



“Vodafone Idea Limited Q1 FY25 Earnings
Conference Call”
August 13, 2024



Moderator: Good afternoon, ladies, and gentlemen. This is Rio, the moderator for your conference call. Welcome to the Vodafone Idea Limited conference. For the duration of this presentation, all participant lines will be in the listen-only mode. After the presentation, a question-and-answer session will be conducted. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone 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 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 risk that the company faces.

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

Akshaya Moondra: Thank you, Rio. A warm welcome to all participants to this earnings call. Yesterday, our Board of Directors adopted the unaudited results for the quarter ending June 30, 2024. All the results related documents are available on the website, and I hope you had the 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 hand over to Murthy to share details on the company's financial performance.

Before I move on to company-specific performance, let me share some thoughts on Indian telecom market and the growth opportunities. India is one of the few countries with large and a growing population. The need for connectivity is constantly increasing across sections of society, whether we look at these sections in different income brackets or age brackets. In the last few years, wireless connectivity has become the key to complete almost every daily activity, be it a bill payment, online shopping or even for making small payments in addition to the basic purpose of offering human connectivity. While the 4G penetration is growing at a good pace, it still remains well below the 4G penetration we see in many other comparable countries. Thus, the sector continues to offer large opportunities.



Moving on to VIL, let me first talk about **our recent fund raise**. Further to our equity fundraising via FPO of INR180 billion and preferential issuance of INR20.8 billion to an ABG entity, we have raised INR24.6 billion via preferential issuance of equity share to our partners, Nokia and Ericsson. We have a long-term partnership with both our partners as key suppliers of network equipment, and this transaction will further bolster our capex rollout for building a top-quality 4G and 5G network to contribute towards India's digital transformation.

Post this preferential issuance, the shareholding of Nokia and Ericsson in the company is 1.5% and 0.9%, respectively. With this equity issuance, VIL has raised INR240 billion of equity, including conversion of OCDs amounting to INR16 billion by ATC India between March and July 2024. Additionally, in line with our stated fundraising plan, we are in active discussions with lenders to raise fund-based facilities to the tune of INR250 billion and non-fund-based facilities of INR100 billion. This comprehensive fundraise of equity and debt will empower us to execute our well-defined strategy, which includes capex of INR500 billion to 550 billion over the next three years towards expansion of our 4G coverage and launch of 5G services.

We participated in the **spectrum auction** in this quarter and acquired 50 MHz of spectrum across various brands in 11 circles. Out of this, 37.6 MHz was acquired in the sub-gigahertz 900 band. The total commitment for this spectrum is INR35.1 billion. In addition to renewal of 900-MHz spectrum in UP West and West Bengal circles, we also enhanced our 900-MHz spectrum holding in seven circles, namely Andhra Pradesh, Tamil Nadu, Karnataka, Punjab, Rajasthan, UP East and Kolkata. This enables us to dedicate adequate 900-MHz band spectrum for 4G, thereby enhancing the experience of our 4G customers in these large markets.

In the 4 circles of Andhra Pradesh, Tamil Nadu, Karnataka, and Punjab, our customers will be able to experience 4G on L900 for the first time. We also added 1,800-MHz spectrum in Madhya Pradesh and 2,500-MHz spectrum in Bihar, which helped in increasing the network capacity quickly. It is important to note that we hold highest 4G spectrum per million subs amongst the 3 private operators. Further, our 5G spectrum portfolio in our 17 priority circles is competitive and sufficient for foreseeable future. The spectrum portfolio will allow us to offer superior experience to customers as well as to effectively utilize the spectrum across existing and emerging technologies.

Let me now quickly talk about our strategic initiatives.

Our first strategic initiative is our focused investment approach.



As you are aware, our investments were impacted on account of liquidity constraints over the last few years. The new funding as per our plan will be utilized primarily towards capex of INR500 billion to INR550 billion over next 3 years, which will enable us to effectively compete and participate in the industry growth opportunities as outlined before.

Post the successful closure of our IPO in April 2024, we have engaged with our equipment vendors for new contracts. We are focusing on high-impact and quickly executable priorities, while we work towards closing discussions for long-term contracts. As a part of these discussions, we are also finalizing our 5G rollout plan. As a result, we have already increased our data capacity by 7% till date. We have expanded voice over WiFi in our priority circles and at select locations in other circles.

Further, some quick win capex has already been ordered and under execution, basis which we expect about 15% increase in our data capacity and an increase in 4G population coverage by about 16 million by end September 2024. We continue to work towards reforming the 2100 band 3G spectrum for 4G considering the overall ecosystem and have shut down 3G completely in seven circles with Haryana getting added to the list of six other circles where it was done earlier, namely Maharashtra, Gujarat, Andhra Pradesh, Mumbai, Kolkata and Kerala.

In the other circles also, we continue to follow the same approach. During the quarter, we have shut down about 20,200 3G sites and added about 6,600 4G sites. Our overall broadband site count stood at about 417,250 as of June 30, 2024.

Moving on to market initiatives.

Recently, we have taken some tariff interventions, which we believe are a step in the right direction for the industry to move towards better return on investment as also to improve cash generation to support industry's large investment requirements. That said, further tariff rationalization is needed for the industry to fully cover its cost of capital.

Alongside these new and comprehensive plans, we are offering a range of unmatched benefits to prepaid customers by offering Night Free Data and Weekend Data Roll Over with our Hero Unlimited plans, and a unique Choose Your Benefit option to our postpaid customers under Vi Max plans. In the prepaid segment, in May 2024, we launched Vi Guarantee, a unique offer that provides 130 GB of data to call 5G and new 4G handset customers. Unlike some of the market offers that cater only to 5G customers, this plan also benefits new 4G handset users. This has been an instant hit amongst customers, resulting in over 200 million views of organic content on social media.



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 its customers, entering into alliances and introducing various innovative products and services in line with emerging customer needs and preferences.

During the cricket world cup, we introduced the second leg of 'Be Someone's We' campaign focusing on the stories of empty nesters, battling loneliness and the role of Vi in bridging that often unattended gap. It made an appeal to everyone to 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 and on ground.

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 consumers. We also offer limited packs to consumers who may not have a very large need for data or voice. This is one of the key focus areas for us. And over the last one year, we have expanded the footprint of special international roaming pack from 98 to 120 countries. E-travel destinations, which are extremely popular amongst Indian travellers have been added to international roaming portfolio. Further, we have launched VoLTE on international roaming to enhance customer experience in five countries that is U.S.A., Australia, Singapore, Japan and Taiwan.

Our brand continues to get more recognition and even more love. Vi won the prestigious Cannes Lion award for its human network-testing telecom network campaign, which was our initiative with the Dabbawalas of Mumbai to offer superior network connectivity in the nooks and corners of Mumbai. For this campaign, we also won Spikes Asia, The One Show, D&AD and Kyoorius awards. At the MOMMYs 2024 awards, Vi won Best Social Media Brand, Telecom. At AFAQs Marketers Xcellence Awards 2024, Vi won 5 awards, 2 gold, 2 silver and 1 bronze for 'Be Someone's We', Postpaid, performance marketing and human network testing network campaign.

Moving on to business services.

Our strength lies in the business services and enterprise sector, bolstered by our extensive relationships with enterprise clients and leveraging the diverse market experience of the Vodafone Group worldwide. Our evolution from Telco-to-Techco for our enterprise offerings is



progressing successfully marked by our strategic expansion beyond traditional connectivity services including like Hybrid SD-WAN, SIP, IoT, IIoT and Cloud Services. We are achieving momentum in broadening our service portfolio and actively collaborating with various partners to enhance the relevance of our offerings for our enterprise clients.

Vi business has engaged with nearly 160,000 MSMEs over the past two years through its ReadyForNext Digital Assessment tool. This year on World MSME Day, Vi Business launched MSME Growth Insights Study 2.0, India's largest digital maturity assessment study. Developed in collaboration with Dun & Bradstreet, this comprehensive study and sitting spans 16 Industries and provides insights into MSME ecosystem in India, Government policies, sector-specific trends, and the future of digitalization. ReadyForNext digital self-assessment helps MSMEs evaluate their digital maturity index across three key areas: Digital customer, digital workspace, and digital business, empowering them to assess their readiness for digital transformation.

Alongside the study, Vi Business also launched ReadyForNext Digital Assessment tool 3.0 in both English and Hindi versions. This initiative aims to support businesses in accelerating their digital transformation journey, ensuring they are future ready and able to establish safe and secure workplaces for their employees. Vi Business has partnered with PayU to provide MSMEs with digital payment solutions. This collaboration leverages Vi Business' expertise in digital transformation and PayU's proficiency in digital payments and financial services. Together, they offer a comprehensive range of services tailored to meet the evolving need of MSMEs.

Over the past two years, the ReadyForNext campaign has been honoured at prestigious platforms, including CIO Choice Awards, e4M Indian Marketing Awards, ET BrandEquity DigiPlus Awards and MINT Marketing Awards. We added another feather to our cap. Last quarter, Vi Business was lauded as a global winner of prestigious ICMG Global Award 2023 for best digital strategy execution and best customer centricity and excellence.

The next strategic initiative is driving partnerships and digital revenue streams.

Vi aims to be a truly integrated digital services provider with a very clear objective of driving higher digital engagement with our consumers and driving monetization through specific streams or by participating in select digital categories. Our stated strategy around this has been to build this through strategic partnerships.

And bring out most of these offerings on the Vi app. Vi app today goes being a multi-utility app that offers not just end-to-end telco account management, but also allows consumers to pay their



electricity or water bills, recharge for FASTAG or DTH, buy almost any OTT subscription, watch over 350 TV channels, play over 100 games, participate in eSports tournaments and more.

Further leveraging telco data and access capabilities to create a distal 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 our consumers and one would only see better of it as we keep bringing in newer categories and expand our catalogue.

We have a complete gaming arena under Vi Games on Vi app, where one could play a host of hyper-casual games online or avid gamers can participate in eSports tournaments. Further, the Cloud Play, our offering on cloud gaming allows our consumers to play the best of the games without having to download and install them on their devices. It is a subscription-based service currently being offered only on mobile.

Vi recently launched Vi Movies and TV and an all-new avatar, all new apps for mobile on both Android and iOS and as well as for TV across all operating systems, that is 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 a host of their favourite OTTs, just like the way we have been buying DTH plans for TV channels. This gives a significant savings to the subscriber versus paying individually for different OTTs as well as convenience of one subscription and one payment compared to managing multiple subscriptions with different cycles.

We have a very strong roadmap to build Vi Movies and TV as a destination of choice for our consumers when it comes to their TV entertainment. While we continue to scale this, we still have a strong pipeline of products and proposition that's on our digital road map, which we will continue to unveil in the coming months. In the partnership space, we introduced two new recharge plans of Netflix that bundled TV and mobile subscriptions. Based on the transformation Vi app has seen over the last year and a half, our consumer ratings on Play Store have consistently improved.

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

Moving on to other highlights.



Firstly, I am proud to share that we are Great Place To Work® Certified™ in India. This recognition reflects our commitment to creating a supportive, flexible and inclusive work environment for a large workforce across locations. Earlier in May 2024, we have also been ranked 15th amongst the top 25 best companies to work for in India as per Business Today. And the heart of our success is our belief that our people are our greatest asset.

On operations front, the 4G subscriber base has continued to grow for the 12th successive quarter, and stood at 126.7 million as on June 30, 2024, versus 122.9 million as on June 30, 2023, an addition of 3.8 million 4G subscribers over last one year. The total subscriber base stood at 210.1 million.

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

Murthy GVAS: Thank you, Akshaya. A warm welcome to each of you. As Akshaya mentioned, this is a 12th consecutive quarter of growth in 4G subscribers. The revenue for the quarter stood at INR105.1 billion and the EBITDA of INR21 billion, excluding IndAS 116 impacts improved by 4.2% on a year-on-year basis and the EBITDA margin has improved to 20%. The reported EBITDA stood at INR42 billion as compared to INR41.6 billion in Q1FY24.

Further, depreciation and amortization expenses and net finance costs for the quarter were INR53.7 billion and INR52.6 billion, respectively. Excluding the impact of IndAS 116, the depreciation and amortization expenses and net finance costs for the quarter were INR40 billion and INR43.5 billion respectively. The finance cost for the quarter has declined mainly due to one reversal effects following the subsequent Supreme Court's order on RLSF and two, reversal of accruals amounting to approximately INR650 crores based on the agreement on the payment plan with some of the vendors on the due amounts.

Capex spend for the quarter stood at INR7.6 billion. As mentioned in our press release, certain capex has already been ordered and is under execution and hence the capex spend is expected to increase going forward. The total debt from banks and financial institutions stood at INR46.5 billion and OCDs at INR1.6 billion as of June 30, 2024. The debt from banks and financial institutions reduced by INR45.5 billion during the last one year. We have so far raised a little over INR240 billion of equity in this calendar year via various modes. The cash and cash balance stood at INR181.5 billion as of June 30, 2024. Resultantly, our interest income has increased during this quarter.

The spectrum obligations to the government stood at INR2,095. 2 billion as of June 30, 2024, including deferred spectrum payment obligations of INR1,392 billion and AGR liability of



INR703.2 billion. This does not include the spectrum acquired in June '24 auction as the demand notes were received in July '24. With this, I hand over the call back to Rio 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 Sachin from Bank of America. Please go ahead.

Sachin: I have three questions. First question, I wanted to understand the update on investments in the network after fundraising. Now I heard your opening comments, I want to understand when we could start seeing improvement in the network quality. And the reason I'm asking is when we look at the net adds in this quarter, it's still at similar levels in terms of losses as compared to 4Q. I presume from subsequent quarters; we should see the number coming down. So any color in that direction will be helpful?

Akshaya Moondra: As I mentioned in the opening remarks, our fundraise happened in April, post that we have been engaged with vendors. We have many circles where we have Chinese equipment where 5G is not allowed. So that is a part of discussion as to what is the best way to address that. The longer discussions are in progress and we are likely to conclude that soon, probably over the next month maximum. But while that is in progress in terms of addressing the more longer-term contracts, we have used this period to quickly order some of the upgrades in terms of where we just needed a software upgrade or where we had some hardware available, which we could deploy quickly. In some of the cases, not much of a discussion was required as to what should be the product and where it should go.

And as a result of which, as I had indicated in my opening remarks and as has been captured in the press release also that we will be able to increase our capacity by about 15% compared to where we were before the funding and the increase in population coverage by about 16 million by end of September.

Besides the increase in population coverage, we would also see an improvement in experience of the customer by deployment of more L900 and improving the indoor experience, particularly in some places, where L900 has been deployed for the first time. Some improvement has already started happening. But for that to change the trajectory of subscribers, definitely, will take some time because people will start experiencing the improvement in network, and then that should result in some improvement in subscribers trend. The actions of having some quick wins where not much of a decision-making is required in terms of capex that has been done very quickly. And in areas where we now need to finalize our product configuration and rollout plan, the rollout



plans have been decided, and we are in the process of finalizing our discussions with our vendors so that we can order the equipment and start deliveries in the coming quarter.

Sachin: Very clear. My second question, any color you could give us post tariff hikes, how have your customers responded? Are we seeing any signs of down trading or are we seeing people moving towards lower packages and consolidation and so on and so forth?

Akshaya Moondra: So Sachin, firstly, this has been a little over a month and sometimes these trends are not very clear. What I would say is, there is slightly longer time being taken for recharges, but downtrading is that people spend the same amount of money on a lower benefit. All the trends, I would say, are largely in line with the previous price increases. Whether there is an element of SIM consolidation, difficult to say at this point of time. But generally, since the entry price increase this time has been minimal, that should not result in much of SIM consolidation.

One of the trends we have seen is that port out to BSNL has generally increased from the pre-tariff increase levels which is a space that we are watching. And the reason for that is, of course, that they have not increased their tariffs, so there's a fair amount of arbitrage.

Our expectation is that customers who are used to using a good coverage and experience of 4G, probably the current offering of BSNL may not be to that extent and people who may have taken a quick decision in terms of the tariffs actions may most likely come back. We will keep on watching the space and see what needs to be done as we move forward.

Sachin: That's very clear. And last question is to Murthy. Just wanted to understand the one-offs in the quarter. I think there are two one-offs in the interest costs, right? One also on vendor dues, which I was not sure how much is the amount?

Murthy GVAS: The first of two one-offs is the effect arising out of subsequent Supreme Court judgment where interest is not applicable. And that figure we have disclosed in our notes of INR263 crores. The second one I mentioned is approximately about INR650 crores which is arising out of write-back of interest accrued pertaining to vendors with whom we have better settlement.

Sachin: Got it. Thank you.

Moderator: Thank you. Next question is from Sanjesh Jain from ICICI Securities. Please go ahead.



Sanjesh Jain: First on this capex and the 3G BTS shut down. I thought the 3G BTS were refarmable to 4G while we are shutting down. Are we not refarming them to 4G, or these equipment's were not capable of being refarmed to 4G?

Akshaya Moondra: In general, whatever was being capable of reform, reform to 4G was largely done, although what we are closing down now, some of it is still refarmable and that is being used. However, I think your question is probably emanating from the point that we are seeing a higher decline of 3G sites, which is not reflecting in the proportionate increase in the 4G technology sites.

And the reason for that, as we have explained earlier also is that if we have, 10 MHz of 2,100 band spectrum, 5 MHz was already refarmed to 4G, and it was being counted as a 4G technology side. Now as you reform another 5 MHz from 3G to 4G, and that 4G spectrum goes from 5 to 10, there will be a negative on the 3G side without there being an addition on the 4G side.

The refarming which is happening today is more in the nature of the additional 5 MHz going into 4G. And that is why those numbers will not match. But as we have mentioned always that we continue to add significant capacity. And as I have mentioned earlier in response to the earlier question, that we are looking at the capacity growth by September alone of about 15% with whatever actions we are taking.

Sanjesh Jain: That's clear. That's pretty much clear. Second, on the capex for this year now that we have started placing the order, what is the expectation for the capex in the remaining 9 months of this fiscal year?

Akshaya Moondra: So Sanjesh, right now we are in the process of ordering. As mentioned earlier, we have a 3-year capex guidance of INR500 billion to INR550 billion. What will happen in the next 9 months is a bit of a function of when orders happen and when the deployment happens or when the delivery starts. The best way to describe this today is that the 3-year capex guidance is INR500 billion to INR550 billion and the idea would be to accelerate whatever capex that we have to do on coverage expansion.

And as we have mentioned in the past that 4G capacity growth would happen as the traffic grows, but the coverage would be pretty much accelerated. So this would be front ended. Some of the 5G capex will start immediately because that is based on where 5G devices are today and where there seems to be a case for deploying 5G.

So in general the capex will be front ended, but some part of 5G as this kind of gets rolled out gradually part of the 4G capacitization as the traffic growth. These are the ones which will be more towards the second half of this implementation time frame.



Sanjesh Jain: Got it. And we will be looking at, again, a dynamic spectrum sharing between 4G, 5G or this will be only 5G kind of a site?

Akshaya Moondra: No. 5G currently will happen only in the mid band, which has been taken for 5G. So there is no spectrum sharing for 4G in fact.

Sanjesh Jain: Got it. And actually, on the churn rate which continues to remain quite elevated at 4%. The peers are at 2%, 2.5%. Do we expect this churn rate to come down materially in the next few quarters or you expect this to remain high?

Akshaya Moondra: No. We do believe that this churn rate will come down materially in the next few quarters. There will be a time lag between the investment and this turning around, but definitely the whole hypothesis of the investment is that as opposed to currently being net subscriber negative, we should get to a net positive territory and start participating in the growth of the industry which we have not been doing over the past 2, 3 years because of the lack of investment.

Sanjesh Jain: Got it. And last question on the overall capex plan of INR50,000, INR55,000 crores if I have to divide it between 3 years, is it fair to believe that next 18 months will have a majority of the capex upfronted and next 1.5 years will be much lower?

Akshaya Moondra: It would be skewed towards the front, first 18 months significantly higher than the next 18 months, probably that may not be the correct presentation. And the reason for that would largely be that, as I said, the coverage part on the population coverage that we want to do for 4G that would happen in the next 12 to 15 months.

In terms of 5G and 4G capacity, it will evolve based on how the market is evolving on the 5G side and based on how the traffic is going. So some of them 4G capacity is more need-based. 5G, we will kind of start investing. We said we'll be calibrated in our approach. And as the market evolves and as we find merit and see the experience of rolling out 5G, what impact does it have?

Those are the ones which are not absolutely decided in terms of time frame, but the 4G coverage and decongestion wherever we already have congestion, and a lot of the congestion is being sorted out by investments and the growth of capacity that I mentioned that we will achieve by September. So that is our top priority in decongesting areas where we have congestion today, but beyond that in terms of growing the capacity that is a function of growth.

Sanjesh Jain: Got it. That's clear. Thanks Akshaya for answering all the questions and best of luck for the coming quarters.



Moderator: Thank you. The next question is from Vivekananda Subramaniam from Ambit Capital. Please go ahead.

V. Subramaniam: So continuing on the question that Sanjesh asked. Your peers are saying that 5G is off-loading 10% to 20% of their network traffic. And this could be a meaningful lever for you to catch up with your peers on the capacity front, so I just want to understand, you had outlined in the presentation on 27 June, where you had given certain targets for capacity ramp-up over the next couple of years. How much of that will be through 5G? And how should we think about your capex choices here given that now 5G is relatively more mature and perhaps you could skip some of the 4G capacity upgrades and instead choose to invest in 5G directly to increase or to more than double your capacity over the next couple of years.

Akshaya Moondra: The handsets of 5G are proliferating and so the 5G traffic with our peers is growing that is given, but it is also growing in the context of the fact that 5G traffic today is free. So if you have a 5G device, there's no metering of that traffic.

And to that extent once this traffic starts getting metered and charged or becomes the part of your quota, then we'll have to see. One of the challenges we find in the 5G is that for the same usage behaviour particularly in streaming you will end up consuming more data without a difference in experience which is fine when you are not being charged for that data based on the traffic but if you're getting charged and your consumption is, let's say 3x for the same usage on 5G compared to 4G then the consumer will have to make a choice. Having said that, what you are saying is right that we are today investing at a point of time where we have not made some investments in capacity which we would have made earlier. And given that 5G is available today instead of investing in, let's say, the TDD layer of 4G where we have not made the investment.

We could directly invest in 5G and that definitely is a good solution, and those investments would be made. The only thing which is to be kept in mind is that there would be availability of 5G devices, and one may need to still create capacity on 4G depending on how much traffic actually shifts to 5G based on the availability of devices. So that is where it becomes a little dynamic in nature, but the point that 5G is a good solution for capacity that is very clear, and we'll follow that strategy.

Generally, from a capacity perspective we have been fine and our speeds on 4G have been absolutely fine. There are pockets, let's say, in Gujarat, UP West where we've had some congestion. But otherwise generally speaking capacity has not been our limitation. Our limitation or constraint has been the 4G coverage and which will be our priority and the first focus area for



expanding. So capacity while the strategy as explained will be followed, but it is not area of concern even now.

V. Subramaniam: Right. Understood. I appreciate the detailed response. And I guess that's perhaps why you are going to keep 4G capacity addition in the second half of your capex window, 3-year capex window. So just extending this question a little bit do you track the number of -- would you be able to disclose the number of smartphone users currently who have 5G-enabled handsets, I mean of the 127 million 4G users how many already have 5G handsets? Is that data available with you?

Akshaya Moondra: That data is available, I would not be able to give you a number, but I would say that it is a fairly large number, somewhat lesser than what peers will have who are already offering 4G, but not too different, I would say.

V. Subramaniam: Understood. So you mean to say, as a percentage of this user base, subscriber base, a fairly large number of users already have 5G handsets, right?

Akshaya Moondra: Yes.

V. Subramaniam: Okay. Okay. That's clear. Secondly, there is a regulatory consultation that came up in the end of July, which was referring to some plans that were eliminated by Airtel and Voda, the metered tariffs, metered voice-based tariffs, Jio never had them. So if these plans make a comeback and if, let's say, the industry participants decide to -- or are forced to launch these plans? Then how should we think about the ARPU numbers here? I mean, will this have a meaningful bearing on the ARPU? I mean you guys have a large percentage of 2G subscribers. So some of your customers may have higher propensity to opt for these plans, right? So what are your thoughts here? I know consultation is still underway.

Akshaya Moondra: Vivek, unfortunately, I don't have the complete details on this consultation, which you are referring to. This must be in the process of being prepared. Generally speaking, even if there is a regulation which requires a metered plan to be available, with the kind of pricing that we have in India on unlimited voice and reasonable level of data, while it may be a regulatory requirement, I doubt that it will become popular. Not having complete knowledge, it's just a reaction based on my understanding of what you are saying, but maybe we can discuss this offline after we have some more clarity on the subject. But as I see, it's not been something which is top of the discussion items. So I don't think it has a major implication.

V. Subramaniam: My last question, pardon me, is a bit speculative, but I'm getting query. So I'm also taking the liberty to ask you this question. There were some media articles which highlighted



that government is looking to or it's in dialogue with some funds to exit its stake in Vodafone Idea. Now I know during the FPO, you mentioned that you may need more support from the government in the form of conversion of the deferred payment instalments into equity. What's your dialogue been with the government in the recent periods? What are they thinking? Is there anything you are able to share with us that can help us think this through better.

Akshaya Moondra: As you have read in the newspaper, I have also read it in the newspaper. We have had no communication with the government and to that extent, we have to say that government as a public shareholder, they are free to take decisions with reference to their investments. This is an independent subject.

The only thing I would add to that is that whether the government continues with their shareholding or divest gradually or whatever they may decide to do is independent of what their policy is. Let's go back to how they became a shareholder. When the reforms package was announced, they were not a shareholder. So the reforms package was announced primarily with the objective of saying that support needs to be provided, the government is very clearly focused on having 3 healthy private operators. And in addition, the government also has besides the equities take a large amount of money, which we owe to them. And if you take everything into account, the conversion to equity was a means of supporting the balance sheet of the company by converting some debt into equity and The policy of the government remains the same. What they do with their public shareholding, so which it is, that is their decision. We, as the company, don't have any information or engagement with them on the subject.

V. Subramaniam: Sure. Okay. And if you can comment on the Supreme Court's hearing and your plea with the Supreme Court on the AGR case, any visibility on the dates that will be great. That was my last question anyway.

Akshaya Moondra: In July, again, we had mentioned it in the court and the Honourable Chief Justice has said that he will look into the matter and take a decision soon. This is the feedback I got from our counsel, we are also waiting for this matter to be decided hopefully, favourably. I mean favourably in terms of the matter being admitted for open hearing.

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

Kunal Vora: First question is on 5G. When will you start offering 5G in top cities? And how would you approach 5G monetization. In case of your peers, consumers who tried 5G and now might be willing to pay INR50, INR70 extra for 5G because it's available in 2GB plans and not base plans in



your case, the consumers might not have tried. So how would you approach 5G monetization, if you can share your thoughts on this.

Akshaya Moondra: We are also watching this space. Really speaking today, what you call as INR50 or INR51 additional charge only comes back to the same price point that you can participate at INR349 or INR379 as the minimum pricing plan. So, whether you pay INR299 and opting for this by paying INR51 extra or you pay directly INR349, it is one and the same thing to my mind.

So really speaking to that extent, monetization is not happening. But yes, the fact that the entry level for the free 5G unlimited data has been increased, should result in some higher monetization or some monetization in the form of higher ARPUs. We are also watching the space how it is evolving. As I mentioned in my previous response that part of the 5G deployment is for capacity, and it is attractive cost capacity where the traffic is high. In some cases where we have a need for capacity, and we have a choice between deploying TDD or 5G, we may choose to bypass TDD and directly deploy 5G.

From these perspectives, 5G investment makes sense. But some of the investment, which is a function of monetization, we are watching the space and that's why I always keep saying that while we have a certainty of our capex budget earmarked for 5G but the actual deployment of 5G will be a little more calibrated and in line with how the market is evolving.

Kunal Vora: So what I'm trying to understand is would you look to price a little differently compared to Airtel especially in case of 5G, like say in their case consumers will try it like when 5G was available at 239 Plan and now they can decide whether they want to go for 299 or actually pay for 5G and get to maybe 349. In your case, is the minimum threshold is 349-ish in that case many of those customers might not even be able to try 5G. So how would you approach the 5G pricing is what I was trying to understand?

Akshaya Moondra: This is a decision we'll have to take closer to the time we launch. It would be a bit early for us to decide on this. But definitely, once you are just starting with our network, which is not yet mature, which is in the case of peers, then one will have to look at pricing in that fashion.

Kunal Vora: Okay. Second one is what is the revenue translation which you're expecting because of the tariff hike on a blended basis? Let's say, this tariff hike, where does it take your ARPU from the current levels of INR146 level. I know that it won't be a precise number, but what kind of ARPU uplift are you expecting?



Akshaya Moondra: ARPU uplift is a mix of many things. But if I were to give you just some indication and some of the figures, I remember is that in the prepaid, we were calculating that a blended average price increase in our case would have been roughly around 17%, which should be generally true of peers maybe one was a little higher. generally, the price increase on a blended average was about 17%.

On this, rule out some part either either of the down-trading or the downgrading which happens or in some cases SIM consolidation or a higher level of churn immediately. The pass-through of the 17% price increase, how much of it will get into the actual revenue increase, one has to still see, and this probably will take 2 to 3 months from the time of price increase to kind of get settled.

It could be in the ballpark of, I would say, 2/3 to 3/4 flow through to revenue increase of the percentage of price increase as we have seen. This is only for the prepaid, postpaid has some slightly more staggered because of the timelines i.e. notice to be given after 6 months waiting period for new joiners. So that will be a more longer period of flow through to the revenue increase.

Kunal Vora: Understood. Lastly, on subscriber base, what is the trajectory you see from here you've been seeing declines. And with the tariff hike, there would be some more pressure. So -- and on the other hand, you are like investing in network. So when do you believe that the subscriber base stabilizes? And when do you think that subscriber base could actually start increasing?

Akshaya Moondra: Kunal, to the end result of what would be the timing of this turnaround, it is very difficult to predict. However, we are confident that what we have been lacking is in terms of the network offering. And as we invest in that, it will start turning around. Maybe it will not become positive immediately, but at least the trends will start turning around, once the investment starts coming on board. But I'll avoid me giving you a timeline on this one because it is difficult to say when does the rollout and the improvement and experience actually makes this turnaround. That is something we'll have to see how the market behaves in this direction.

Moderator: The next question is from Saurabh Handa from Citigroup.

Saurabh Handa: I had a couple of questions. Firstly, on 4G subscriber additions, the pace of additions has slowed down this quarter. Is there an element of seasonality, because of summer or something? Or is this a trend, which has been seen for the last few quarters? Any color you can provide here?



Akshaya Moondra: It has been growing, but the pace of growth may have been slower. This is right. Generally, both this quarter and the quarter which we are currently tend to be seasonally weak quarters. If you look at the trends for all operators from Q4 to Q1, in terms of the overall subscriber additions or the revenue growth that was achieved quarter-on-quarter from Q4 that has moderated for everyone in Q1.

So yes, seasonally, there is an impact, and that would also have an impact on the growth of 4G subscribers. And generally, these things start turning around in the Q3 of the financial year. Q1 and Q2 tend to be seasonally weak and to that extent, there is some impact of this.

Saurabh Handa: Okay. Got it. And my second question was on the coverage plan. So you have mentioned that you plan to increase your 4G coverage from around 1 billion currently, the population coverage, to 1.2 billion in the next 18 months. Any idea you can give us on what this will translate into improve in terms of number of unique site additions from the 183,000 number that you are at currently?

Akshaya Moondra: This would translate to somewhere around 210,000 to 220,000 sites, somewhere in that range.

Saurabh Handa: Okay. So that's around 20,000, 30,000 additional sites, ballpark.

Akshaya Moondra: I'm talking about 4G sites. So actually, unique sites, we have is about 182,000, currently are 4G sites is about 168,000 which will go up to about 215,000 as a ballpark.

Saurabh Handa: Okay. And my last question is just a follow-up on the AGR related question. So I mean just to clarify our understanding. So if the Chief Justice has sort of okayed the case. I mean, does it mean that it's now just a question of when it will be listed for hearing? Or is there still some uncertainty on whether it will be heard at all or maybe just in terms of likelihood, it's a very high chance that it should be listed for hearing? I mean how should we just think about this or what your council has been advising you?

Akshaya Moondra: The merits of the case is with the judge and the court. Our understanding is that, first, curative petition has to be admitted for hearing, in which case, it will be heard and then a decision will be taken. We have only two prayers in that petition. One is that the DOT be allowed to make corrections in the demands until 2016-17. And secondly, given the nature of the case, there should be no penalty and interest on penalty charged.

So in essence, these are the two matters, which the court has to decide. The first one, if the court decides, then that means the matter goes to DOT, we then have to look at the demands, and they



have made corrections to the demands for the period after 2016-17. But for the period until 2016-17, because of the court order, they have not revisited the question of correcting the demands. So that is the matter which if the court approves, it will go to the DOT for this.

As far as the penalty waiver is concerned, that is a decision which has been taken by the court itself. And then there is no further activity required. It is the decision which will determine the action to be taken. Hope I've answered what you wanted to know somewhat correctly.

Saurabh Handa: Yes. So just to clarify, so it is yet to be admitted for hearing. That is the status, but it's fair to assume that there is a high likelihood that it would be admitted for hearing based on the CJI comments? Can we look at it that way?

Akshaya Moondra: It will not be appropriate for me to make a judgment on that.

Moderator: Next question is from Balaji from IIFL.

Balaji: Most of my questions have been answered. I just had a quick housekeeping question. On the depreciation and amortization charge, it has come down a fair bit quarter-on-quarter. So going forward, is this the new normal? Or is there some one-off yet.

Murthy GVAS: So Balaji, depreciation and amortization has come down largely because of some of the assets which have completed their useful life and as we get into the capex cycle, and we put those assets to use, it will increase. But till then, yes, it will -- to the extent that the asset completed a useful life, there will be reduction there.

Akshaya Moondra: The assets, which are coming out of the depreciation is the capex which was incurred 7-8 years ago. Generally, our capex run rate for Vodafone Idea combined together at that time, maybe in the ballpark of INR15,000 -20,000 crores. So those are the assets which are coming out of this. So it's a question of what are the assets coming out and what was the run rate of capex at the time these assets were deployed? And what is the capex run rate today?

As our capex run rate starts going up, we would probably get to a flattish period of depreciation for some time. And of course, then if you go further when in the last 3 years, our capex has been much lesser. And then that asset starts getting retired, you will see an increase in depreciation. So it's a question of what was the capex run rate 8 years back roughly, 8 or 9 years back, and what is the capex run rate today.

Moderator: Due to scarcity of time, we will have to take that as the last question. I would now like to hand the conference over to Mr. Akshaya Moondra for closing comments.



Akshaya Moondra: Thank you, Rio. We have started the year with a big bang with successful completion of the largest FPO in the country of INR180 billion, which was subscribed about 7 times. We did not stop here. We raised further equity from the promoters to the tune of INR20.8 billion and the preferential issue of equity shares to Nokia and Ericsson was INR24.6 billion. ATC also completed the conversion of its OCD originally amounting to INR16 billion. Further, the tariff hike has also happened, and we will see the benefits in the coming quarters.

We have kickstarted the investment cycle and are deploying the funds from the fund raise towards 4G coverage and capacity. We expect 15% increase in our data capacity and an increase in 4G population coverage by 16 million by end September '24. And larger improvements once the larger capex plan is executed in the near term. We are on a journey of VIL 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 us on this call. Have a good day.

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