



February 15, 2023

National Stock Exchange of India Limited

Exchange Plaza, C-1 Block G
Bandra Kurla Complex, Bandra (E)
Mumbai – 400051, India
Symbol: BHARTIARTL/ AIRTELPP

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400001, India
Scrip Code: 532454/ 890157

Sub: Transcript of the Earnings Call dated February 08, 2023

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we are enclosing herewith the transcript of the Earnings Call held on February 08, 2023 in respect of the audited financial results of the Company for the quarter ended December 31, 2022.

The transcript of the Call is also uploaded on the Company's website i.e. <https://www.airtel.in/about-bharti/equity/results>.

Kindly take the same on record.

Thanking you,
Sincerely yours,

For Bharti Airtel Limited

Rohit Krishan Puri
Dy. Company Secretary & Compliance Officer

Bharti Airtel Limited
(a Bharti Enterprise)

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Conference Call Transcript

Event: Transcript of Bharti Airtel Limited Third Quarter Ended December 31, 2022 Earnings Webinar

Event Date/Time: February 8, 2023/1415 hrs.

Transcript of Bharti Airtel Limited Third Quarter Ended December 31, 2022 Earnings Webinar

CORPORATE PARTICIPANTS**Mr. Gopal Vittal**

Managing Director and Chief Executive Officer, Bharti Airtel Limited

Mr. Soumen Ray

Chief Financial Officer, India & South Asia, Bharti Airtel Limited

Mr. Harjeet Kohli

Joint Managing Director, Bharti Enterprises

Mr. Naval Seth

Head, Investor Relations, Bharti Airtel Limited

PRESENTATION**Sunita – Moderator**

Good afternoon, ladies and gentlemen. I am Sunita, the moderator for this webinar. Welcome to the Bharti Airtel Limited's third quarter ended December 31, 2022 Earnings Webinar.

Present with us today is the senior leadership team of Bharti Airtel Limited. 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. Post the management opening remarks, we will open up for interactive Q&A session. Interested participants may click on "Raise Hand Option" on zoom application to join the Q&A queue. The participants may click this option during the managements opening remarks itself to ensure they find a place in the queue. Upon announcement of name, participants to kindly click on "Unmute Myself" in the pop up on screen and start asking the question post introduction.

With this, I would like to hand over to Mr. Gopal Vittal for the opening remarks.

Gopal Vittal — Managing Director & Chief Executive Officer, Bharti Airtel Limited

Thank you. A very warm welcome to all of you. On this conference call, are Soumen, Harjeet Kohli, and Naval, our new Investor Relations Head.

This quarter I want to focus on how we are building Airtel of the future, and before I do that, let me give you a quick update on our business and start with ESG. We have received our ESG rating from two agencies, CDP as well as MSCI. CDP, as you may know is an international non-profit organization, recognized by GSMA, while MSCI is a global agency, and we are pleased that both the ratings have improved. We need to do more and that is something that will be an effort going forward.

Also, we won the ISCI National Award for Excellence in Corporate Governance for 2022. This is presented by the Institute of Company Secretaries of India. We are also pleased that the reduction of carbon footprint is now very deeply embedded across both Nextra, our data center business as well as our mobile networks. We plan to make Nextra fully green, in-line with government regulations, and there has been a significant ramp-up of solar sites and plans for solar sites on the wireless side.

Let me turn to our performance. The most gratifying thing that we have seen in this quarter is that despite stepped-up 5G rollout and consequently built up of Capex, our net debt has come down by Rs 3,000 crores, and this is really because of very strong operating free cash flows. Looking ahead, we expect our net debt go down further in the coming year.

We have delivered in the quarter as you know, a competitive and consistent performance. Our consolidated revenue grew by 3.7% sequentially, to hit Rs 35,800 crores odd. Our EBITDA margins are at 52%. This is an expansion from last quarter of 51.3%. Margins are up, due to three reasons. One is our continued operating leverage. The second is strong war on waste program that continues to be a big focus for the company, and the third is a flow-through of lower spectrum usage charges that were announced by the government.

On a gratifying note, the growth has been broad-based across segments, and as you know, our performance and I have spoken about this before, is really based on a very simple strategy and backed by solid execution. Our focus is really to win with quality customers, consistently improve their experience through a combination of technology and digital tools and creating the right culture within the company.

As a part of this we take great pride in the fact that we have built perhaps the most aspirational brand in the industry. Our concern continues to be return on capital employed. Today at a consolidated level, we are at 11.9%. India return on capital employed is less

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than 9%, and therefore, we do believe that the ARPU needs to go up. An ARPU of Rs 300 is critical for a respectable return on capital employed, and that is something that we hope will happen in due course of time.

Let me move to give you a quick update on each of our segments. For the quarter I would say that the standout performance is really the Wireless segment. We have seen 4.4 million revenue earning customer net additions. As you know, we have stringent definition of revenue earning customers. It is really revenue earned on a rolling 30 day basis. In terms of 4G net additions, we have added 6.4 million. Postpaid net-adds has gone from roughly 280k odd last quarter to 650k this quarter. So that has been sharp upsurge, and overall ARPU has moved up from Rs 190 to Rs 193, Rs 3 growth, and this has really been driven by upgrades on both the 4G side as well as postpaid, and like I mentioned last quarter, sophisticated data monetization using contextual marketing.

In the mobile segment, we also disrupted the international roaming area by launching the Airtel World Pass. This World Pass really gives you a One Plan access to any country in the world, and regardless of when you are transiting through a particular airport lounge on to your destination the pack works. On tariffs, we as you know, took up tariffs of the entry level plans of Rs 99 to Rs 155. We are pleased that it met our action standards. In fact, exceeded our action standards in both Haryana and Orissa, and we have now taken this across 17 circles in the country.

Let me turn to broadband. Broadband continues to look strong. We have added 432k broadband net-adds this quarter. We are now present in 1,140 cities. This is up from 847 last year. We have 24 - 25 million home passes and we are on track to actually get to 30 million home passes.

The LCO model which is the model that we use with local cable operators has been a very interesting innovation for us, and this is one of the reasons that we are able to power ahead and expand to many more cities. It is a Capex light business model which is very healthy in terms of return on capital relative to the old model, and it works very well in flatbed geographies, which is not the high-rise kind of geographies.

DTH net-adds were at 214k and this was up from 66k last quarter. So, after a long time, we have seen some growth in the DTH. This is really happening because of a very simple strategy that we have introduced. Number-one is we have dramatically simplified our tariff plans. So, now eight tariff plans across the country, with different bundles, and the second is the strategy of convergence, which is very unique to Airtel, with the power of Airtel Black where we are bundling with both linear as well as OTT content into our broadband offer.

This you must know is in an industry that continues to be under serious pressure and clearly there is more to be done on DTH. We are not calling any victory yet, but these are just very early green shoots. Our Airtel business continues to be a strong performance. This, as you know, is a jewel in our portfolio. We have grown sequentially at 2.5% and today I would say decisively we are the largest B2B player. Our margins in this business are just south of 40%. This is the best in industry, and I think our strategy of winning both going both wide and deep, wide to cover more-and-more accounts and deep to build stronger relationships and more solutions with more share of wallet from existing accounts is beginning to deliver. We have had some serious wins, out of the top 500 customers in about 50 customers. We are also building strong capabilities and having strong wins on IoT, Cpaas and Nxtra, which is our data center business.

Our Payments Bank customer deposits grew by 50% over last year. We have hit a revenue run-rate of about Rs 1300 Crores. The bank is now building momentum and I would say is entering a virtuous cycle with serious benefits to telco on churn. You would have seen a decline in the monthly transacting users this quarter, but that is just on account of seasonal dip on remittances. As we look at January, we are already well past the previous quarter. So, the momentum on the bank will continue.

Our digital businesses are at an annualized revenue run rate of a little over Rs 1000 crores, about Rs 1050 crores. One of the highlights of the quarter is that we won a large multi-year tender for cloud with DIKSHA which is a national platform for school education by the Ministry of Education.

Let me now turn to really the focus for this earnings call, which is the future of Airtel, and I want to look at how we are building Airtel of the future around five big themes.

The first big theme or the first big focus area for us is our portfolio. Our portfolio is now resilient and diverse. If you look at our portfolio, Africa accounts for about 30% of our business. India wireless is 50% and the balance is in our fast growing homes and enterprise business. This portfolio gives us a unique ability to withstand risks, while being solidly positioned for where growth is coming from. Investments will continue and go into where the growth is, and this will hopefully further strengthen our portfolio.

The second theme that I wanted to pick up is rural. In 60,000 high potential villages Airtel is just not present. Now we could have gone there earlier, but today I think the time is right for us to expand into these areas. This expansion will provide a fair market share and provide tailwind to the business. We are doing a lot of sophisticated data science to decide which are the places that we really need to rollout.

In these 60,000 high potential villages, we have identified roughly 40,000 high potential clusters of communities, because for us it is really important that an individual town is profitable and revenue accretive, and therefore these clusters of communities or where the community of interest is, and it is not just an island that we look at, but we look at where the traffic is moving, where population is disbursed in order to maximize the revenue that we earn.

The third theme that I want to pick up is the top 150 towns. The top 150 cities in India account for about 40% of the Indian telecom market, and here I am talking about everything, mobile, broadband, B2B, DTH all of it, and here we are looking at three big areas,

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which we think are massive opportunities. The first is using 5G as a lever, and a pivot to really drive our postpaid growth. 5G is now live in 70 cities. We will be live in about 300 cities by March 2023, and as I mentioned before, all of urban will be covered by March 2024.

The interesting thing is that on the NSA technology our commercial trials are giving us 30% higher coverage than what we would have had if we had gone with SA, and that is a very big impact which will be felt in terms of the number of 5G sites that we put up. Secondly, our experience is good, and we are seeing clearly up to our 300, 400, sometimes 500 mbps speeds. So, one big area is 5G, using it as a pivot to grow our high-value base, particularly postpaid.

The second big area in the top 150 city strategy is really what we are calling the one transport band. Now transport to the shared infrastructure, it works for both our mobile business, our B2B business as well as our broadband business because fiber is then carried from the tower into the home or the office. We are now bringing very sophisticated data science to forecast and predict the demand across all our businesses whether it is B2B, broadband or the way traffic will grow in the next 12 months, and therefore, how do we need to plan this fiberization based on the traffic and the likely growth of the market. So, in effect for the same rupee invested our plan is to get more coverage, more growth and at a lower system cost.

The third area that I want to talk about in the top 150 cities is our go-to-market approach on the enterprise side. If you look at the enterprise business, of the top 500 accounts we have, in 50 accounts we have seen almost 300% growth. So, there is a massive growth that we have seen in 50 accounts of the top 500, and this is due to deep and brilliant account management, which is an opportunity, because in the other 450 accounts we have not seen that kind of growth.

So, for us to go deeper and create more stickiness with multiple products by using brilliant account management is really one of the most mission-critical things for the B2B business. One of the consequences of this is that we are now stepping up investments in CPaaS, in IoT, in cloud, and of course in sales force scale.

The next area that I want to talk about, which the fourth area is really a radical reset of experience. We believe that we have to fix our problems structurally and fix this once and for all in order to reset experience. We have identified 3,000 catchments across our 150 cities to dramatically improve network experience using digital tools. What are we doing here? I think the first thing that we are doing is we are revamping all our customer journeys, and this is based on a lot of feedback, a lot of work with customers in the way that they process some of our digital tools.

The second area is transparent communication. You will recall that many years ago we launched Open Network. We are elevating Open Network now to really be extremely transparent with customers in terms of when we fail, because we believe that a moment of failure is a moment of opportunity for us to learn and get better.

The third area that we have picked up is raising our digital velocity. As we built our digital business over the last three to four years and created digital capabilities, one of the challenges is that oftentimes we write multiple code or the same code for different lines of business. So, one of the things that we are doing now is to move away from a product-centric single-line of business approach to a platform approach for both experience as well as digital monetization.

Let me give you three examples of this. The first example is the data mesh. We have a 100 terabytes of data now in one platform, which is being brought together for one future proof customer lifecycle management system across Airtel. This helps our core business, but it also helps partnerships, for example, financial services and lending.

A second example is channels. Now any channel interaction, whether it is a social media, whether it is a rap, a call center, a store, a retail outlet. We look at these interactions through the lens of one customer and look at how do we drive these interactions down which comes back to structurally fixing our problems.

The third example that I want to talk about is commerce. Search, find and delivery can be anytime and anywhere across any channel, and we have to find ways to actually have some good fulfilment. One of the major capabilities that we are building is around commerce, and these are three critical platforms, interactions, data mesh and commerce which we are using to radically reset experience.

The last focus area for us is to reset war on waste. We have seen in the last 12 months a lot of headwinds on the cost. Energy prices have gone up, our deployment is going up. We are concerned on the increase in sales cost and sales and distribution costs that we have seen, and one of the things that we have now looked at in the company is to re-launch our war on waste program and relook at every cost item.

So let me give you one example. We have identified 18,470 odd sites which are high cost sites. These are sites for legacy reasons, there is an extraordinary amount of diesel that is consumed, there is an extraordinary amount of over engineering that they have been done in the site. Layers that we have deployed there, the rentals that we pay each of these sites is being surveyed and we are finding unique solutions to try and lower that cost base, and this will happen in the next six to nine months.

The second example of course is sales cost. As I mentioned we are concerned on the rising sales cost. We need more science to tap into lower cost channels and we are looking at how do we do that across the company. The third example on re-looking at war on waste is Capex. We are seeing already about 11% of our devices, smartphone devices that are already 5G ready, and if you look at an individual customer on a particular site that has 5G about 25% to 35% of traffic is already getting offloaded on 5G from 4G consumption. So 5G could be a capacity offload of 4G and therefore one of the things that we are looking at is to squeeze out our 4G capacity investments and direct this towards the future of where the economy is going, which is really 5G.

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To sum up, I think the quarter has had a strong performance. We have seen strong operating cash flows. The performance has been consistent over several quarters. We are pleased that we have gained market-share across all our segments, whether it is wireless, broadband, B2B or DTH and pretty much to reach lifetime highs in terms of market shares everywhere.

More importantly our effort is to build a future-proof Airtel that has a resilient portfolio with solid capabilities. With this, let me open up for Q&A.

Sunita - Moderator- Bharti Airtel Limited

Thank you very much sir. We will now begin the Q&A interactive session for all the participants. Please note that the Q&A session will be restricted to analyst and investor community. Due to time constraint, we would request, if you could limit the number of questions to two per participants to enable more participation. Interested participants may click on Raise Hand option on Zoom application to join the Q&A queue. Upon announcement of name, participant to kindly click on "Unmute Myself" in the pop-up on screen and start asking the question post introduction.

First question comes from Mr. Manish Adukia. Mr. Adukia, you may please unmute your side, introduce yourself and ask your questions now.

Manish Adukia - Goldman Sachs

Hi, good afternoon. Thank you so much for taking my questions. My first question is on the 4G subscriber additions Gopal, which you talked about in your opening remarks as well. Quite strong at about 6 million on a quarter-on-quarter basis, and this is against a backdrop of declining smartphone additions or shipments in the industry. Can you maybe give us a little bit more color in terms of what is driving this? If they are mostly market share gains? Because when you talk about upgrades, wondering how upgrades are happening despite, let us say, low smartphone additions. So that would be first question.

Related to that you spoke about 5G and now it has been a few months since you started rolling out 5G, are you seeing any trends of consumers upgrading to higher packs which is leading to ARPU accretion or any, let us say, incremental revenue opportunity?

My second question would be on the entry-level price increase that you talked about, we had late last year. Again, what was the thought process behind such a sharp price increase? We have not seen that magnitude of price increase from you in the past? And again, if you can maybe help us give some color what the churn has been like and what are you expecting in terms of overall outcome from that? That will be great. Thank you.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

Yes I think 4G net additions have been reasonably good for us at 6.5 million. That is on account of a combination of upgrades as well as the intensity of the rural rollout that we began last quarter, and 5G, I do not think we can comment on any trends on upgrades or ARPU accretion. It is too premature. That is why I mentioned that we are seeing some traffic offload from 4G to 5G, and if you are putting in Capex you may as well put it in to serve a future technology, which is what we want to drive.

On the entry level plan, the way we see it, is that this plan gives you a lot more value. Some customers buy 1.4-1.5 packs of the metered packs, and we wanted to simplify the portfolio and keep it at significantly greater value. So, we have seen good results. Both Haryana and Orissa met action standards. The churn that we were expecting was lower than what we thought it would be, and this is what prompted us to take it across 17 circles. As you know Haryana is a little bit more of a competitive market. Orissa as a market is really a two-player market, in effect because the third player is less than 4% revenue market-share. So, that is really the way we see it.

Manish Adukia - Goldman Sachs

Sure, and maybe just a follow-on question to that. You have started raising prices at the entry-level, which in some ways seems a bit counter-intuitive. Why not also do that into the smartphone or the postpaid user base? Do you think that the price level around that also could see some kind of movement? I mean, just trying to understand the thought process behind starting from the entry-level and not from the higher-end customer-base.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

So, this was one plan that we had, which was a very odd plan, which is a metered plan is the reason we focused on it. This is largely used by either customers who have got a smartphone and are buying these plans or may have a second SIM, and in a way there is a choice, you have to consolidate the SIM, and then, of course some of the chip-on users, for whom we are giving a lot more value.

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As far as postpaid is concerned, I have mentioned this a few quarters ago, the typical premiums between postpaid and prepaid, if you go back and look at it over time when we were at about 1.7 to 2.0, which means that postpaid being at a pricing of about 1.7 to 2.0 over prepaid, this is the point at which postpaid sees a lot more growth. When pricing crashed in industry, the premium went up to almost 3.5 to 4, and we saw a serious decline on postpaid or a serious softness on postpaid.

Today that ratio has come back to 1.6 to 1.7. Therefore, we are expecting and hope that using 5G, you can see stronger growth in postpaid. The broader point of these tariff increases across the industry is a valid point, and that must go up as we have always mentioned. It is just that we cannot do this unilaterally, and if we did it, and lost market share then to draw that market share back would be far more difficult.

In the case of the entry-level plan, it was a calculated bet which is why we took it in two small circles representing more or less the country and given that the results were ahead of our action standards we decided we will roll it as well.

Manish Adukia - Goldman Sachs

Sure, thank you so much for taking my questions. All the best.

Sunita – Moderator

Thank you, Mr. Adukia. The next question comes from Mr. Arun Prasath. Mr. Prasath, you may please unmute your side, introduce yourself and ask your question now.

Arun Prasath - Avendus Capital

Gopal, my question is first on Capex. Sequentially we see increase in the mobile services, India Capex. I think your kind of indication was that 5G Capex will be replacing 4G all along. So, is there something that has happened in this quarter, is something one-off or we are yet to switch-off the 4G Capex? How should we look at the Capex figures for this quarter?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

No, I think that we are in the midst of doing 5G rollout, as you are aware, and we have always mentioned that while we do not give Capex guidance, we have always mentioned that if you take a three-year view then the moderate or the Capex that we normally spend, which is per year, and if you look at the India business, is about Rs 25,000 Crores odd. You extrapolate that for three years. We do not expect any significant change to that overall level of Capex over a three year period.

However, what we do believe is that we may have run some of this Capex into the early years, because it is just moving forward the Capex that would anyway have been incurred over the three-year period. So that is the way I would suggest, that is the way we think about it, and that is how we look at it.

Arun Prasath - Avendus Capital

So, what I understand is you are front-loading certain Capex in this year?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

We have already mentioned that you might see an elevation in a given year. We have seen an elevation right now because we are in the midst of a 5G rollout but also in the midst of a rural rollout. We have launched the Gujarat sub-gigahertz that project is concluded. So, all of that I think would have led to an advancing of the Capex. But the fact is that you take a three-year view then the Capex would be more or less in the same ballpark. You may have advancing in the early years.

Arun Prasath - Avendus Capital

Thank you. Gopal, my second question is on your opening comments or remarks regarding the rural expansion across at least 60,000 villages, high-profile villages. Just this coinciding with your increase in the minimum pricing plan, one would think that if you are entering new geographies, especially where you are not present, probably you will have certain other plans, which will make easy for the new customers to hop on to your network.

So, is not it there is a dichotomy in the way your pricing action is saying and how you are saying you will expand in the coming quarters?

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No, there is no dichotomy because remember the entry-level plan of Rs 99 is really largely a just a minutes plan with a very marginal amount of data, barely 100 MB or 200 MB, and really the way we think of the entry-level plan is Rs155, which is where you get 2 GB of data. But the real data starts to kick-in only at about Rs 240.

In these villages there is only one competitor, and if you look at that competitor the entry-level plan for that competitor is also Rs 155. This is a fight for 4G customer and less to do with 2G, which is at entry-level price point. So, it is a very simple game of expanding into areas to win share of smartphones. I think that is really where we are focused.

Arun that plays fairly to our strategy, which we have been talking about, which is really to win with quality customers. So that is clearly valuable.

Arun Prasath - Avendus Capital

Right. Thanks, Gopal. Just one last question on the spectrum side. In 2021 auction you kind of filled your gaps in the sub-gigahertz portfolio by acquiring some spectrum in few circles in 800 and 900 as well. How is your experience post that? Do you see a remarkable increase in the retention of the customers in those circles? What are the learnings from that?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

Well, sub-gigahertz is always a precious spectrum because it has better coverage, more propagation. So, while you get improved propagation in villages, let us say, for example on an 1800 band and on that same tower, if you put in sub-gigahertz then you get a little bit more coverage in rural areas. So that is one advantage.

The second is in our cities where through sub-gigahertz we are able to penetrate indoor better than what you would do on 1800. Now in most cases our entire network topology itself was planned on the basis of 1800 band. But with 1800 band you still have some of these constraints on indoor coverage and so on and so forth.

So, I think we have seen a good evidence to suggest that customers are more pleased, which is measured through the number of complaints or interactions that happen, and that creates greater stickiness for those customers in the cities. We are also able to go and win more customers in some of the rural areas where sub-gigahertz would be now present.

Arun Prasath - Avendus Capital

Right. But do not you think that is something we can replicate with more sub-gigahertz spectrum in 700 as well, because we have seen success in the past.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

No. Sub-gigahertz will only give you coverage. Remember there are two parts to the mobile networks. There is coverage and there is capacity. Capacity is really given through mid-band, because the amount of spectrum in the sub-gigahertz band is very limited. For example, there are circles in India where we have 10 megahertz of sub-gigahertz. The relative difference between 10 and 5 is almost in the zone of no difference.

The real difference is between 0 and 5, and therefore, sub-gigahertz you do not need too much because whether you have 5 megahertz or 10 megahertz, the incremental experience that you get at the far edge will move from, let us say, 2 mbps to 3 mbps or 3.5 mbps. It will not get to 10 mbps or 20 mbps. For that you need the mid band spectrum, and when I say mid band, I am talking about all the mid band including 1800 to 2100, 2300 and a sub and the sub six which is 3.5 gigahertz.

Arun Prasath - Avendus Capital

Okay, so if I understand right, what you are saying is the marginal utility of the incremental sub gigahertz spectrum, you do not see value at this point of time.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

Yes.

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Arun Prasath - Avendus Capital

Yes, thanks, Gopal.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

I am saying at any point in time because it does not increase your capacity, only increases your coverage.

Arun Prasath - Avendus Capital

Right. Thanks, Gopal. All the best.

Sunita - Moderator

Thank you, Mr. Prasad. The next question comes from Mr. Piyush Choudhary. Mr. Choudhary, you may please unmute your side, introduce yourself and ask your question now.

Piyush Choudhary - HSBC

Hi. Good afternoon. Thanks for the call. I have two questions. Firstly Gopal, you mentioned about towns covered with 5G rollout, right. But if you want to measure what percentage of your network is fired up with 5G signal. Could you quantify that? And what is the target of your network footprint, which will be fired with 5G signal by March 2024? And could you also comment on the pace of 5G handset adoption? Is it slower than your base case estimate? Has it changed any of your business plan for 5G rollout?

Second is, you talked about future of Airtel. But can you share how you are thinking about 5G FWA business model among the future of Airtel, like what are the key bottlenecks over there? What we need to watch, which could change your business plan regarding 5G FWA. Thank you.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

Thank you, Piyush. I think that, I mean, the answer to your first question is rather complex to answer that, because we do not want to put in 5G where there are no smartphones or there is very limited traffic. So, this is not a ubiquitous layer. Remember even today as you speak if you got a 5G phone like I do, for example, I see a 5G logo, and when I do a speed test, I am seeing 400-500 mbps speed. But if I am actually using it for my application, which is browsing or video or mail or social media, whatever it is, there I see no palpable difference really between 5G and 4G, if you are getting 4 to 8 mbps, all these applications work really well.

The video does not browse, or the video does not open up and play any faster on 500 mbps than for 4 to 8 mbps. I mean, indifference is high, and therefore the real question is that at this point one of the big uses case on 5G is a capacity of 4. We will certainly go where the traffic of 4G is high.

The second point. I do want to make is that we are seeing a 30% incremental coverage. So just to give you an example, in the area that we are in, just now in Gurgaon around the area, from my residence to the office, we have about 35 sites for 4G. But we get a very similar experience across all 35 sites with a fraction of the sites that we today have. We are interested in coverage and less to do with sites, and that is one of the ways that we are actually looking at. There are two factors we are looking at, one is coverage and the other is the capacity offload.

The pace of 5G handset adoption is right now still sitting at about 35% - 40% of shipments. Today, there are about 11% of our devices that are 5G-enabled. We expect this to climb and by March 2024 to get to about 20% plus. We are doing several experiments on fixed wireless. One of the constraints or one of the challenges that you have is that the router cost of fixed wireless is quite high today. The router cost is anywhere between \$180 to \$200, and if you look at our cost per home pass, today it is about \$25 to \$30, and so if you take the utilization rate at about 30% - 32% then cost per connected home passed is about \$100 and you still need a home router in both the situations.

The cost per connected home for fixed wireless access given the router that you need, or then the CPE that you need, let us call it the CPE, the customer premises equipment is almost double that of a fiber that is rolled straight to the home today. We do believe that this cost will come down over time, and so one of the things that we are looking at is actually working on fixed wireless access, attending to trials and pilots and then be ready in the next six months.

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Piyush Choudhary - HSBC

Thanks, Gopal. So just to follow-up over there. Given you mentioned that capacity offload is one of the prime use cases

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

At this moment in time. Of course, there are other use cases. Sorry, Piyush I must qualify that. At this point in time it is capacity offload. B2B is another place where we are looking at other use cases. We just won a big deal with one of our customers on a private network. We are looking at other areas around B2B. There are aspects around Edge Cloud and so on, which is another area that will happen. But if I look at the overall innovation in the ecosystem, to drive 5G use cases, particularly when it comes to low-latency applications, globally these use cases are still few and far in-between.

Piyush Choudhary - HSBC

Yes, so my question was, if the handset penetration or adoption rate remains below your kind of base case estimate, would it lead to lower coverage rollout also in terms of 5G?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

When I say that there are 11% of devices that are 5G-ready already, if you take markets like Delhi, that 11% is not 40%. That 11% maybe 14% - 15%, and if you look at a market like Bihar, it could be 8% - 9%, and if you start going deeper into rural areas, maybe it is at 4% - 5%. So it will all happen. It is just that we have to look at where the devices are, or where they are likely to come over the next six to nine months and plan our rollout, in addition to the coverage that we will provide, wherever we need to go, whichever cities that we have decided to go.

I think the rollout is going to happen across urban India by March 2024. The pace of the rollout beyond urban India is something that will be dictated by how 5G devices shape up.

Piyush Choudhary - HSBC

Got it, thanks a lot.

Sunita - Moderator

Thank you, Mr. Choudhary. The next question comes from Mr. Sanjesh Jain. Mr. Jain, you may please unmute your side, introduce yourself and ask the question?

Sanjesh Jain - ICICI Securities

Hello. Thanks for the opportunity. First on the enterprise side, Gopal, you mentioned that 50 of top 500 accounts have grown by 300%, that is a staggering number. What is driving such a strong growth in these 50 accounts and can it be replicable? As in we are looking at an opportunity in the enterprise, which can grow up by multi-fold than what we are today? And also the services which you think where we are well placed to capitalize this, that would be my first question.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

Yes, it is a great question. I think, if you recall, I do not know if you remember about a year ago we had kicked this off, and at that point, I talked about two examples where we had grown dramatically, and we did try and then take this across the entire 500 accounts, which is what led to our strategy of going wide and going deep. Of the 500 we had success in 50. We do not need to make it more repeatable and extended across.

What is driving this? I think there are various things that drive this. One is a natural tailwind of consolidating spends behind fewer suppliers or behind fewer partners, provided there is redundancy, and that redundancy can be provided through more sophisticated technologies such as software-defined wide area networks. So, this is one trend that are seeing.

The second is bringing the full power of Airtel, which is across both our global business as well as our domestic business to actually address the customers' needs, and that comes down to the third thing, which is really having a very strong account plan, for every single account. This requires a tremendous amount of skilling of our sales force. One of the things that we have done is created virtual teams. For example, there is a virtual team for banking and financial services, there is a virtual team for IT, ITS, there is a virtual team with a virtual project, or team leader for manufacturing and distribution.

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We have delayed the organization, where the account managers directly report to our domestic enterprise head, who is focused on these 500 accounts. So that is the third area, and the fourth area is finding more innovation, more capabilities around some of the adjacencies where particularly things like CPaaS which are seeing strong growth, datacenters and cloud, where we have not made as much headway, because we have not yet been able to create as much of capabilities there.

This is an area that we believe we need to step-up our investment, because that market is very large. Just to give you a sense, the connectivity market is as large or the adjacency market is as large as the connectivity market, and in the connectivity segment we have a large share. But in the adjacencies we have a much smaller share. So, the headroom for growth is really restricted only by our own imagination and ability to execute, which is really all around creation of those capabilities.

So that is the reason why, I do believe it is a repeatable model. It is not easy. A lot of heavy lifting will need to be done. But this is really the effort.

Sanjesh Jain - ICICI Securities

Thank you for that, it was quite detailed. But just to follow-up, ex of voice, because that is declining and that is somewhat distorting the number, sustainably a 20% growth for next five year considering that 5G will also add to the use case in the enterprise is something you think is a possible scenario or you think that will be a far spread assumption?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

I am not going to give you a number because then you will ask an update against that and make it a target for me.

Sanjesh Jain — ICICI Securities

No, no, not as a guidance.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

But I do want to just for your attention Sanjesh to, the growth that we have seen in this business, if you go back three years ago, the growth in this business was 7% to 8%. 8% has gone to 12% and 12% now has gone close to 14% - 15%. The business has seen a step-up in growth, and that is based on the past track record. It is not that all of this will be done only in the last three, four months. But it is something that we have consistently sought to drive.

Sanjesh Jain - ICICI Securities

Fair enough. One follow-up on the Capex, last quarter, we called out that we have given an advance of Rs 50 billion and this quarter the Capex looks Rs 93 billion. But commensurate if I look at the BTS addition, it is still on the normal run rate of 18,700. We had some acceleration in fiber that is not material. Is it that we are buying more equipment for the future deployment and hence there is an upfronting of Capex in this quarter? And how should one look at BTS growth from here on? And probably an adjacent question on the cost side, how should this drive cost both on the power side as well as on the rental side? What should be the cost inflation on the network Opex from here on, because of this?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

So Sanjesh, what we have seen is that firstly, you would not get new site addition with 5G because 5G is on an existing site. So just the base spend or base station that gets funded under the existing site. We will see an increase in the amount of sites that you rollout, on the rural front, but 5G has been one of the things that we certainly upfronted.

We are obviously as you put in more infrastructure on the site, you do get a headwind in terms of costs, which is why the war on waste program has been setup. But I would say that we have the most power-efficient solution in the NSA technology that we supply. Soumen, I do not know if you want to add anything?

Soumen Ray - Chief Financial Officer, India & South Asia, Bharti Airtel Limited

Yes, I think we will have our war on waste program being stepped-up because with the rural rollout, as well as with the 5G rollout there will be a creep up on network costs. So, we are working towards it and the impact will certainly get minimized through those efforts. On Opex, again, I cannot give a guidance, but overall, it will be equal to or lower than this.

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Sanjesh Jain - ICICI Securities

Fair enough, fair enough. But a site I could understand, Gopal. But the BTS addition should drive, right, because for 3500 megahertz, we need to deploy an additional BTS. I am telling BTS solution has also been a normalized run-rate this quarter.

Soumen Ray - Chief Financial Officer, India & South Asia, Bharti Airtel Limited

So I will take that. Sanjesh, it is not relevant because the way we calculate our base stations that would not be always relevant, where 5G would be an additional agenda which will be strong.

Sanjesh Jain - ICICI Securities

Fair enough. I will take this offline. Thank you very much. Gopal, and Soumen for all those answers.

Sunita - Moderator

Thank you, Mr. Jain. The next question comes from Mr. Shubham Goyal. Mr. Goyal, you may please unmute your side, introduce yourself and ask your question.

Shubham Goyal

Good afternoon. Hello, am I audible?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

Yes.

Shubham Goyal

Yes, sir. So, I just wanted to ask that about the product base to platform base, I did not quite understand what did you mean by that?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

So let me explain. Let me give you one example. Search and buy, which is really what we call as our commerce platform is applicable to all our businesses, which is, whether it is wireless, broadband, DTH, B2B. Indeed, it is not just our businesses, but also to our partners. Now you have two choices. What do I mean by product business?

A product approach is when you are creating those bespoke journeys for individual lines of business, which means you are writing the code for wireless, if you are doing an integration with another business that you re-write that code, and most telcos have this problem. In fact, most traditional companies, legacy companies who have grown-up with older systems over 20 years have this problem where underlying billing systems do not talk to each other and they are complex.

We have created a layer on top through an API platform, which is able to extract some of that complexity and simplify. What we are now doing is actually creating a single platform on search and buy, which should be federated across all our business, as a consequence of which we will have a uniform experience across businesses and more importantly, we will have greater digital velocity to drive into our businesses. So that is what I mean by platforms.

This is one of the things that most mature digital organizations go through. They move away more and more from products to platform. Products give you agility. So when you are doing something for an individual line of business, it gives you greater agility. But I think we are now in a situation where with the capabilities that we have built, we can indeed get more velocity through a more simplified approach to driving what we are calling platform-centric build.

Shubham Goyal

Okay, so this will lead to operational efficiency, right?

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Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

It will lead to operational efficiency, it will lead to our ability to give better experience. For example, it will also lead to some better growth, like when you get a lead, converting that lead from a lead directly into what is possible to deliver to a broadband customer and then having it delivered through an installation engineer. All of that is digitally orchestrated, and it will be much quicker and much more seamless.

Shubham Goyal

Okay sir, thank you.

Sunita - Moderator

Thank you, Mr. Goel. The next question comes from Mr. Mohit Motwani. Mr. Motwani, you may please unmute your side, introduce yourself and ask your question.

Mohit Motwani - Nuvama

Hi, thanks for the opportunity, and congratulations for good set of numbers. I just have one question on the rights issue, which we have, around Rs.15000 Crores issue, which is yet to be called. With the kind of good free cash flow that you are generating and you are doing the Capex from the internal accrual itself, is there any timeframe when you expect this rights issue pending to be called?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

Harjeet, do you want to take it?

Harjeet Kohli - Joint Managing Director, Bharti Enterprises

Sure, thanks, Gopal. Mohit, you are right. I think the pending calls are available for a few quarters more. At this stage you are right also that the free cash flow profile, they may not necessarily be immediate visibility of the same. But I think from where we are, it is useful to keep that product alive and maybe over the coming few quarters we can re-benchmark when the effective need is for the balance call.

Mohit Motwani - Nuvama

Got it. Thank you so much.

Sunita - Moderator

Thank you, Mr. Motwani. The next question comes from Mr. Avishek Datta. Mr. Datta, you may please unmute your side, introduce yourself and ask your question.

Avishek Datta - Prabhudas Lilladher

Hello sir. Sir great performance. Just wanted to understand this prepaid entry plan which you have got, what percentage of the customer base currently accounts for this plan across 22 circles?

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

I do not think we report out our individual plans and how many customers are there. We have a reasonably large base of feature phone users that as you know those numbers and let me just give you a little bit of texture to this so that it just helps you in the way that you model. Every prepaid customer does not necessarily recharge at the end of the 28 day, or the 56 day or 84 day when their recharge cycle expires, or their validity ends.

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As we start going down the lower-end, people recharge less and less frequently, and therefore, one of the things that you have to look at is we have a definition within to look at how many customers are live on the network at a given point in time, and that number is really what we look at when we look at some of these plans.

The second point I do want to make is that the revenue contribution of customers who are only on 2G device is much smaller than the customer contribution of 4G customers on our network. So, if you take our total revenue on a customer base, take out the 4G customers and look at the balance is 2G, you will find the revenue contribution is actually much lower.

Avishek Datta - Prabhudas Lillardher

So while around 33% is your non-data customers, so the entry level plan will be around 15% is what we can say.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

I will leave it to you. I think it will probably be a little bit more than that. But, I mean, we do not have the exact numbers to share with you here.

Avishek Datta - Prabhudas Lillardher

And we can expect this plan to be rolled-out across 22 circles pretty soon.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

We rolled it out across 17, and we have not rolled it into a few circles. They were relatively weaker, so we have not rolled it there.

Avishek Datta - Prabhudas Lillardher

Okay, thank you.

Sunita - Moderator

Thank you, Mr. Datta. With this I will now hand over the proceedings to Mr. Gopal Vittal for closing remarks.

Gopal Vittal - Managing Director & Chief Executive Officer, Bharti Airtel Limited

I want to thank you for joining in. I really appreciate this and thank you for all your questions. I think, I do want to underscore that, to sum up, broadly, our performance has been consistent. All our businesses are at lifetime high, in terms of revenue market shares. I think the headroom for growth is strong, given our rural rollout, as well as the top 150 cities, and there are other areas that we are working on in order to build a future proof Airtel. So again, thank you and see you next time.

Sunita - Moderator

Thank you everyone for joining us today. Recording of this webinar will also be available on our website for your reference.