



October 29, 2024

**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 second quarter (Q2) ended September 30, 2024**

Dear Sir/ Madam,

Please find attached the transcripts of Earnings Call conducted on October 23, 2024 on the Company's performance for the second quarter (Q2) ended September 30, 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**

## Conference Call Transcript

Event: Transcript of Indus Towers Limited Second Quarter ended September 30, 2024 Earnings Call

Event Date/Time: October 23<sup>rd</sup>, 2024 at 14:30 hrs

## Transcript of Indus Towers Limited Second Quarter ended September 30, 2024 Earnings Call

**CORPORATE PARTICIPANTS**
**Mr. Prachur Sah**

Managing Director &amp; 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. Aditya Suresh**

Macquarie/Mumbai

**Mr. Sanjesh Jain**

ICICI Securities/Mumbai

**Mr. Arun Prasath**

Avendus Spark/Chennai

**Mr. Kunal Vora**

BNP Paribas/Mumbai

**Mr. Sachin Salgaonkar**

BofA/Mumbai

**Mr. Vivekanand Subbaraman**

Ambit Capital/Mumbai

**PRESENTATION**
**Sunita – Moderator**

Good afternoon, ladies and gentlemen. I am Sunita, the moderator for this conference. Welcome to the Indus Towers Limited's second quarter ended September 30, 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 – MD & CEO – 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. I am pleased to present our business performance for the quarter ended September 30, 2024.

I am pleased to report that in line with the trajectory of the previous three quarters, we sustained 100% collection against monthly billing from a major customer while our collections against past overdue improved further during the quarter and our tower additions remain strong despite unfavorable weather conditions such as severe floods and heavy rainfall impacting rollouts. The demand outlook for the next few quarters continues to be strong and we expect to continue the delivery momentum.

Having said that, it also gives me great pride to see that despite challenging weather conditions, our teams on the ground continue to show remarkable resilience and fortitude to ensure network connectivity. Amidst the devastating landslides and heavy rains in Wayanad, Kerala, our field force set up temporary Cell on Wheels sites to aid rescue operations by ensuring that communication is not impacted. Similarly in Tripura, our field force braved the landslides and flash floods triggered by incessant rainfall to continue rolling out sites. We also installed towers in the high-altitude areas of Leh and Kargil and certain remote locations of Kashmir.

The regulatory landscape continues to become more conducive for the swift deployment of telecom infrastructure in the country. This is underpinned by the proactive measures taken by the Government while being cognizant of the sustainability aspect. With the

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objective of improving telecom services in rural, remote, and underserved urban areas, the DoT notified the 'Bharat Nidhi Rules 2024' enabling the 'Digital Bharat Nidhi' fund to support projects to fulfill the objective. Additionally, the move also aims to enhance telecom security and foster innovation.

The department has also notified Right of Way Rules 2024 under Telecommunication Act 2023 that aims to resolve interpretational issues within the industry and ensure efficient deployment of telecommunication infrastructure among other things. Additionally, the Green Open Access Policy introduced last year has now been adopted by more than 21 states. The policy is aimed at incentivizing the use of cleaner sources of energy.

Shifting gears to 5G, the total number of 5G Base Transceiver Stations or BTS deployed now stands at over 4,50,000, with India witnessing one of the fastest 5G rollouts in the world. Our loading revenues continue to act as a lever for growth. We expect our 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 inherent strength as a leading player in the passive infrastructure space including strong execution capability, we believe that we are well placed to address this demand.

5G subscriptions have continued to increase both globally and in India as more and more users migrate from 4G. As per the latest Ericsson mobility report, global 5G subscriptions at the end of June 2024 now stands at over 1.9 billion with 161 million additions seen during the quarter. On the other hand, 4G subscriptions declined by 25 million in the same period. 5G subscriptions are expected to reach almost 5.6 billion by 2029 accounting for around 60% of the overall mobile subscriptions.

As per the latest TRAI report the total 5G subscription base in India grew to 190 million in Q1 FY2025 increasing by 31 million. Comparatively, 4G subscriptions saw a decline of 15 million.

The swift uptake of 5G in conjunction with the ongoing migration of users from 2G to 4G is providing a boost to data consumption within the country. For the top three operators, the total data consumption growth at 28% year-on-year for the June quarter was well above the average of the previous eight quarters. The average data consumed per user per month increased to 26 GB in the same period, growing by 17% year-on-year. Additionally, as per TRAI, 5G data consumption grew 28% quarter-on-quarter to 11.4 billion GB and contributed to 20.3% of total data usage in Q1 FY2025 compared to 16.9% in Q4 FY2024.

The robust data consumption story coupled with the rapid uptake of 5G is expected to spur the need for passive infrastructure and we are confident of leveraging our core strengths to capitalize on this opportunity.

Moving to operational performance, our tower and tenancy additions continue to be material despite seasonal disturbances. In Q2, we added 3,748 macro towers and 4,308 corresponding collocations. Our total macro towers and collocations base stood at 229,658 and 379,236, each increasing by 12.5% and 7.3% year-on-year respectively. Our tenancy ratio continues to be industry leading at 1.65.

Addition of collocations or leaner towers stood at 182 in Q2 and the overall base increased to 11,360 collocations. Including leaner towers, our net co-location additions were at 4,490 in Q2 versus 6,832 in Q1.

I will now talk about the progress we have made on our four key strategic pillars, namely market share, cost efficiency, network uptime, and sustainability. On market share, we are pleased to see that the proactive measures we are taking have helped us maintain our share in the business of our major customers. The technological interventions we have been taking across the value chain along with the strengthening of our partner ecosystem have contributed to our achievement. We continue to grow our presence in urban areas underpinned by the capabilities we have built which help us deploy towers 24x7 and at speed. These have helped us address challenges specific to urban areas including minimizing disturbances during deployment.

We have also continued to leverage the Government's RoW Policy relating to the deployment of sites on lands owned by Government bodies including state municipal corporations and PSUs in order to increase our reach further. Additionally, our robust internal processes and quality standards have helped us improve our competitiveness, which is further supplemented by expanding our portfolio to bridge the gap in network footprint.

In addition to the rollouts of one of our major customers, we are anticipating incremental tenancies to flow through from other major customers as well in the near term, which we believe will act as a fillip to our growth. We believe the demand for other offerings including in-building and small cell solution will grow as the telecom infrastructure landscape evolves further.

In terms of cost efficiency, our initiatives towards reducing our operating and capital expenses continued in Q2 as well. Our diesel consumption reduced further by 2% in Q2 on a year-on-year basis. The reduction in diesel consumption was lower primarily due to weather disturbances I had alluded to earlier. Our renewable energy portfolio continues to expand with our solar site count increasing to more than 25,000 and quarterly additions being close to 4,000. The conversion of sites from indoor to outdoor and electrification of non-electrified sites continued to be part of our opex strategy. All these actions will help us optimize our energy costs.

With regards to capex, we are working towards implementing technological solutions at our sites which would enable remote monitoring of sites on real-time basis and provide requisite data. This in turn would help us carry out infrastructure rationalization and resource optimization resulting in cost efficiencies.

Thirdly network uptime which remains the key ask of the customers. I would like to reiterate that Q2 saw large number of weather disruptions with such instances being more than 1.5 times compared to the same period last year. In addition to Kerala and

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northeastern states, heavy rains and floods were also seen in parts of West Bengal, Uttar Pradesh, Gujarat, and Bihar. Despite this, the dedicated efforts of our field teams helped us maintain a PAN-India uptime of 99.96% reaffirming our competitiveness in operating and maintaining such an extensive distributed asset base.

Now moving to ESG, a strategic priority for the organization. We are pleased with the headway we have made within each dimension of ESG, underpinned by our consistent efforts.

With regards to the Environmental dimension, we continue to maintain a strong focus on reducing our GHG emissions by both reducing our diesel consumption and increasing the contribution of renewable sources to fuel our energy needs. Our solar site additions continue to be robust with our overall base now standing at over 25,000 sites. During the quarter, we launched our Future Earth Programme, through which we aim to plant 1 million trees by 2027 in order to create a sizable carbon sink for our country. With a view to ensure sustainable practices across the value chain, we conducted ESG training for more than 80 major partners.

In terms of making our workforce diverse and inclusive, our focused hiring programmes have led to our gender diversity improving to 14.3% in Q2 compared to 11.2% in Q1. During the quarter, we also launched our women leadership development programme, 'Shakti', in collaboration with IIM Indore to equip our women employees with the requisite skills and behaviors needed to take up leadership roles in the future. Another pleasing aspect was to see our ESG efforts being appreciated as BW Businessworld recognized Indus Towers as one of the most sustainable companies for 2024 in the infrastructure sector.

On the CSR front, we supported flood affected communities of Andhra Pradesh by distributing over 1,000 relief kits. We are pleased to see our 'Digital Transformation Van' initiative aimed at educating and upskilling disadvantage individuals expanding to six states in Q2. Our scholarship programme for disabled children has now over 600 beneficiaries.

During the quarter, the Company successfully completed the buyback of 56.8 million shares at a price of Rs.465 per share. Post this, shareholding of Bharti Airtel in the company increased to more than 50%.

I would now request Vikas to take you through our financial performance for the quarter ended September 30, 2024, and I look forward to your questions. Over to you Vikas.

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**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 quarter ended September 30, 2024.

We had a robust financial performance in Q2 aided by meaningful rollouts wherein we added 4,490 collocations on our towers including lean towers.

In terms of the financial performance for Q2, our revenues stood at Rs. 74.7 billion growing 4.7% year-on-year while the core revenues from rental grew by 8.5% year-on-year to Rs.47.1 billion. These were driven by collocation additions and loading. On a quarter-on-quarter basis our reported gross revenue and core revenue from rentals were up by 1.1% and 1.5% respectively.

Moving to profitability, the reported EBITDA increased by 42% year-on-year and 8% quarter-on-quarter to Rs. 49.1 billion. EBITDA margins increased by 17.3% percentage points year-on-year and 4.2 percentage point quarter-on-quarter to 65.7%. Our collections against the past overdue from a major customer have continued in this quarter and this has resulted in write back of provision for doubtful debt and aided our profitability for Q2. Adjusted for overall provision write back of Rs. 10.8 billion in Q2, EBITDA increased by 6.9% year-on-year and 1.2% quarter-on-quarter.

Coming to energy performance, we are actively taking steps to cut down on diesel usage and expanding our renewable energy portfolio and addressing the reconciliation challenges that we face.

Moving on to the profit after tax, reported profit after tax was Rs. 22.2 billion increasing 71.8% year-on-year and 15.5% quarter-on-quarter. Adjusted for the provision write back, the profit after tax was up 13.8% year-on-year and 4.6% quarter-on-quarter.

The reported pre-tax return on capital employed and post-tax return on equity for the rolling 12 months were at 22.9% and 29.0% respectively.

We generated free cash flow of Rs. 14.4 billion in Q2 aided by higher collections and lower capex. Trade receivables decreased by Rs. 0.9 billion mainly due to better collections.

For the last few quarters, we have been collecting a sum against the past overdue from a major customer. We have collected a total of more than Rs. 23 billion in the last 12 months. This has resulted in our provision for doubtful debt reducing to about Rs. 35 billion. We are also in constant discussions for clearance of the remaining overdue and additionally as touched upon by Prachur earlier we are expecting additional tenancies from this customer as it expands its 4G capacity and coverage.

In summary, the consistent collection of past overdue from a major customer in addition to collection of 100% of the monthly billing amount continued to support our financial performance. On our operational performance, we were able to record a meaningful

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number of tower and tenancy additions despite the weather disturbances seen during the quarter. We believe that the network expansion and the 5G rollouts of our customers will continue to act as levers of growth.

With this, I would now request the moderator to open the floor for questions and answers please.

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**Sunita - Moderator**

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. Aditya Suresh from Macquarie/Mumbai. Mr. Suresh, you may ask your question now.

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**Aditya Suresh – Macquarie/Mumbai**

Thank you and good afternoon. I just had one question actually so, can you help us understand the competitive dynamics as we speak in particular given the consolidation of the number two, number three player. The real question is I mean, are we seeing any changes whether it be in the rental terms or migration of tenancies from whether it be Jio or Vodafone in that consolidated entity. Thank you.

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**Prachur Sah – MD & CEO – Indus Towers Limited**

If I understand the question correctly, you are asking about the consolidation in the tower cost side if it is impacting Indus. To be honest, I mean we have not seen any such thing. I think we continue to be driving tower tenancy growth from our customers so I have not seen any impact as such in terms of any change in the competitive dynamics. I believe it is a reflection of the market from operator side which is reflected in the towers consolidation so I do not see any impact on us. Our focus remains on our own performance making sure we capture the market share, remain very competitive in terms of deploying in time with the right quality and delivering a strong operational performance.

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**Aditya Suresh – Macquarie/Mumbai**

Maybe just as a follow-up if I could ask as your rental contracts coming up for renewal, what sort of discounts are we seeing here right now.

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

So Aditya I think as far as the renewal discounts are concerned the framework is very consistent, so just as a recap we had signed a renewal framework in FY2022 and that was the time when we had really a bulk sort of a renewal, thereafter there has not been any major lumpy renewal in the last two financial years but pretty much the framework remains consistent and the discount levels are also very similar to what we had worked out.

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**Sunita - Moderator**

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**

So I was telling this is one of those quarters after many quarters where tenancy growth is materially higher than the tower growth which indicates that we are getting additional tenancies from the VIL and BSNL roll out. This trend, is it fair to assume will continue for next few quarters?

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**Prachur Sah – MD & CEO – Indus Towers Limited**

I would assume so. I think Sanjesh as our major customers continue to roll out, I believe this growth will continue and in fact if you see over the last one, one and half years because of our strong tower rollout, we will remain the prime candidate to make sure we capture this growth.

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**Sanjesh Jain - ICICI Securities/Mumbai**

Got it and its incremental roll out of these two telcos who are aggressively rolling out network, will we retain our market share say 60-70% market share what we have today in VIL and some amount of incremental tenancy from BSNL. Are we confident about that?

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**Prachur Sah – MD & CEO – Indus Towers Limited**

I cannot give you a number Sanjesh. However as I mentioned earlier because of the rollouts that we have done in the last one and a half years and we have a significant amount of tower rollouts done, we remain in the prime position in terms of the second tenancy and third tenancy being available at the towers so from an availability point of view, we remain in the prime position so we will continue to make sure that tower operation performance keeps us in the pole position to get the majority market share.

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**Sanjesh Jain – ICICI Securities/Mumbai**

The second question is on the capex side, Reliance Jio has already announced their results and it appears that in the first half, their capex intensity from last year has halved and Airtel has also guided of slowing or decelerating capex? Do you think the incremental growth from the aggressive players historically can materially reduce in the next two years?

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

Sanjesh, it is hard to predict. Of course, the amount of growth we have seen in FY2024 is not going to be repeated every year. However, if you look at rollouts that have happened this year, they still remain on the higher side than what we have done in the past and looking at order book, I believe we will continue this momentum.

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**Sanjesh Jain – ICICI Securities/Mumbai**

When you say we continue the momentum, we are referring to tower growth or tenancy growth here?

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

Both.

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**Sanjesh Jain – ICICI Securities/Mumbai**

Both. That is clear. That is it from my side. Thanks for taking my questions and best of luck for the coming quarters.

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**Sunita – Moderator**

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

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**Arun Prasath – Avendus Spark/Chennai**

Good afternoon everyone. My first question is on this tower build number this quarter, can you just broadly indicate how much of the deployment reduction can be attributable to the weather? Is it substantial or is it due to reduction from the telco activities?

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

It is very hard to give you a bifurcation of how much each number is split into, but you can look at historical performance. The Q2 is impacted by the weather conditions but as I mentioned in the earlier question that Sanjesh had asked, the momentum of FY2024 where the numbers of FY2024 may not be repeated every year, but FY2025 so far, if you look at the historical performance, we still continue to deploy a significant amount of towers which are very meaningful, so I cannot give you a split on how much is the order book related and how much is weather related, but I think the tower growth continues from where I stand.

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**Arun Prasath – Avendus Spark/Chennai**

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Right alright. Fair enough. Secondly, we have already seen this solar addition is picking up speed, but how much of the loading in terms of loading activities is the second customer has started? Is it just started or it will start? Some color would be helpful.

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

Yes. I cannot give you the exact numbers again Arun because I do not have it. The others I think but there are three things. One is the colocation addition as you mentioned from the other customers who can come on the towers that we are starting to see. Secondly, the loading, both 4G and 5G where the conversion from 2G to 4G is happening, they have started to materialize and we expect that momentum to pick up in the coming quarters.

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**Arun Prasath – Avendus Spark/Chennai**

This is even for your largest customers this 4G to 5G that is fairly done or is it still what kind of a momentum we can expect on the largest customer?

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

Arun, from a 5G point of view, there was a large rollout that has happened over the last one to one and a half years. I do not believe it is going to be at that speed but there is going to be additions of 5G, may be not at the rate it was being done last year but some orders continue to come.

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**Arun Prasath – Avendus Spark/Chennai**

Alright. Thank you. All the best.

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**Sunita – Moderator**

The next question is from Mr Kunal Vora from BNP Paribas/Mumbai. Mr Vora you may ask your question now.

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**Kunal Vora – BNP Paribas Paribas/Mumbai**

Thank you for the opportunity. I have a few questions. First can you share your thoughts on the GST notice that you received, what is your stance? What is the industry practice regarding the Infotech sales?

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Kunal, the show-cause notice that we have received is basically putting a question on the GST credit on passive infrastructure assets like the diesel generator, AC, and battery bank that we deploy and based on our assessment, we believe that the liability currently is not evolving on the company, and we consider this as remote. This is an ongoing thing. Just because it is a very large number, we have disclosed it, there are also other matters linked to this which are currently in the courts, so the matter is a bit of sub-judice matter but currently it is a disclosure. We really do not see this as a major risk.

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**Kunal Vora – BNP Paribas Paribas/Mumbai**

What are the next steps? When do you think this will end?

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Like I said the matter is sub-judice. We are waiting for the judgment from the court, so once the judgment is known thereafter there will be some proceedings so sometimes these things take time, Kunal.

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**Kunal Vora – BNP Paribas Paribas/Mumbai**

Understood. The second thing is the negative energy margins, like last couple of quarters have been weaker compared to what we have seen historically, so how should we project then going forward?



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**Prachur Sah – MD & CEO – Indus Towers Limited**

Again, there are two elements to it. Of course, we have to look at what is the reconciliation that we have to do with our customers to make sure it becomes reflective and that is an ongoing process and that will happen and typically in Q1 and Q2, in these quarters which are impacted by heavy rainfall and monsoons. So typically Q1 and Q2, the energy margin is impacted by the seasonality which we expect to recover in the Q3 and Q4, but yes that is something as I mentioned in my talk earlier as well that is the constant effort that we are making to improve operational efficiency which reduces our energy cost and improves the margin, so I believe there is a little bit of a timing issue. We should see the margins getting improved in the later part of the year.

**Kunal Vora – BNP Paribas Paribas/Mumbai**

Understood. For the new tenancies from Vodafone Idea do you negotiate it at all? Is there any scope for that especially if competition offers bulk discount? Can you respond or you have a flat rate and there is no scope for negotiation?

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

As I said our offering besides commercial is a strong operational performance. I would not like to discuss the commercial aspect here, but I think we remain very competitive both commercially and operationally to make sure we get the larger part of the share.

**Kunal Vora – BNP Paribas Paribas/Mumbai**

Can you share your thoughts on dividend payment in the coming quarters which include cash collection and lower capex?

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

Kunal as we have always maintained in our previous calls and now as well we have a very clear dividend policy which directs us to distribute the free cash flow so at the end of the year the Board will take a call in line with the policy.

**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Just to add Kunal, the free cash that we generated in H1, we have already used that for distributing through the buyback so that policy is unchanged and we will certainly evaluate again at the end of the year based on the collections and the cash flow situation and we will take that call together with the Board.

**Kunal Vora – BNP Paribas Paribas/Mumbai**

Thanks and just one last question how should we look at the finance cost going forward? The number has increased in the recent quarters?

**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

The finance cost is largely the cost of borrowing and I do not think there is anything major that has changed there. If you are looking at the net finance cost number then obviously there is a bit of fluctuation in our finance income which is driven by the fact that we are trying to collect interest on the overdue as well from one of our customers so whenever that fluctuates to that extent the net finance cost fluctuation is visible, but otherwise at a gross level, the finance cost is pretty stable.

**Kunal Vora – BNP Paribas Paribas/Mumbai**

I was referring to the net finance cost, which is elevated now compared to the recent quarters, so the recent quarters the numbers which you have seen are they sustainable numbers or will they come down?

**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Like I said, it is very difficult to predict because the net finance cost is also dependent on the finance income which is nothing but the interest that we collect on the overdue right. So last year we manage to collect a large part of interest both in cash as well as via the accounting adjustment that we have explained in the Q3 and the Q4 results, so that effort continues and when we will collect those

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interest certainly that will reflect in the finance cost so I do not think we can really sort of peg the current finance cost for the next couple of quarters.

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**Kunal Vora – BNP Paribas Paribas/Mumbai**

That is it from me. Thank you very much.

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**Sunita – Moderator**

The next question comes from Mr Sachin Salgaonkar from Bofa/Mumbai. Mr Salgaonkar you may ask your question now.

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**Sachin Salgaonkar – Bofa/Mumbai**

Thanks for the opportunity. My first question is just wanted to understand a bit that in one of your earlier comments did mention about loading increasing from 4G to 5G, but when I look at the reported average rent per tenant or for that matter even the normalized one, it is actually not showing a meaningful increase so I presume there are other factors which is leading this entire loading not get fully reflected into the numbers? Can you throw some color on that?

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Sachin, you must be referring to the ARPT the average revenue per tenancy which is showing a very stable sort of a number for the last few quarters. Now as you explained earlier the ARPT is basically a function of couple of factors. There are factors that really pull up the ARPT and there are factors that drag it down. So in terms of the loading from 4G to 5G certainly that basically helps the ARPT. What also help the ARPT is the annual escalation but apart from this what has been dragging down the ARPT is the mix because, like we have explained earlier the new towers that we are doing are basically low capex and the ARPT relating to those new towers are also lower than the legacy portfolio, so to that extent there is a bit of a drag and then of course there is a renewal discount not very significant in terms of the portfolio but there is a drag coming from there also. So overall with the upsides and the downsides together, we are looking at a very stable situation but large part of the offset that is happening in the loading is the mix.

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**Sachin Salgaonkar – Bofa/Mumbai**

Thanks Vikas, very clear, but is it fair to say that whenever we see the second anchor customer coming and using a lot of towers as a second tenant, we should see an increase in ARPT right?

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

ARPT is the revenue per tenancy, so obviously with additional tenant coming in, the average revenue per tower will increase but per tenancy should be stable or slightly declining because the new tenant may not come with the same load.

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**Sachin Salgaonkar – Bofa/Mumbai**

Okay from a loading perspective. Okay fair point. That is very clear. The second question is Vodafone Idea recently concluded a USD 3.6 billion deal with multiple vendors; is it fair to assume that there is not much of a contribution from that deal come into numbers and in subsequent quarters we should see that flowing through, and any timeline you could give from that perspective?

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**Prachur Sah – MD & CEO – Indus Towers Limited**

I believe you are talking about the deal they have done for the active equipment.

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**Sachin Salgaonkar – Bofa/Mumbai**

Correct.

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**Prachur Sah – MD & CEO – Indus Towers Limited**

The active equipment comes on board, I think that is when the tenancy would start showing up.

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**Tejinder Kalra – Chief Operating Officer – Indus Towers Limited**

Sachin, so obviously there is a time lag between when they close the deal and when they start getting the equipment for rollout so for this current quarter obviously there is none. We see this coming towards the mid-to-end quarter is what indications we get from the customer so hopefully this quarter will see some things rolling out.

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**Sachin Salgaonkar – Bofa/Mumbai**

My last question is, has anything changed for you from a Vodafone Idea perspective after the recent AGR verdict and I am asking that because there was this one school of thought that whenever Idea finishes with their debt raise they may look to give a lump-sum amount in terms of whatever payables is remaining? Does that change or should we expect quarterly Rs 7 billion to 8 billion kind of a payment what we see every quarter?

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**Prachur Sah – MD & CEO – Indus Towers Limited**

Again, I cannot give you the look ahead and as I had informed earlier in the calls and now as well. We have started receiving our overdue payments and I think we remain engaged with the customer to get the overdue paid as fast as possible. So from our perspective the timeline has to be as quick as possible but we are working with the customer to make sure we get the overdue unwound.

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**Sachin Salgaonkar – Bofa/Mumbai**

Got it. Very clear. Thank you.

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**Sunita – Moderator**

The next question comes from Mr Vivekanand Subbaraman from Ambit Capital Private Limited/Mumbai. Mr Subbaraman you may ask your question now.

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**Vivekanand Subbaraman – Ambit Capital Capital/Mumbai**

Thank you for the opportunity. Further to an earlier participant's query on the show-cause notice that you received, I also note that your contingent liabilities recorded in FY2024 they include some income tax claims again connected to the treatment of network equipment and passive infrastructure assets. I just wanted to understand, I know this matter is sub-judice, the one that you have recorded in notary, but does this verdict have any bearing on the way the income tax liabilities for which you have recorded Rs 41 billion rupees contingent liability or does that have any ramification on the income tax case, thank you? That is question one.

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Okay if I may just take this question Vivekanand. The show-cause notice that we have disclosed is with regard to GST so it is a different matter. The contingent liability for direct tax or income tax that you are referring to is a legacy matter that has been going on for a long time and that is basically goes back to almost 2010, 2011 and 2012, so that matter is also at various levels of jurisdiction. So I think because we believe those matters are probably not based on the merits of the case and not a high-risk and that is basically being disclosed as contingent liability, so these two are very different. Have I understood the question right?

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**Vivekanand Subbaraman – Ambit Capital Capital/Mumbai**

I was just wondering if they are linked or are they very different.

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

They are very different.

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**Vivekanand Subbaraman – Ambit Capital Capital/Mumbai**

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Okay so you are confirming that even if there is an adverse verdict in respect to the AGR claims for which you have received the show-cause notice, it does not rub the income tax liability the wrong way? I mean, it does not mean that you will automatically inherit the income tax liability, correct?

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

No, these are very different matters Vivekanand. We can maybe discuss offline. I may share more details if you want but these are very different matters.

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**Vivekanand Subbaraman – Ambit Capital Capital/Mumbai**

Sure that is very clear. The second question is as far as your maintenance capex expenditure is concerned, is there any lumpiness in this regard as well because when I look at the maintenance capex trajectory, I mean when the merger had happened it was around Rs.600 Crores to Rs.700 Crores? Now it has more than doubled in the last four years so does this mean that the maintenance capex levels will remain elevated because the network has become bigger or how to think about the maintenance capex aspect?

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**Prachur Sah – MD & CEO – Indus Towers Limited**

Vivekanand, I am not sure how you split the maintenance capex there, but before the merger the tower count was what it was and after the merger the tower count has increased substantially, so I do not think there is any lumpiness as far as maintenance capex is concerned. It is a very standard practice that is followed in terms of how the equipment is replaced or refurbished, so I do not think there is any lumpiness on maintenance capex.

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**Vivekanand Subbaraman – Ambit Capital Capital/Mumbai**

I am calculating maintenance capex as the overall capex minus growth capex. I do understand that the number of towers has gone up but even otherwise the maintenance capex per tower or maintenance capex per tenant that has moved up that is why I was asking this question.

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**Vikas Poddar – Chief Financial Officer – Indus Towers Limited**

Just to sort of add some color to this, I mean probably maintenance capex should not be looked at in that manner because if you are simply looking at capex minus growth. By the way, we are reporting maintenance capex as a separate line in our investors pack and that shows pretty sort of stable numbers quarter-on-quarter. If you look at those numbers and in case if you have the pack in front of you. In September 2024 we have spent Rs.2.9 billion and before that was Rs.2.6 billion and before that was Rs.3.4 billion and so on so it is a stable number quarter-on-quarter. Now coming to the lumpiness part of it, I think while you could see some quarterly fluctuations but from an overall year perspective and annual perspective it is pretty stable, consistent year-on-year.

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**Vivekanand Subbaraman – Ambit Capital Capital/Mumbai**

Okay fair enough. I will seek more clarify if needed on the legal basis. Thank you.

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**Sunita – Moderator**

I would now hand over the call proceedings to Mr Prachur Sah for the final remarks.

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**Prachur Sah – MD & CEO – Indus Towers Limited**

To sum up, the progress we are making on each of our strategic priorities furthers our competitiveness and reaffirms Indus as a leading player. Our strong financial performance is underpinned by continuous rollouts, also supplemented by collections of past overdue from a major customer. We expect the ongoing rollouts of a major customer coupled with start of rollouts and 5G loading by the other major customer to continue to drive our near to medium term growth. Keeping sustainability at the core, we believe that we remain well positioned to capitalize on the growth opportunities on offer. I thank you all for joining the call and wish all of you a very Happy Diwali.

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**Sunita – Moderator**

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**Transcript of Indus Towers Limited Second Quarter ended September 30, 2024 Earnings Call**

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.