



January 30, 2025

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block – G, Bandra Kurla Complex,
Bandra (E), Mumbai - 400051

Ref.: Indus Towers Limited (534816/ INDUSTOWER)

Sub.: Transcripts of the Earnings Call on the Company's performance for the third quarter (Q3) ended December 31, 2024

Dear Sir/ Madam,

Please find attached the transcripts of Earnings Call conducted on January 24, 2025 on the Company's performance for the third quarter (Q3) ended December 31, 2024.

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **Indus Towers Limited**

Samridhi Rodhe

Company Secretary & Compliance Officer

Encl.: As above

Indus Towers Limited

Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call

Conference Call Transcript

Event: Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call

Event Date/Time: January 24th, 2025, at 14:30 hrs IST.

Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call**CORPORATE PARTICIPANTS****Mr. Prachur Sah**

Managing Director & Chief Executive Officer – Indus Towers Limited

Mr. Vikas Poddar

Chief Financial Officer – Indus Towers Limited

Mr. Tejinder Kalra

Chief Operating Officer – Indus Towers Limited

Mr. Dheeraj Agarwal

Head Investor Relations – Indus Towers Limited

CORPORATE CALL PARTICIPANTS**Mr. Kunal Vora**

BNP Paribas/Mumbai

Mr. Manish Adukia

Goldman Sachs/Mumbai

Mr. Vivekanand Subbaraman

Ambit Capital/Mumbai

Mr. Sumangal Nevatia

Kotak Securities/Mumbai

Mr. Sanjesh Jain

ICICI Securities/Mumbai

Mr. Arun Prasath

Avendus Spark/Chennai

PRESENTATION**Sunita – Moderator**

Good afternoon, ladies and gentlemen. I am Sunita, the moderator for this conference. Welcome to Indus Towers Limited's third quarter ended December 31, 2024 Earnings Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question-and-answer session will be conducted for all the participants on this call. In case of a natural disaster, the conference call will be terminated post an announcement. Present with us on the call today is the senior leadership team of Indus Towers. Before I hand over the call, I must remind you that the overview and discussions today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face. I now hand over the call to our first speaker of the day Mr. Prachur Sah. Thank you and over to you Mr. Sah!

Prachur Sah – Managing Director & Chief Executive Officer – Indus Towers Limited

Thank you, Sunita, and a very warm welcome to all participants. Joining me today are my colleagues, Mr. Vikas Poddar, CFO; Mr. Tejinder Kalra, COO and Mr. Dheeraj Agarwal, Head Investor Relations, on the call. I am pleased to present our business performance for the quarter ended December 31, 2024.

We are happy to have delivered strong tower and tenancy additions in Q3, driven by our ability to maintain dominant share in our major customers' rollouts. As a major customer has now embarked on its network expansion, we were able to garner a substantial share in its rollouts, which aided our tenancy additions. This shows the operator's trust in our capabilities and Indus Towers being its preferred partner. Continuing with the collections against past dues from this customer, we managed to recover a substantial amount in this quarter. This was aided by the monetization of our secondary pledge on the 3% shares of Indus Towers held by Vodafone Plc.

Before I delve deeper into the major business developments, I would like to take a moment to acknowledge the dedication and perseverance of our teams on the ground, who braved harsh conditions and worked round-the-clock to ensure seamless connectivity. During the quarter, we installed towers in some of the most geographically challenging locations in the country including Leh, Ladakh and Tawang, as well as Mechuka and Etalin in Arunachal Pradesh. The efforts of the field team are praiseworthy which helped in digital inclusion of people in these locations.

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Moving to the regulatory landscape, the Government continues to take steps to help accelerate the rollout of telecom infrastructure in the country, while being cognizant of the environmental aspect. The recently announced Right of Way Rules, 2024 have been implemented from 1st January, 2025, and have to be mandatorily followed by the states. The rules aim to resolve interpretational issues within the industry and ensure efficient deployment of telecommunication infrastructure among other things. The Centre is coordinating with all stakeholders including State Governments and industry bodies to provide support for resolution of initial teething issues.

Additionally, the Green Energy Open Access policy has been notified in almost 24 states which will be a key enabler for not only driving use of renewable energy but also making the energy consumption more efficient. The composite billing scheme introduced a few quarters back has now been implemented in 11 states including the likes of Rajasthan, Madhya Pradesh and Maharashtra. The scheme can optimize the overall billing process by combining the bills for multiple connections and easing the handling of hundreds and thousands of bills.

Moving on to 5G, the industry-wide total number of 5G BTS deployed stands at almost 465,000 with over 50,000 BTS being deployed in the last calendar year. Though the pace of deployment has slowed down, 5G loading contributes meaningfully to the overall loading revenue. We expect the 5G loading revenues to be gradually supplemented by a demand for new sites once a certain penetration level is achieved to aid the network decongestion. Given our expertise in the passive infrastructure space, we believe that we are well placed to capitalize on these opportunities.

The swift deployment of 5G infrastructure is expected to be complemented by a rapid uptake of 5G by the end consumer as well, as per statistics mentioned in the Ericsson Mobility Report. As per the report, global 5G subscriptions are expected to reach over 6.3 billion by 2030, accounting for around 67% of the total subscriptions. During the September quarter, global 5G subscriptions grew by 163 million to total 2.1 billion, with 4G subscriptions falling by 69 million. In India, 5G subscriptions are expected to reach around 970 million by the end of 2030, accounting for 74 percent of mobile subscriptions.

As per the latest TRAI report, total 5G subscription base in India grew to 218 million at the end of Q2 FY2025 increasing by 28 million quarter-on-quarter. Comparatively, 4G subscription saw a decline of 29 million.

Data consumption in the country remains robust, aided by the rapid uptake of 5G and the continued upgrade from 2G to 4G. The average data consumed per user per month across the top three operators grew 13% year-on-year to 26.6 GB for the quarter ended September 2024 with the total data consumed growing 21% year-on-year. Additionally, as per TRAI, 5G data consumption grew 12% QoQ to 12.8 billion GB and contributed 22.7% of total data usage in Q2 FY25 compared to 20.3% in Q1 FY25.

Moving to operational performance, we recorded robust tower and tenancy additions in Q3. During the quarter, we added 4,985 macro towers and 7,583 corresponding co-locations. The total macro towers and co-locations base grew by 10.8% and 7.2% each year-on-year, standing at 234,643 and 386,819 respectively. A significant number of tenancy additions during the quarter helped our industry-leading tenancy ratio remain stable at 1.65x, which has been declining for many years.

Addition of co-locations on leaner tower stood at 132 in Q3 and the overall base increased to 11,492 co-locations. Including leaner towers our net co-location additions were at 7,715 in Q3 versus 4,490 in Q2.

Following on from our operational performance, I would now like to provide an update on the progress we have made on each of our four key strategic priorities, namely market share, cost efficiencies, network uptime and sustainability.

Regarding market share, we are proud to have maintained a dominant share in the business of our major customers. This has been underpinned by the digital interventions we have been taking across the value chain and continued strengthening of our partner ecosystem which has resulted in a reduction in turnaround time for a tower site. Our effective employee incentive and recognition programs along with regular review mechanism are also critical to our performance.

Our In-Building Solutions (IBS) portfolio continued to witness good traction, and we are pleased to have recorded the highest quarterly IBS deployment in our history. We expect this momentum to continue as we continue to work towards strengthening our IBS portfolio.

The resumption of the network expansion by a major customer bodes well for us. Similar to Q3, we believe that we are well placed to capture a meaningful share of its tenancy additions in the coming quarters as well.

Secondly, on cost efficiency, we are working on optimizing both operating and capital expenses. Energy accounts for a sizable amount of our opex and diesel cost makes up a large part of it. Our ongoing initiatives including electrification of non-electrified sites and deployment of energy storage solutions have yielded an 8% year-on-year reduction in diesel consumption in Q3. We also continue to focus on increasing the share of renewable sources of energy with our solar sites growing to over 28,000.

We continue to optimize our rental cost through product design and negotiation strategy based on benchmarking, prioritization of sites, and landlord segmentation. To manage our network cost, we are working on improving the productivity of technicians through benchmarking and optimizing their scope of work through use of digital interventions.

On capex, we continue to transition our battery portfolio to Li-ion batteries, which have a lower charging time and a longer life, thus providing both operating and cost efficiencies. Similarly, our tower portfolio is also pivoting towards an increased share of a lighter tower variant which has helped reduce our civil and product costs.

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Thirdly, on network uptime, which is very critical for our customers, we continue to maintain a very high uptime and delivered an uptime of 99.98% in Q3 FY25, compared to 99.96% in Q2. Please note that the quarter was marked by severe natural calamities such as Dana cyclone in Odisha and heavy rains and thunderstorms in areas of Rajasthan and Punjab amongst others. Despite these challenges, our field force ensured a high level of uptime.

On the front of sustainability, which remains a key priority of organization, our initiatives towards reducing GHG emissions continue. We continue to work towards reducing our dependency on fossil fuels for energy needs by transitioning to renewable sources of energy. Our solar portfolio stands at over 28,000 at the end of Q3. In order to expand our renewable energy portfolio, we have entered into a power purchase agreement with a strategic partner for procurement of renewable energy of 130 MW solar plant under captive mode. As part of the agreement, we would acquire 26% of the equity shares of the said entity for a consideration of around 38 Crores.

The sustainability practices of our partners are also important to us, and we conducted ESG training of close to 100 major partners during the quarter. We also continue to work towards increasing the usage of EV vehicles for business travel. We were happy to see our efforts in the Environment domain recognized, being bestowed with a Great Indian Sustainable performance in Energy Efficiency award by Transformance.

In our workforce our gender diversity stood at 14.2% in Q3 FY25 compared to 11.3% in the corresponding period last year. We continue to make efforts towards improving gender diversity across the value chain and to this end we launched "Her Success" programme during the quarter. The programme focuses on mutual sharing of proven strategies, best practices and success stories with our partners to drive progress. On the CSR front, we carried out relief activities related to floods in Bihar supporting over 2,000 lives.

We were pleased to see our social initiative being recognized by multiple bodies. In Q3, we won the Mahatma Award 2024 for CSR excellence and the Gold award under social initiative category at Bharti Changemaker Awards 2024.

The quarter witnessed landmark decisions from the Honourable Supreme Court and Delhi High Court for resolution of the long pending tax matters of the industry. I believe that the decisions are progressive and will support investment in the sector. I will have Vikas share more details on this.

I would now request Vikas to take you through the financial performance for the quarter ended December 31, 2024 and I look forward to your questions. Over to you Vikas! Thank you.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Thank you Prachur and good afternoon everyone. I am pleased to share with you all the financial results for the quarter ended December 31, 2024.

We are pleased to report a strong financial performance for the quarter underpinned by substantial tower and co-location additions. Our financial performance was further supplemented by the clearance of substantial part of our overdues from a major customer.

In Q3, total revenues grew by 4.8% year-on-year to Rs.75.5 billion while the core revenues from rental grew by 7.5% year-on-year to Rs.48.2 billion driven by strong tower and co-location additions. On a quarter-on-quarter basis, our reported gross revenue and core revenue from rentals increased by 1.1% and 2.3% respectively.

In terms of profitability, EBITDA stood at Rs.70 billion growing 93% year-on-year and 43% quarter-on-quarter. EBITDA margins increased by 42.4 percentage points year-on-year and 27 percentage points quarter-on-quarter to 92.7%.

Please note that during the quarter, we collected Rs.19.1 billion for monetization of the secondary pledge on the shares held by Vodafone Plc in Indus Towers. We also recovered an additional amount against the overdues from a major customer. This resulted in an overall write-back of provisions for doubtful debt of Rs.30.2 billion reducing our provision for doubtful debt to about Rs.5 billion. The writeback helped our overall profits and adjusted for the same, EBITDA increased by 8.3% year-on-year and 3.7% quarter-on-quarter.

Our energy margins were at -3.4% in Q3 compared to -4.8% in Q2. We are taking many initiatives to improve our energy margins, which includes reducing our diesel consumption and increasing the share of renewable energy to benefit from the lower cost. Tying up with strategic partners under Green Energy Open Access and deploying solar sites are expected to optimize our overall energy cost.

Our finance income increased quarter-on-quarter to Rs.2.1 billion on account of interest collection from a major customer on its overdues. Our income tax had a benefit of Rs.1.4 billion from reversal of provisions following a favourable judgment from Income Tax Appellate Tribunal pertaining to past period.

Our profit after tax grew by 160% year-on-year and 80% quarter-on-quarter to Rs.40 billion. Adjusted for provision write-backs, our profit after tax increased by 7.7% year-on-year and 9.6% quarter-on-quarter. The reported pre-tax return on capital employed and post-tax return on equity for the rolling 12 months stood at 29.3% and 34.8% respectively.

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We generated free cash flow of Rs.26.6 billion in Q3 underpinned by higher collections. Trade receivables increased by Rs.16.9 billion primarily due to the significant provision reversal against which the amount was collected subsequently in this month.

During the quarter, the honourable Supreme Court in a landmark ruling allowed CENVAT credits on towers and shelters resulting in a reduction of Rs.37 billion in our contingent liability. Following the Honourable Supreme Court ruling, the Delhi High Court quashed the show cause notice issued by the DGGI on the issue of disallowance of input tax credit availed by the Company on passive infrastructure and towers. This resulted in a reduction of Rs.62 billion in our non-contingent liability.

To sum up, we are pleased to have delivered a robust financial performance during the quarter underpinned by substantial tower and co-location additions. The collection of a significant amount against the overdues of a major customer was another material positive and bodes well for the clearance of the balance amount. Looking ahead, we expect the ongoing network expansion of our customers to act as a key pillar of our growth. I would now request the moderator to open the floor for questions and answers please. Thank you.

Sunita - Moderator

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

Kunal Vora – BNP Paribas/Mumbai

Thanks for the opportunity and congrats for a strong quarter. First is the co-location additions this time were much higher versus tower additions, looks like you are getting new business from Vodafone Idea, so wanted to get a sense on how the pipeline is looking both from Airtel and Indus. I know you would not be able to share specific details but if you can just talk about how is the pipeline looking?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Thanks Kunal. I think your observation is correct. This was a strong quarter with both tower and co-location additions. I think our order book remains quite strong both on towers and co-locations from all the customers. So we expect the growth to remain robust in the foreseeable future.

Kunal Vora – BNP Paribas/Mumbai

What is the kind of visibility which you have right now?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

If you are looking at a timeframe, I think we are looking at a timeframe of visibility of the next three to four quarters, that is what we have today.

Kunal Vora – BNP Paribas/Mumbai

That is helpful. Thank you and second is what is the kind of investments you are looking to make in the EV charging infrastructure, a few years back you invested in Smart Cities eventually it settled out. So how different is this opportunity like if you can just give us sense on what you are looking at here?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Kunal, I think EV and Smart City are very different and the Smart City was a Government driven initiative. From an EV business point of view, it is too early to say on the investment. It is a very early-stage discussion that we are currently looking at. We are planning to look at or capitalize on our core strengths of managing space, power, and as we expand our discussions with the potential customers on a case-to-case basis, we will make the decisions accordingly. So I think it is a bit early to say any numbers in that side.

Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call**Kunal Vora – BNP Paribas/Mumbai**

But if you can just give some sense on like what is your right to win, how many sites might have any potential, what is the kind of competition which is also working on this, like you do not own the land so how would the deal with landlords work out whatever you can provide on this?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

From a land acquisition perspective, it is quite similar to what we do in the tower space. I think the model for space and power is quite similar to what we do for towers, maybe some dimensioning is a bit different and our right to win probably comes from the ability to manage and deliver the sites and provide a large uptime for the chargers, which need to stay up when they are on the streets. So our O&M practices, operation centre will give us the right to win. So that is the broad thinking on which we have started doing some pilots and as we progress we will understand how big this opportunity can be for us and we will keep you posted.

Kunal Vora – BNP Paribas/Mumbai

By when do you think we can hear more about this?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Again, as I said Kunal it is very early stage. I cannot give you a timeframe. It is something that we have started just now so as things progress we will come to know.

Kunal Vora – BNP Paribas/Mumbai

Thank you. That is it from me. I will come back in the queue.

Sunita - Moderator

Thank you very much Mr. Kunal The next question comes from Mr. Manish Adukia from Goldman Sachs/Mumbai. Mr. Adukia you may ask your question now.

Manish Adukia - Goldman Sachs/Mumbai

Now when you think about the new customer Vodafone Idea, which you said has started rolling out and you have a good share of those rollouts can you give us a sense of what your market share with Vodafone Idea has been in the new rollout and is that broadly similar to the market share you have with your number one customer Bharti Airtel and is it safe to assume that majority of the rollouts have the visibility, which you talked about for the next few quarters for Vodafone Idea that is largely going to be on existing towers and for Vodafone Idea in particular you do not necessarily have to roll out new tower so they should largely come in the form of tenancy that is my first question?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Thanks for the question again. Rather than giving you a specific number of the share what I can say is if you have seen the rollouts that we have done over the last couple of years that has put us in a prime position to have towers available for a second tenant so I think that is a broad strategy that works out and I think hence we are in a pole position to be able to monetize those towers, which are currently single tenant and when I was talking about the next three, four quarters it was not just VIL. I was talking about the overall market in terms of pipeline that we have. As far as building new towers for VIL or any other customer I think it will depend on their planning and network expansion. While we will not pick and choose, but I am very confident that with the footprint now that we have for our 1T towers, we can largely capitalize on them for a second tenant. But we will make sure the network expansion is met one way or the other.

Manish Adukia - Goldman Sachs/Mumbai

Got it helpful and just a second quick book keeping question so after the collections from Vodafone Idea in the quarter of about 30 billion odd in the form of past dues I know that the outstanding provision amount is about 5 billion or thereabouts. Is that all that is remaining now as far as past dues are concerned from Vodafone Idea or is there anything else on top of that as well? Thank you.

Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Manish just to clarify the 30 billion is the provision write-back. Like I mentioned in my commentary a large chunk of that has been collected subsequently, but because we had the security with us we recognized the provision writeback in Q3 itself. As far as the 5 billion is concerned, I just want to clarify this 5 billion is the provision for doubtful debts that is remaining after the writeback. Now just to give you a bit of history, we had provided two years back some of the overdues to derisk our balance sheet and as and when we are collecting those overdues, we are writing back the provision. So the 5 billion is what is remaining. Obviously, the overall outstanding is more than that because as we have explained in the past we have been providing for the overdues, which were beyond the credit period and already matured, so the outstanding is not 5 billion, the overall outstanding within the credit period plus the overdue is bigger than that.

Manish Adukia - Goldman Sachs/Mumbai

Thank you for clarifying. All the best.

Sunita – Moderator

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

Vivekanand Subbaraman – Ambit Capital/Mumbai

Thank you for the opportunity. So the first question that I have is on the capacity, in any given quarter what is the maximum number of co-locations that you are capable of rolling out and is that going to be a constraint at all if Vodafone Idea decides to aggressively expand population coverage like it has suggested and is there a theoretical limit in terms of let us say 20,000 to 30,000 co-locations per quarter that your field force is capable of deploying that is one. Secondly, as far as the balance sheet is concerned I see that your debt excluding lease liabilities is down to only Rs.1,000 Crores now that you are collecting money on time from Vodafone as well as the Company is clearing past dues with you when can we expect the balance sheet to get more optimized and leverage to come back so that investor get amplification of returns like they do with other global tower companies? Thank you.

Prachur Sah – Managing Director & Chief Executive Officer – Indus Towers Limited

So let me answer the first question and then I will ask Vikas to answer the second question. So, from a capability of co-location deployment see once we deploy our 1T tower, co-location deployment is actually very straightforward. So from a technical limit point of view I think there will be no limit from our side in terms of co-location deployment. Our turnaround time and our spread of the field force is enough that we can meet all the requirements of co-location orders that come from the customer. So I think from a co-location deployment point of view the technical limit of execution is not much of a constraint. I think as long as we have the first tenant available and the tower is there co-location deployment is quite quick and it is not limited because we have field force managing the towers that are operating anyways so that is not a constraint from our side. Now I will ask Vikas to answer your second question.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Vivekanand I think as far as the debt is concerned clearly there is a reduction in this quarter Q3 and that is a function of good cash flow that we have generated in this quarter as a result of better collections as well as our capex cash flow has been lower and as part of our normal cash management we have sort of repaid some of our short-term loans etc. So I do not see this first of all as a very long-term situation this is basically just part of our normal cash management. Coming to the long-term view on how the balance sheet can be optimized, clearly we know that there is a lot of headroom. In the past, as I had explained why we were not very keen about increasing debt levels was because there was lot of uncertainty that we were facing. Now with the uncertainty reducing I think clearly there will be more appetite, as we go along there will be capital allocation decisions, etc., that will be made in the next couple of months and quarters and that will probably improve the leverage situation and the balance sheet optimization. So I think give us couple of months and quarters and then we will see how this goes, but currently we are just coming out of a very uncertain phase with a very good collection in the Q3, Q4 sort of a time period.

Vivekanand Subbaraman – Ambit Capital/Mumbai

Thank you very much for your elaborate answers and all the best.

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Thank you very much Mr. Vivekanand. The next question comes from Mr. Sumangal Nevatia from Kotak Securities/Mumbai. Mr. Nevatia you may ask your question now.

Sumangal Nevatia – Kotak Securities/ Mumbai

Good afternoon and thanks for the chance. My first question is on our new venture for EV charging. I appreciate it is very early stage but just want to understand from a capital allocation point of view what sort of hurdle rate do we look at when we evaluate and decide to pilot and then maybe eventually sign contracts on this business?

Prachur Sah – Managing Director & Chief Executive Officer – Indus Towers Limited

Again to be honest hurdle rate once we are looking at the project on a case-to-case basis we are evaluating that but I think the hurdle rate is going to be in line with what our overall business is.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Again Sumangal I think I just want to probably add to what Prachur said, I think broadly we have made this announcement it is early stage, obviously we are aspiring for let us say mid to maybe somewhere in the double digits so mid to high sort of double digit returns, but currently the business scale is very small to really talk about returns, because currently we need to first develop this business and see where it goes and see the competitive situation in the market and so on, but obviously aspirationally the returns are expected to be double digit.

Sumangal Nevatia – Kotak Securities/ Mumbai

I understand and since we are kind of doing some sort of pilot do we have any sense on the time of the business any external agency we would have deployed before we get into this business?

Prachur Sah – Managing Director & Chief Executive Officer – Indus Towers Limited

No, as I said I think very early stage. I think we are learning as we are doing. I Tare certain parts of pilot where we are primarily focusing on technical feasibility and our ability to deploy so again as I said as we go forward we will learn more.

Sumangal Nevatia – Kotak Securities/ Mumbai

Got it. One small clarification. I do not know if this was discussed as I got disconnected. On the dividend since we are now coming out of the bad phase when all the bad debt provisions are largely behind what should we expect with respect to dividend payout, do we expect to get back to old ways paying out almost all of free cash flow eventually?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

I think the cash flow situation certainly has improved significantly compared to what we were seeing in the past, so with this sort of visibility we will certainly evaluate the whole situation at the year end, which is just two, three months away and I am sure the Board will then take a call on the dividend also. We are fully aware that no dividend has been paid in the last two years although we did a buyback in Q2 and distributed some cash, but clearly by year end if we are still in a very strong cash flow situation, I am sure the Board will evaluate all this.

Sumangal Nevatia – Kotak Securities/ Mumbai

Got it. Thank you and all the best.

Sunita - Moderator

Thank you very much Mr. Nevatia. The next question comes from Mr. Sanjesh Jain from ICICI Securities/Mumbai. Mr Jain you may ask your question now.

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Sanjesh Jain - ICICI Securities/Mumbai

Good afternoon. Thanks for taking my question. Couple of them are bookkeeping questions. I will start with them. First on the provision reversal your note to account says that this quarter had the provision reversal of the collection of 29 billion, in your opening statement you suggested 30.2 billion so what is the difference between the two so I am referring to Notes to Account 11C?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Hi Sanjesh so it is basically the 29 billion is the provision reversal on account of the monetization of security and also some of the past collection and apart from that there has been some other adjustment also so the 29.6 that you see in the notes to accounts relates to one customer and a specific transaction, but in the overall books the provision reversal has been 30 billion or thereabout, so there are other TDS-related adjustments and so on, so the total number is 30 billion so that is the small difference that we are explaining.

Sanjesh Jain - ICICI Securities/Mumbai

Second on the trade receivable, if I look at quarter-on-quarter trade receivable has gone from 56 billion in last quarter end to 73 billion in this quarter. What has led to the sharp increase in the trade receivables?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

So in the accounting books as we writeback the provision because the balance sheet shows the receivables net of provision so as we writeback the provisions that goes and sits in the trade receivables.

Sanjesh Jain - ICICI Securities/Mumbai

Money was received in January.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

That is right it is just a timing issue.

Sanjesh Jain - ICICI Securities/Mumbai

That is a timing issue and that is very clear now. The next question is on the capex. We had one of the highest tenancy addition and fixed number was quite muted what explains this capex?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

No, it is just the sort of procurement sort of a timeframe. Obviously the procurement for the rollouts that we have done were much earlier and then there is also the adjustment on account of the Supreme Court ruling wherein we are now able to avail the CENVAT credit on towers and to that extent we have also reversed some capitalization to the extent of 6.6 billion that we have explained in the notes.

Sanjesh Jain - ICICI Securities/Mumbai

Got it and followup question on the tenancy addition I do not know if you can help us understand or ascertain what is your existing run rate for market share in the Vodafone's rollout, even on the market share we had earlier if not the number?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

I think we are currently the dominant market share for all our customers that are rolling out and I think we will continue to do so.

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Sanjesh Jain - ICICI Securities/Mumbai

I know we have a dominant market share, Do we also have a dominant incremental market share?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Yes.

Sanjesh Jain - ICICI Securities/Mumbai

That is very clear. One last question on the EV infrastructure business. The tower business was quite straightforward for us, we used to get order and based on the order we used to put the tenancy or tower, but in case of EV we need to choose the location and then look for a potential business out of it, are we building the expertise, are we building a different business unit for it because though on the face of it the business most looks same but the business economics are very different. Will it be run by a separate team as a different BU?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

See again I think since there have been a few questions I would like to clarify see our primary driver of the business remains the tower business. But I think EV is at an early stage of course. We will maintain that difference so that the tower business does not suffer so I think it is a separate business unit, separate team that is going to drive the business and as you mentioned earlier I think there are certain things, which are different especially on the market side that is why our selection of contracts or the deals that we make with customer will be very prudent in terms of making sure that we are close to the business model that we are doing with towers. I think it is something that will be new to the industry as well so we will be very cautious on that one but it is a separate business, yes.

Sanjesh Jain - ICICI Securities/Mumbai

You mentioned that you had one of the highest IBS addition in this quarter can you help us understand how big has it become, what is the opportunity are we looking at it, along with that can you also help us understand the effort what we are doing towards building the micro cell towers where are we in that ecosystem now, I know we do mention the leaner towers but are they same as micro towers?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

So let me first answer the IBS question. I think you know like I mentioned in my speech at IBS for last year we focused a lot on the tower addition this year we put a specific effort on making sure that our team, our ways of working, our processes, and even the technology that we are deploying in IBS that now includes 5G right. We put a robust team and drive behind it and that has resulted in a very strong uptake and our ability to acquire sites for IBS even in larger cities, so I think that has been the reason behind the IBS update and I think that has proven to our customers that we can deliver right so we are aggressively present in this space and we will continue to expand. As far as the micro cells and the lean sites are concerned, I think Tejinder can correct but it is a little bit of a customized solution based on what the customer is asking for any given site and I think we have the capability to provide those customized solutions as the requirement comes.

Tejinder Kalra – COO – Indus Towers Limited

Yes pretty much right Prachur as you said. There are solutions required for the customer's need. It could be the small 3 meter, 6 meter, 9 meter kind of whole structures or the single one sector, two sector depending upon their coverage requirements that is how the micro cell structures are built up, but pretty much we have the solutions to cater to all the needs.

Sanjesh Jain - ICICI Securities/Mumbai

Got it. That is pretty much clear now. On the loss we are making on the energy in fact it continues to remain sticky though the diesel proportion has been coming down and the renewable proportion is going up but the percentage loss has been sticky can we expect some reduction starting FY2026 as a percentage of energy margin losses?

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Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

That is a good question. if you see quarter-on-quarter, there is some improvement but I think there lot of effort has been going there. The reason sometimes you do not see the impact of let us say the solar sites or something coming in because it is a different revenue model so the solar revenue gets captured in service revenue not in the energy so you may not see that impacting the energy margin per se, but it is there in service revenue. So if you bring that here the margin definitely improves. So I think overall on the energy side while I think there is still a lot of work to be done some of them always remains a timing issue in terms of how the energy margin looks like but I believe as we move forward as we put in more and more efforts on renewable, I think these numbers will continue to improve.

Sanjesh Jain - ICICI Securities/Mumbai

Thank you. I got one last question on the rental per tenant, which has grown 0.7% sequentially while our tenancy sharing has been improving, which should have ideally led to some dilution in the rental per tenant as the tenancy sharing goes up, was it a timing issue and that should start showing up from Q4 or do you think the loading will still be driving this rental per tenant going up even in the ensuing quarters?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

So Sanjesh let me explain this. As far as the ARPT metric is concerned like we have explained in the past also there are several variables and moving parts that impact this metric, but particularly referring to Q3 movement over last quarter there is another element, which is basically the seasonality right, so Q3-Q4 generally are seasonally good quarters for Indus Towers in terms of weather, the electricity availability etc. So we have better uptime, lower diesel cost and so on and sometimes better uptime also translates into sort of better ARPT, so particularly for this quarter while there are other moving parts also, but the single biggest factor is also the fact that there is a seasonality benefit.

Sanjesh Jain - ICICI Securities/Mumbai

Got it but structurally as the tenancy sharing goes up the ARPT should slightly come down right?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Yes to some extent you are right because there is always a tenancy discount that kicks in so ARPT logically should come down but like I said we cannot attribute the movement in ARPT to single factor, there are mix of towers, there is tenancy, there is renewal discount, there is loading, there is 5G, there is seasonality, so there are several factors so something or the other keeps playing in this little movement that we see every quarter.

Sanjesh Jain - ICICI Securities/Mumbai

Got it one probably last question. In the opening remark you said that now the loading is catching up and we are nearing the 5G tenancy rollout in how many quarters do you do you think you will start seeing the 5G standalone tenancy being rolled out by the operator?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

To be honest I cannot answer that question right now. I think let us see how the proliferation of 5G is and then we come back, it is too early to say if you are going to see something like that happening soon.

Tejinder Kalra – COO – Indus Towers Limited

This is something that is driven by the data optic at the operator end and how they want to cater to that data need so I think it is not easy to kind of predict when the 5G standalone things will be coming in, but the rollout 5G in any case has also slowed down a little bit.

Sanjesh Jain - ICICI Securities/Mumbai

Given the FWA rollout by Airtel, will that help in adding more tenancies?

Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call**Prachur Sah – MD & CEO – Indus Towers Limited**

No, I think the 5G coverage will cover that part.

Tejinder Kalra – COO – Indus Towers Limited

FWA has got nothing to do with tenancy; it is the 5G network and the last mile reach of 5G into the homes is what FWA caters to so they are using the on air capacity and FWA is the last mile element there.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

I am sorry there is a queue building up Sanjesh so maybe we can discuss offline if there is anything more and you come back in the queue.

Sanjesh Jain - ICICI Securities/Mumbai

Thanks for offering me this opportunity.

Sunita - Moderator

Thank you very much Mr. Jain. The next question comes from Mr. Arun Prasath from Avendus Spark/Chennai. Mr Prasath you may ask your question now.

Arun Prasath - Avendus Spark/Chennai

Thank you for the opportunity. Good evening everyone so my first question is on the anchor tenant characteristics with Vodafone no longer a shareholder are they still anchor tenant or what are the benefits that we had because of the anchor tenancy we tend to have or tend to lose because of this?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

If I am to understand your question correctly I do not think shareholder and anchor tenant have any correlation per se. I think anchor tenant is somebody who makes the tower, gives us the order of the tower and brings the initial rollout when the tower is being built that becomes the anchor tenant, so shareholding and anchor tenant have no correlation. So if we make towers for VIL as per their request and it is a new tower they would become the anchor tenant. If we do it for Airtel they will become the anchor tenant or for Jio so I think anchor tenancy and shareholding have no relation.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Just to add commercially there is no difference Arun if that is what you are trying to understand.

Arun Prasath - Avendus Spark/Chennai

But we will be still building towers for Vodafone if they request?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

If there is a need for them to build new towers and the existing towers or co-locations do not serve the purpose then we will have a look at it because we have to help them with network expansion, of course our primary aim is to support as much as co-location as possible but if there is a network expansion requirement we will continue.

Arun Prasath - Avendus Spark/Chennai

Right and now that we are finally fully out of the bad debts and the receivables issue in future if this kind of a situation repeats what do we have where the things can play differently, do we have any plan or any levers to tackle the same issues in a different manner in the future?

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Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

So I think you are asking something which has not happened so I cannot give you a response but I think one, two years ago when we were having the discussion I think we were quite confident that we will be in the situation we are in today. So I think the patience has paid off and we are a point where we are getting our dues collected and we are also participating in network expansion so as the situation comes based on the kind of situation the Management and the Board will act accordingly and make sure the interest of the company is protected so that is the answer I can give you.

Arun Prasath - Avendus Spark/Chennai

Why I am asking you is in the past we had some kind of security in terms of their interest in our stake or shareholding pattern, which is no longer will be there so initially we had that cushion probably going forward we will not have so that is the basis behind the question but nevertheless because I think you are also actively pursuing the business from the BSNL expansion also is it the right understanding?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Yes I think wherever available we are serving BSNL as a customer and I think we will continue to do that. I think BSNL is an important customer for us.

Arun Prasath - Avendus Spark/Chennai

So typically the government PSUs being counterparts again the receivable issues kind of props up we have seen it in the multiple other sectors so what kind of a framework we have to safeguard the risk coming from these future businesses, any thoughts on that?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

So I think just to give you a sense that BSNL is not just future business we actually have existing tenancies with BSNL and we have been working with them for quite some time and we have an MSA under which we operate. Of course the issues that come across we handle on a case-to-case basis so BSNL is not just future business. We have existing tenancy with BSNL and we have a relationship where we work with them to see that we get paid on time and I think we have seen some good progress in the last one year in this front as well.

Arun Prasath - Avendus Spark/Chennai

Right any indication from their side how their rollouts looks like and what kind of business you expect in terms of relatively with respect to say Vodafone's business versus Bharti's business, some colour on that please?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

No, I cannot compare with the others. All I know is that BSNL is actively looking to upgrade their network so all our tenancies are getting, wherever they are asking we are providing the upgrades to 4G and wherever there is a co-location requirement we are making sure that we are serving them and we are actively working with them to make sure that any co-locations that they are offering in the market we are there and trying to capture that market.

Arun Prasath - Avendus Spark/Chennai

Also regarding the investments in the energy business not the separate one but within the tower energy business so far I think if you can broadly split the capex that we have spent in the last three years on the core business versus what we have invested in the energy that will help us in understanding the magnitude of the investment we have made?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Arun basically energy is also part of our core business. Because in the end while we report the two revenues separately but in the end they are one business right. So broadly if you are referring to the replacement capex as we have clarified in the past roughly

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20% of our capex goes in replacement and then roughly 5 to 10% in other things like IT and a few other initiatives but broadly we really do not track energy because for example if we are replacing a battery whether that is a replacement capex or energy capex how do we really classify that so we really do not differentiate energy capex.

Arun Prasath - Avendus Spark/Chennai

So put it in another way, so we are spending close to Rs 800 Crores of maintenance capex roughly every year so this energy capex will go into the maintenance one?

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Yes our replacement capex is more than Rs 800 Crores so any energy capex is pretty much part of the replacement.

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

But I think you keep calling it energy capex, it is not energy capex that is required to provide energy and provide the uptime so I do not think we should look at in that way, it is an energy capex. Providing power is our core business so I do not think energy capex should be looked at in that sense.

Arun Prasath - Avendus Spark/Chennai

Anything you can call out on the investments in the renewables within this?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

No, I mentioned to you. I think first of all in the past we have rolled out about 28,000 solar sites so I think that is part of the upgrade capex that is there and in future besides solarizing their individual sites we are looking at investment in green open access where I mentioned in my talk that we have signed a PPA with a strategic partner of 130 megawatts at a 26% equity so that are the two elements I could highlight from a renewable point of view.

Arun Prasath - Avendus Spark/Chennai

Alright. Thanks for answering all the questions. All the best.

Sunita - Moderator

Thank you very much Mr. Prasath. Moving to the next participant we do have a followup question from Mr. Vivekanand from Ambit Capital/Mumbai. Mr. Vivekanand you may ask your question now.

Vivekanand Subbaraman - Ambit Capital/Mumbai

Thanks for the followup opportunity. As per the DoT India has around 817,000 towers now you have 235,000 towers, Altius has around 250k towers and BSNL has 70,000, so who has the industry's remaining towers and are there any consolidation opportunities left in the tower space for you presently. Secondly can you talk about the size of the revenue pools that are there in the small cells and lean tower markets compared to the current macro tower opportunity that we are pursuing? Thank you.

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Again I will try to see if I can answer this question. So you are asking is there any other major players from a tower point of view not that I am aware of right so I think we can look at the numbers again on what because DoT may have some numbers which are actually not radiating also right, so I think that could play a part in that number game, but I think the tower players you have listed out which seems to be correct and your second question was that besides macro what are the markets that we can participate in if that is what you were implying, so I think besides macro as I mentioned small cells, lean towers we have deployed close to 11,000 over the last couple of years. IBS portfolio is becoming stronger for us and I think we have started to become a supplier of choice for IBS for our major customer, and we continue to provide bespoke solutions as far as small cells are concerned based on customer requirements so I think these are the three ways we are looking at the market outside the macro market.

Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call**Vivekanand Subbaraman - Ambit Capital/Mumbai**

Is there any quantification possible at all in terms of potential revenue opportunity maybe say broad ranges like 10% of current macro opportunity or 20%, 50% I do not know I am just asking if small cells, lean towers, IBS put together, can it be material for you or is it just very small and perhaps only the need is marginal?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

In our business where revenue is driven by the capex that is invested right I think these sites cost much lower than a macro tower, so when you start talking about a percentage of revenue I do not know what the percentage is we can have a look, but the materiality comes from the fact what role these solutions play in the customers network, so I think more than revenue I think it is important to look how they play the role in the customers network and we being the solution provider to meet all their customer network demands, so while in revenue because we are in a infrastructure industry and we get paid on the investment that we make the materiality may not look that great but it is a very critical element to provide the holistic solutions to our customers.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

Just to add Vivekanand I think while Prachur explained the rationale which is basically meeting the network solution requirements of the customer, revenue wise it is not material enough to be disclosed and that is why we do not talk about revenue numbers for each of these segments. It is a small number not really material to be talked about.

Vivekanand Subbaraman - Ambit Capital/Mumbai

Fair enough no I was not just referring to the current number I was thinking more from a 3-to-5-year perspective that can this be 10% or 20% of your business on aggregate?

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

Again it is a good return business. We have been participating. I think the leaner sites have a better return but I think 3 to 5 years down the line as the urban territory expands and the urban requirements are there I believe these opportunities will become bigger. How big that will become it depends on how the network expands, what are the spectrum, what are the other issues associated with it but it is an important element from a network point of view.

Vikas Poddar – Chief Financial Officer – Indus Towers Limited

So Vivekanand just to add to what Prachur is saying. I think this small cell or IBS or micro site solutions is more from a network densification and network capacity need focused kind of solutions as the networks mature, as the data capacity grows or higher technologies come in there will definitely be a need of such kind of solutions, which will increase and therefore probably over time it could become material, but for today these numbers look considerably small because the macro sites are able to cater to a large part of the need of the operator and that is the reason why we are in this space already so that we are ready once the densification begins to happen.

Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited

But I just want to clarify no matter how small the contribution of this is in revenue and revenue share. From other competitors point of view, Indus has still a significant share in this market right. So if you look at IBS market overall I think we are a large player in that space.

Vivekanand Subbaraman - Ambit Capital/Mumbai

Yes this is very helpful. Thank you for the perspective and all the very best.

Sunita - Moderator

Thanks very much Mr. Vivekanand. At this moment, I would like to hand over the call proceedings to Mr. Prachur Sah for the final remarks.

Transcript of Indus Towers Limited Third Quarter ended December 31, 2024 Earnings Call**Prachur Sah – Managing Director & Chief Executive Officer- Indus Towers Limited**

Thank you. In summary, we are pleased to have delivered strong operational performance in Q3 reaffirming our execution capabilities and customer centric approach. Our constant engagement with a major customer has helped us collect most of the overdues and we are confident of clearing the balance amount. We expect the ongoing network expansion by our major customers to provide us with ample opportunities to grow. We endeavor to ride this growth journey in a sustainable way and create value for all our stakeholders including shareholders, customers, and partners. Have a good day. Thank you.

Sunita - Moderator

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