure that the operators make reasonable returns on their large network and spectrum investments.

Moving on to Business services

Business Services or enterprise segment, is one of our strength areas owing to our long-standing relationships with our enterprise customers as well as our ability to leverage from the experience of Vodafone group in various global markets. We continue to make progress in line with our stated strategy of transformation from Telco to TechCo for our enterprise offerings. 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.

As I said during the last quarter, we pioneered the provision of 'Rich Business Messaging' in India, exclusively available through Vi Business for Android devices. Over 50+ brands have adopted RBM as a reliable and preferred marketing channel. RBM enables enterprises to map their customer journeys without investing significant resources in development of apps and maintaining them.

This is a new visually appealing medium for enterprises to reach their customers by sharing rich media content like images and videos, PDF, Gifs, audio, any kind of media files or QR codes.



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Vi remains steadfast in its mission to deliver innovative solutions while upholding the highest standards of security. With data security becoming increasingly critical in today's digital landscape, Vi consistently makes efforts to strengthen its security posture and validate its position as a trusted custodian of customer data.

Another significant achievement has been that we became the first Indian telecom operator to achieve the SOC2 Type II attestation. This attestation signifies that we are maintaining the highest standards when it comes to data security and safeguarding sensitive customer information and their privacy while managing Distributed Denial-of-Service or DDoS attacks. The attestation proves that we handle the customer data on key parameters such as availability, security, confidentiality, processing integrity, and privacy in a professional and secured manner.

During the quarter, Vi Business has been lauded with seven CIO Choice recognitions for our IoT, Cloud Telephony, SD-WAN, Rich Business Messaging, Telecom Carrier (Mobile Access), Telecom Carrier (International Access) services on the basis of an extensive pan-India CIO referral voting process that spans across industry verticals. We have also been honoured as the Digital Transformation Enabler for its ReadyForNext Assessment for MSMEs. Adding more stars to our glory, we've been awarded the Asian Telecom Awards 2024 for our end-to-end multimodal logistic solution – Vi Business Sanchaar Shakti under the category IoT Initiative of the Year – India. Our Vi Business IoT Smart Central Platform too bagged a victory at the Voice & Data Excellence Awards 2023.

The next strategic initiative is driving partnerships and digital revenue streams

As we have shared with you over past few quarters, we have a robust digital roadmap for the company and we have been executing the same in our continuing journey of being a truly integrated digital services provider and with a very clear objective of driving higher digital engagement with our consumers as well as driving monetization through specific streams or by participating in select digital categories. Also, we would like to emphasize here that our stated strategy around this has been to build this out through strategic partnerships and working with the best players in the category. We are building most of these offerings on our Vi App.

Vi App today's boasts of being a multi-utility app and not just a telco account management app. On the entertainment front, it is like any other OTT app offering native video experience allowing our users to



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watch over 400 LIVE TV channels, specifically LIVE News, as well as VoD content, from multiple content partners.

We also have a complete gaming arena under Vi Games on Vi App, where one could play a host of hyper casual games online from carrom to ludo to unoto chess and tambola. We also have an integrated eSports platform under Vi Games enabling the avid gamers to participate in eSports tournaments on marquee titles like Free Fire, Clash of Titans, Pokemon Unite, Call of Duty and the likes. Recently, we also announced the launch of CloudPlay, our offering on Cloud Gaming that allows our consumers to play the best of the games without having to download and install them on their devices. It is a subscription service, currently being offered only on mobile and soon we will take it to large screens too.

We have also integrated 'utility bill payment' functionality on Vi app enabling our users to pay their electricity bills, water bills, LPG bills, recharge FASTAG, renew their DTH or broadband subscriptions or pay insurance premium / Loan EMIs. Further, leveraging telco data and access capabilities to create a Digital marketplace, we have launched 'shop' section on Vi App in partnership with leading players across categories like entertainment, food, shopping and travel. Vi Shop, again, has opened to some very encouraging response from the consumers and one would only see better of it as we keep bringing in newer categories and expand our catalogue.

We recently launched Vi Movies & TV in an all new avatar with all new apps for mobile on both, Android & IOS as well as for TV across all OS, ie Google TV, Samsung, Firestick and soon we should have it for LG as well. It is an offering, mainly for Connected TV wherein our subscriber can buy a subscription plan to get access to most of their favourite OTTs, just like the way we have been buying DTH plans for TV channels. This gives significant savings to the subscriber vs paying individually for different OTTs as well as convenience of one subscription and one payment compared to managing multiple subscriptions with different cycles. We are quite pleased with the initial response and we have a very strong roadmap to build Vi Movies & TV as a destination of choice for our consumers when it comes to their TV entertainment.

On the OTT front, given its already large adoption and the growth potential, we are also continuing to expand and scale our bundling play. We already have OTT bundle plans across prepaid & postpaid with



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Amazon Prime, Disney+ Hotstar, SonyLiv, SunNxt. We will very soon be adding more content partnerships on Vi app for both prepaid and post paid users.

While we continue to scale all this, we still have a strong pipeline of products & propositions that's on our digital roadmap, which we will unveil in the coming months.

Based on the transformation Vi App has seen over the last year and a half, our customer ratings on Play Store have consistently improved.

Further on the customer servicing front, we remain focused on providing best customer experience. We have seen reduction in the overall customer complaints. Also in line with evolving customer behavior, around 60% of our customer service requests are raised digitally compared to 40% a year ago.

We would like to reiterate that 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 drive customer stickiness as well as provide incremental monetization opportunities.

Moving on to other highlights

I am proud to share that we have been recognized as one of the 'Best Companies to Work For in India' by the Business Today magazine in its recent publication. We have attained rank 15 across industries in India and rank 1 in the telecom industry. This recognition reflects our commitment to creating a supportive, flexible, and inclusive work environment.

On operations front, the 4G subscriber base has continued to grow for the eleventh successive quarter and stood at 126.3 million as on March 31, 2024 vs 122.6 million as on March 31, 2023. The overall subscriber base stood at 212.6 million.

Revenue for the quarter stood at Rs. 106.1 billion and the QoQ average daily revenue grew by 0.5%. Our Pre-IndAS EBITDA of Rs. 21.8 billion is highest quarterly EBITDA post merger.

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.



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As Akshaya mentioned, revenue for the quarter stood at Rs. 106.1 billion and the average daily revenue, on a QOQ basis, grew by 0.5%. This is also the eleventh consecutive quarter of growth in ARPU and 4G subscribers. Quarterly EBITDA excluding IndAS116 impact, improved by 5.4% on YoY basis to Rs. 21.8 billion recording the highest EBITDA post merger and EBITDA margin has improved to 20.6%. The reported EBITDA stood at Rs. 43.4 billion as compared to Rs. 42.1 Billion in Q4 FY23.

Further, Depreciation & Amortisation expenses and Net Finance costs for the quarter are Rs. 57.5 billion and Rs. 62.5 billion respectively. Excluding the impact of Ind AS116, the Depreciation & Amortisation expenses and Net Finance costs for the quarter were Rs. 42.6 billion and Rs. 53.5 billion respectively.

The annual revenue and Pre-IndAS 116 EBITDA grew consecutively for the second year despite significantly limited investments reflecting our execution capabilities. Revenue for the year grew from Rs. 421.8 billion to Rs. 426.5 billion as a result, the pre-INDAS 116 EBITDA for the year increased from Rs. 83 billion to Rs. 84 billion. The reported EBITDA for FY 24 stood at Rs 171.3 billion vis-à-vis Rs.168.2 billion for FY 23 registering a growth of 1.8%

Capex spend for the quarter stood at Rs. 5.5 billion, and capex for the year at Rs. 18.5 billion. As Akshaya mentioned, the equity funding and debt funding including non-fund based facilities once sanctioned are to be utilised primarily towards capex which is expected to be in range of Rs. 500 to 550 billion over next 3 years.

The total debt from banks and financial institutions stood at Rs. 40.4 billion and Optionally Convertible Debentures at Rs. 1.6 billion as of March 31, 2024. The debt from banks and financial institutions reduced by Rs. 70.9 billion during the last one year. It was at Rs. 111.3 billion in Q4FY23. The cash and bank balance stood at Rs. 1.7 billion as of March 31, 2024.

The deferred payment obligations to the Government were at Rs. 2,034.3 billion as of March 31, 2024 as compared to Rs. 1,888.6 billion as of March 31,2023. The break up as at 31st March 2024 is deferred spectrum payment obligations of Rs. 1,331.1 billion and AGR liability of Rs. 703.2 billion, which are payable till FY 2042 and FY 2031 respectively.

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



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Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: First question is on the CAPEX. If you can share some details about the 50,000-55,000 crores which you're looking to invest, how much of that will be in FY25 and what will be the main areas of investment in FY25?

Akshaya Moondra: Do you have other questions?

Kunal Vora: if you can just answer this one then I'll move on to the next one.

Akshaya Moondra: The CAPEX of 50,000 to 55,000 crores over the next 3 years will be spent across four broad categories. First is the expansion of 4G coverage which would include a lot of infill for experience improvement particularly by rolling out more sites in the Sub-GHz or L900 segment. The second would be capacity growth mostly in 4G where we already have 4G deployed or where we plan to deploy 4G. The third category would be 5G where the rollout has to be started afresh. And of course there is some CAPEX which is specific to enterprise business.

In terms of timeline, our topmost priority is 4G coverage because that is the only reason why we continue to lose subscribers. Accordingly, we have to expand our 4G coverage and that CAPEX will be fairly accelerated. There are also some areas where we have to decongest because of capacity issues. These are very few but that would again be the top priority. That will be accelerated. The rest of the investment in capacity growth will happen as the traffic grows.

On the 5G front, we should be able to start rolling out 5G on a from about 6 months from now. 5G market as you see has been evolving, we will have to see as to how the market is evolving. The main focus is going to be on main cities or other areas which see a large concentration of 5G devices. However, 5G investment will be a bit iterative in nature in terms of timing and we will make investments as the market evolves.

Kunal Vora: Just a follow up on this. How much of the CAPEX will be in FY25 and in terms of the network side, there's a wide gap between you and Airtel now. They are at 3.3 and you are at 1.84 lakh sites. Where do you see yourself ending up in next 2-3 years? How much of a gap will you look to bridge?



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Akshaya Moondra: The gap is representative of both, the difference in coverage and the difference in capacity or difference in traffic. Now to the extent, there is difference in traffic, I don't think we need to build so many sites. So basically, we are focused on saying that we need to expand coverage in our 17-priority circle, so that we are competitive vis-à-vis competition. Secondly, in the five remaining non-priority circles we will be investing there. However, the priority of investment will be different rather than matching or competing at par with competition.

Kunal Vora: Just one last question, on AGR dues; you have about 70,000 crores in your books now. What is your self-assessment of the dues right now?

Akshaya Moondra: We have filed the curative petition. Is that your question?

Kunal Vora: Yes, in curative petition, what's your self-assessment? I understand that finally that's not a number which might come out but if you succeed, how low the number could be in terms of how much you will need to pay?

Akshaya Moondra: The matter is sub judice . I am not getting into the merits but I can give you the indication of what we have requested. We have asked for corrections on the base amount which is about 6,000 crores roughly. Now as you know as far as the AGRs demand is concerned it had built up of interest, penalty and interest on penalty. We don't have the exact details of the 58,000 crs of the demand which was a part of the affidavit filed by DoT. But our rough sense is that the base amount is about 25% and the overall amount then becomes 4X. So, if I take that principle 6,000 of base correction should mean about 24,000 of total amount and this is the amount as of around October '19. There would be interest accrual at the rate of around 8% per annum and by now it will be somewhere around 36%. So, you can add about 36% of accrued interest to that amount until the period of March '24 which would then represent the amount where we are seeking correction. The amount which I am indicating to you does not include the additional prayer that we have in the curative petition is for waiver of penalty. Because the last judgment on the matter was at the Tribunal where it was largely decided in favor of the industry. So, in our judgment the penalty could also be taken off. So, these are the two requests that we have.

Kunal Vora: Anything on the timeline, when do you expect or it is difficult to see that?

Akshaya Moondra: No, this is a matter at the court. I can't give any comment on the timeline.



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

Sanjesh Jain: First on this network expansion, you did mention that 4G coverage and the capacity will be the priority in that order. Just wanted to understand what kind of tower rollout do you think in this 17-focus circle, you will need to match the existing peers to have at least a coverage which is competitive in the market?

Akshaya Moondra: Sanjesh, we have that working. I will not be able to give that figure to you right now but when we are talking about the CAPEX of 50,000 to 55,000 crores, we have done our projections in terms of what do we need to do to have a competitive coverage in the 17 circles and that is provided for in that CAPEX. The capacity, based on our projections of what is the traffic growth has been provided for in terms of norms that are followed in the telecom industry. So, both coverage and capacity have been adequately provided for. But I will not be able to give you a number of sites if that is your question.

Sanjesh Jain: No that's fine. I am not looking at number of sites. How much time do you think it will require for us to bridge that gap? Will it take 6 months into starting the CAPEX or will it take 18 months?

Akshaya Moondra: I got your point. As far as decongestion is concerned, we should be able to start adding capacity in a couple of months from now, maybe even faster because a lot of capacity upgrade just requires a license upgrade to some of the sites which were already in place. They kind of got stalled in between because of the liquidity issues. So, the capacity addition or decongestion can be addressed within a couple of months from now and that will get finished quite quickly. That does not require much of an execution. As far as the coverage is concerned, I believe we will be able to start the rollout against that requirement in 3 to 4 months from now. And we should be able to complete the large part of the coverage to be competitive or completely competitive in a period of 12 to 15 months.

Sanjesh Jain: The implication on it, how would you rate your success that your CAPEX has been fruitful? What are the initial parameters that you want to track in terms of how we are executing and that's resulting in a commercial success?

Akshaya Moondra: First thing we have to achieve is that we should stop the loss of subscribers and we should start growing. At a very simple level, the industry is growing at a certain rate but we are not participating and we've not been able to participate because of the lack of investment. We believe with the investments being back and our competitiveness being there, we should be able to participate to



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our fair share in the industry growth. That is if we are there, that is what I would describe as achievement of our objectives coming out of this investment.

Sanjesh Jain: One area of CAPEX probably you could touch upon is the backhaul. We haven't covered it in the top four priority. With traffic growing and that becomes a critical bottleneck, how are we looking at that as a factor and where it fits in our CAPEX plan?

Akshaya Moondra: It is very much a part of the plan and when I say I divide it into three categories, that was from the nature of growth of network. So, whether we are doing 4G coverage expansion or we are doing 4G capacity growth, both requires backhaul. And of course, 5G rollout will require the maximum quantum of backhaul. So, backhaul enhancement is common to all three categories. That's why I did not mention it separately. I was mentioning it more from the objective of where our customer interface is and how do we need to augment it. Whatever is to be done in core and backhaul including transport and everything will be provided for according to the three buckets and according to the growth of traffic. So that is very much a part of the plan.

Sanjesh Jain: Two last questions from my side before I join back the queue. First is on, you said that you won't invest a lot into 4G capacity, that remains a priority as well. How will you say that this is enough for a 4G capacity and incrementally the capacity creation will happen from 5G. I thought were in a position where we can swap 4G capacity to a 5G capacity, thereby future seeing the business, how you differentiate that? Because it's contradicting that you are talking of 4G capacity expansion at the same that we are telling of optimizing it by adding 5G capacity.

Akshaya Moondra: Sanjesh the audio was not very clear but if I've understood you correctly, the way we are going to approach this is that we will decide on locations where we need to roll out 5G. 5G will provide most of the capacity enhancement in those locations. Of course, in parallel we have to see that what is the penetration of 5G devices because there will be growth in 4G traffic also. If we believe based on our projections that while we set up 5G capacity and the 4G can be absorbed by the 5G deployment, then there is no need to add 4G capacity at those locations. However, we believe that there are areas where 4G capacity plus 5G will both be required given the number of 4G devices and 5G devices. So, it is an iterative process. Generally, 5G comes in with a lot of capacity, so where you roll out 5G today, the capacity will almost get doubled at that location. You do not need more capacity to be deployed there immediately unless the 5G devices and the off take on 5G is less. So that is something we will



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keep on observing as to how things are progressing and 4G capacity growth is a very low lead time item. It can be done very quickly.

Sanjesh Jain: One last question. We are still losing the data customer. I can understand the overall customer but we are still losing on the data customer even in this quarter. Do you think this should be the first to be fixed and earliest?

Akshaya Moondra: We have to fix the loss of subscribers. We lose subscribers across categories and we have to address the loss of subscribers which we are quite confident that we will be able to fix as we go along. Just to put things in perspective, as we make investments, the customer experience will improve and our coverage and the geography in which we are offering 4G services will expand. So definitely if we are having a certain number of new customer additions today that will grow and as we have been mentioning earlier also that our share of new customer acquisitions is higher than our customer market share. This will grow as we expand our geography in which we are competing in the market. More importantly what we believe is that with the improvement of experience and more importantly the coverage, we will be able to retain more subscribers than we lose today because of lack of 4G coverage. So, with a positive on the subscriber addition and a control on churn subscribers who we are losing because of lack of 4G coverage, we will be able to participate in the growth of the industry.

Moderator: The next question is from the line of Sachin Salgaonkar from Bank of America.

Sachin Salgaonkar: I have three questions. First question Akshaya, I wanted to understand the ability of the market to absorb tariff hike of a meaningful proportion. The reason I am saying that is historically whenever tariff hike happened, we did see some consolidation and some impacts per se from that perspective. So just wanted to understand, do we see things being a bit different this time around? Second question perhaps a follow up to earlier Sanjesh's question, again I do get the point that your priorities to fix the loss of users and then that coverage forms an important part. But beyond coverage it will take some 6 to 9 months for your coverage to be at that level. Are there some other initiatives you guys could take in the interim like revamping distribution network or anything which could help reduce the loss of subscribers in the interim? And lastly again, what we are seeing slightly longer-term sort of a question out here, we see market moving towards a bundled offering. Again, from what I mean by bundle offering is broadband being offered. So again, wanted to understand, any strategy you guys



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have from a fixed broadband perspective and out of the capital raise anything earmarked from that perspective out here?

Akshaya Moondra: Your first question is on the ability of the market to absorb any tariff increase. See, whenever a tariff increase happens there would be some consolidation which happens. But I am very sure that the consolidation is only consolidation of dual SIMs or multiple SIMs. I do believe that there is not a single user who is a user today and he stops using the service because the price has gone up. Secondly, logically there is nobody who will spend less than what they are spending today even if the price goes up. So, the nature of the spend is that it is not a discretionary spend and nobody will spend less than what they are spending today. That's a given. As opposed to many other industries and I keep giving example of this airline industry that somebody may take a flight or somebody may do something else but this does not fall in that discretionary category. Anybody who's using a service will continue to use that service. You will also see as price corrections or increases have happened over the last few occasions; the impact of consolidation has also progressively reduced. That is also a reflection of the fact that the multiple SIM phenomenon has already reduced. Thus the extent of consolidation which will happen will also be less. Ultimately you have to see what is the share of wallet and what is the value it brings to people. So even at the lowest level where people are only using it for voice communication, at the price levels that we have today even if you add 50% to that, I believe the service being offered is of much value to everyone given the share of the wallet and if you look at what other items are being spent on. Now sometimes there is a bit of a correction as soon as the price increase happens. But some of it also gets recovered over a period of time. Somebody may immediately say 'okay' we'll not buy today the price has gone up or I'll not increase my spend. But over a period of time, we have seen this is not there. So, I would be very less concerned about the ability of the market to absorb. The market can definitely absorb this as we have been saying and some of our competitors have also been mentioning, that some of the price recovery over a period of time has to happen in the form of expanding the higher end, i.e. pay more for using more which has gone away from the market over the last few years. So, the price increase may not be as high at the entry levels. I believe the price increase has to now focus more on paying more for using more.

Your second question was that any other initiatives other than the investment or till the time investment kind of starts having an impact on the customer experience. As I said that some of the areas where we are investing in capacity that can happen very quickly. As I said we will start in a couple of months. Hopefully we should be done addressing the capacity in 6 to 7 months' time and there the



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experience improvement will be quite rapid. Of course, the coverage expansion will take longer. But nevertheless, in terms of distribution as we expand our coverage we have to expand our distribution also to those areas. But if I were to describe our current distribution as I already mentioned earlier today, our share of customer acquisitions is already higher than our customer market share. So really that is an area where we are doing quite well. The challenge we have is the loss of subscribers and that loss of subscribers, to my mind, is only because of coverage. Because whether you look at, our voice experience or even data experience which we have kind of talked about in the past, when 4G reports speeds were being separately reported, you've had good experience on both voice and data. The only reason why we continue to lose subscribers, largely or disproportionate to the others is because of lack of 4G coverage. And that is the churn, or the loss of subscribers is what we need to address. As far as acquiring customers is concerned, I believe we are already doing well there. Of course, we will have to enhance and expand our distribution where we are not offering our services today.

Your last question was about bundled offers. I would put it this way that bundling has been there 3-4 years at least . it is not a recent phenomenon. However, while it does cater to a certain segment, I've not seen it having any significant impact on the overall offering, or on the overall change of customers or any impact on our customer movement. But let's say, we have already as I mentioned in my opening remarks or as you may otherwise know, we have launched connected TV where as far as content is concerned, we now have a full-fledged offering of accumulated content. Out of the three things which you are talking about, we have mobile services and we have content which we will continue to grow. The only part which we are not there in a large way is 'fiber to home' and that is a segment which we do not have plans of investing in right now. Of course, we continue to have a small play there through YOU Broadband and we are also now partnering with other ISP's to see whether we can provide a bundled offering of the fiber to home with some partners other than YOU Broadband which is our subsidiary.

And just in terms of YOU Broadband as I mentioned there, we already have a product called Vi One where they are operating in about 12 cities and in those 12 cities these bundle propositions are available through YOU Broadband but I agree its small scale. Thus, content and mobility is being offered to each one of our customers but fiber to home will be a limited offering. I don't think it has any significant impact on the customer preference or the customer's preference to choose us.

Moderator: The next question is from the line of Vivekanand Subbaraman from Ambit Private Limited.



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Vivekanand Subbaraman: I'll start with the industry level issues. So now that the minimum ARPU itself has moved up substantially for feature phone users, to your mind what is the ARPU differential between your feature phone base and the smartphone base? I am asking in the context of the uplift that you will get here on from adding customers, adding 4G customers. Second issue is on the rotational churn that one of your peers discussed about. Your monthly churn is still quite elevated at 4.3%. It is high for other players also. I am just trying to understand, I am sure churn has come down this quarter not only for you but for Airtel as well. But I am just trying to understand is the industry doing anything like it has done in the past to address this issue of rotational churn like agree upon certain practices to ensure that rotational churn is curbed? Last question the industry side is, there appears to be a difference of opinion between you and Airtel on one side and perhaps you on the other side given that Jio's users seem to be using a lot more data on a monthly basis, around 29 GB odd whereas your users, Airtel users are using relatively less, and you guys are talking about charging more money for those users who are consuming more. But with the kind of network capacity that perhaps a Jio and an Airtel now have, it seems that they may be thinking differently on this front. So how does the industry, who will bell the cat in making the industry move from current quasi unlimited packages to a more usage linked pricing paradigm?

Akshaya Moondra: Vivek, so you have three questions. Let me answer them in the order in which you have asked them. By the time I answer the first if I forget the third one, I will ask you again. As far as you've talked about ARPU, you see there are different definitions. 2G, 4G, smartphone, non-smartphone. Earlier we used to say Non Unlimited and Unlimited. But let's say very simply before these entry level plans and in our 16 circles, we improved the pricing to all were unlimited voice plans. There earlier the difference or delta used to be or was in the range of 1:4 in terms of ARPU. But once we have made the entry level pricing at about UL, everybody is a ULV customer then the delta is somewhere in the ballpark of 1:3. These figures are approximate figures and with different cuts. But 1:3 at this point of time would be a good benchmark.

In terms of churn, you are saying that the industry churn is elevated and I totally agree with that. It doesn't require discussion. You have seen that in the last quarter, there has been a bit of a reduction in the overall aggression. If some of us take the lead and others follow ultimately this can be reduced. And I would think that as industry now gradually moves to a direction of getting the right price and not so much focused on just getting market share. I mean one has to compete to get market share but this



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through the high cost of customer acquisition route, if all industry players start exercising some discipline and making their offers less aggressive it should correct by itself.

Your third point was relating to, firstly the data which you have mentioned for Jio includes their fixed broadband data. So, it is not necessarily comparable. Now even then if you say that their consumption levels are higher, everybody will then have to choose that how much are we willing to consume. My personal opinion is that a lot of that consumption is consumption which can be avoided if the pricing is right. So, we are not saying that there will be a drastic change. But I believe if somebody is consuming 25 GB a month, if you increase the price and they find that to be a limitation and in the same price they can get 20 GB or 15 GB a month, most people will be able to manage their consumption within that. Today the situation has been that it has been so cheap and so unlimited, there is a lot of consumption which is avoidable consumption. I would think that these things would correct itself. But it is very clear that you can charge not based on that if somebody is using very high and paying very low today, ultimately, we have to say that if you use more you pay more and we have to move into that direction. And that's the only right structure over a long term for the industry to price its products. I don't think the kind of pricing we have in telecom exists anywhere in the world today or even in other industries which are offering services which come with that, if you use higher your per unit cost goes down but not with such large slabs as we have today.

Vivekanand Subbaraman: Just specific to your company; I have one question on the capacity target. Now you have multiple levers to increase capacity. One is refarming your 3G sites, you still have 3G. Second, obviously you have 5G rollouts. That can happen. And thirdly you may be able to roll out additional 4G carriers. So, if you could just help us understand how capacity scales up from the current level to maybe twice as you have targeted in the next 3 years. If you can just give us directionally in terms of the breakup or any other color that you can give on how this capacity goes up that would be great?

Akshaya Moondra: Vivek, I am not absolutely clear about your question. I mean there are multiple ways in which we can increase the capacity which we have alluded to. And of course, as we add 5G, the capacity increases very large. As given in our investor presentation, as we go from March '24 to March '26, the capacity increases about 2X. What is your question, I am not very clear?



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Vivekanand Subbaraman: My question is how much of this comes from 5G and how much can happen by just shutting down 3G and moving to 4G? I was just trying to understand and gauge your capacity investment as a percentage of the total CAPEX that you've earmarked. And if you can give us slightly more color on 50,000 odd crores CAPEX that you have discussed and how much of that goes into capacity and how does it go? That's what I am getting at.

Akshaya Moondra: Let me just give you a very rough sense. The largest part of this CAPEX guidance that we have given is 5G. I will not be able to give you more detail than that, between coverage and capacity on 4G, it is more skewed not largely but somewhat skewed in favor of coverage than capacity. That's the only broad guidance I can give you. Also, the answer of how much comes from 5G roll out, how much comes from 4G rolling out more layers and how much comes from expanding 4G is actually very different for every circle because the spectrum portfolio is different in different circles. So, it depends on the situation in each circle. There's no single answer and while we've done all the working, I will also not know. It's not that I am not telling you but there is a different answer in every circle. So, it's going to be very different.

Vivekanand Subbaraman: Just one last one related to 5G. Your thought process is also 5G NSA I am guessing. And just one more with respect to the NSA choice that Airtel has made, for the uplink layer they're using mid-band spectrum. Are you thinking something similar or what's going to be your 5G strategy?

Akshaya Moondra: As of now we are rolling out 5G NSA, that is a given. If we believe there is merit in going to SA then of course we can also roll out SA in the future. The main investment then required would be that you have to roll out a fresh core. The radio CAPEX which is incurred for 5G NSA will all be good for 5G SA also. And of course, we have to then also find the coverage layer which we'll have to decide which is the best layer to use at that point of time. So as of now our decision is to go with NSA because today 5G monetization itself is not happening and SA investment is much higher than NSA. So, at this point of time, investing in SA does not seem to be justified. However, that option is always available, in case that becomes the lead or that starts giving returns or that is the requirement of the customer. And generally, what we have seen is that SA is more relevant for enterprise applications. In the consumer applications it may not have that much relevance. So, we will see how the market evolves. But currently we are focused on NSA.



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Moderator: The next question is from the line of Vibhor Singhal from Nuvama Equities.

Vibhor Singhal: My quick couple of questions were, one is assuming that the debt raise that we were planning and the non-fund limit increase that we were planning to get from the banks was contingent on the FPO that has already materialized. By when do you think we would be able to raise these funds, any timeline for that if you could provide? Also, a related question would be that given the amount of liabilities that we have to pay to the Government of India, assuming the moratorium period ends in September next year and post that those liabilities come due, would those liabilities be funded by the debt or the equity base that we have raised or would we look for part conversion into equity or internal accruals or some kind? What is the kind of mathematics that you are looking at in being able to address that?

Akshaya Moondra: So Vibhor, we are looking at fundraise which is the equity which has already been raised or the preferential issue of about 2000 and 25,000 of funded debt and 10,000 of non-funded, about 55,000 crores of overall facility available. The plan is to use that with some fungibility but at an overall conceptual level, we propose to use it for CAPEX over the next 3 years. The internal cash generation would largely be used for clearing the existing debt and clearing some vendor dues. Now in terms of the government liabilities post the moratorium, what we believe based on our outlook today is that in FY26 and FY27, we will probably be looking at the conversion of the installments which are convertible as per the reforms package. That is what we are currently looking at.

Vibhor Singhal: And the remaining part of the liabilities which are not eligible for conversion. You think internal accruals would be good enough to address them by then?

Akshaya Moondra: Yes, based on our estimation it will be good to be met out of the cash generation from operations.

Vibhor Singhal: But just the first part of my question, by when are we looking for this debt raise or the increase in non-fund limit, any timeline for that?

Akshaya Moondra: We've been engaged with the banks for a long time and it was their ask that first the equity raise should be completed and we've done that. We have started engagement with the banks again. I will not be able to give you a timeline but all that I can say is that we have some capital available



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and we'll be able to close the discussions with the banks in good time. Till the time when we need those facilities, they will be available.

Moderator: Ladies and gentlemen due to time constraints, that will be our last question for today. I would now like to hand the conference over to Mr. Akshaya Moondra for closing comments. Over to you sir.

Akshaya Moondra: Thank you Dorwin. FY24 has come to an end and there are many positive takeaways as we move to next year. We are pleased to report annual revenue and pre-Ind-AS 116 EBITDA growth for the second consecutive year on the back of consistently improving performance for last several quarters despite significantly lower investments. This clearly reflects our ability to execute and compete effectively in this market. We have reported 11 quarters of sequential growth and key metrics of ARPU and 4G subscribers. Further, out of three private mobile operators, our share of gross adds is higher than our CMS showing that we are able to attract customers to our network. All of this is possible only because we are focused on providing great data and voice experience and are building a differentiated digital experience adding several digital offerings in the recent months. With the recent fundraise, we will enter the next phase of growth as we continue to invest in our brand Vi that commands recognition and inspires trust, loyalty and affection. Our equity fundraiser of Rs. 215 billion coupled with debt funding will enable us to kickstart the investment cycle to expand our 4G coverage as well as launch 5G services. This moment in some way marks the beginning of Vi 2.0 and from here on VIL will stage a smart turnaround to effectively participate in the industry growth opportunities. Thank you all for joining this call. Have a good day and a good weekend.

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