



indus  
TOWERS

August 09, 2022

BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400001

The 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: Transcript of the Earnings Call for the first quarter (Q1) ended June 30, 2022**

Dear Sir/ Madam,

Please find attached the transcript of earnings call conducted on August 03, 2022 for the first quarter ended June 30, 2022.

Kindly take the same on records.

Thanking you,

Yours faithfully,  
**For Indus Towers Limited**  
**(formerly Bharti Infratel Limited)**

**Samridhi Rodhe**  
**Company Secretary**



Encl: As above

**Indus Towers Limited**

*(formerly Bharti Infratel Limited)*

## Conference Call Transcription

Event: Transcript of Indus Towers Limited First Quarter Ended June 30, 2022 Earnings Conference Call

Event Date/Time: Aug 3, 2022/ 1430 hrs

## Transcript of Indus Towers Limited First Quarter Ended June 30, 2022 Earnings Conference Call

**CORPORATE PARTICIPANTS**

**Mr. N Kumar**  
Chairman & Independent Director – Indus Towers Limited

**Mr. Bimal Dayal**  
Chief Executive Officer – Indus Towers Limited

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

**Mr. Dheeraj Agarwal**  
Head Investor Relations – Indus Towers Limited

**Corporate Call Participants**

**Mr. Pranav Kshatriya**  
Edelweiss Securities

**Mr. Kunal Vora**  
BNP Paribas

**Mr. Vivekanand Subbaraman**  
Ambit Capital

**Mr. Arun Prasath**  
Spark Capital

**Mr. Manish Ostwal**  
Nirmal Bang

**Mr. Praful Kumar**  
Dymon Asia Capital

**Mr. Varun Ahuja**  
Credit Suisse

**Mr. Ankit Patel**  
L&T Mutual Fund

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**PRESENTATION****Rajyita– Moderator - Bharti Airtel Limited**

Good afternoon, ladies and gentlemen. I am Rajyita, the moderator for this conference. Welcome to the Indus Towers Limited's first quarter ended June 30, 2022 Earnings Call. For the duration of the presentation, all participant 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 culminated post an announcement. Present with us on the call today are the Chairman and Independent Director of Indus Towers, Mr. N Kumar along with the senior leadership team of Indus Towers, Mr. Bimal Dayal, MD & CEO, Mr. Vikas Poddar, CFO and Mr. Dheeraj Agarwal, Head Investor Relations. 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. N Kumar. Thank you and over to you Mr. Kumar!

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**N Kumar - Chairman & Independent Director – Indus Towers Limited**

Thank you Rajyita and good afternoon and a warm welcome to each one of you to the earnings call of Indus Towers for the quarter ended June 30, 2022. It is my pleasure to speak to you as this is the first time I have joined you all over the earnings call of Indus Towers. As you are all aware, the industry is at a watershed moment with the imminent rollout of the 5G services in the country. As one of the largest passive telecom infrastructure players, we are well equipped to cater to this demand and support our customers for their rollouts.

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I would like to take a moment now to appreciate team Indus on the commendable job they have done in maintaining our leadership position during difficult times too. On behalf of the Board, I would like to thank Bimal Dayal for his contribution to the growth of Indus Towers. The last five years have indeed been tough for the industry and the quarter gone by wasn't an easy quarter either. Bimal has successfully navigated the company through these tough times. Under his stewardship, Indus has managed to scale new heights and achieve key milestones. You are all aware, that we completed an impeccable merger in the middle of a pandemic. Bimal has built a culture which has made the Company a great place to work as recognized by the Gallup for nine years in a row. He now leaves the Company in great shape with a strong management team in place. I take the opportunity of wishing him the very best in all his future endeavors.

I will take the opportunity and handing over the call to Bimal to present an update on the quarter ended June 2022 and answers all queries. I will now exit the call and over to your Bimal! Thank you.

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Thank you very much Mr. Kumar. Good afternoon, everyone and thank you for joining us on the earnings call of Indus Towers for the quarter ended June 30, 2022. Joining me today are my colleagues, Vikas Poddar, CFO and Mr. Dheeraj Agarwal, Head Investor Relations. Before I begin our agenda today, I would like to take a moment to acknowledge the heroic efforts and dedication of our field force in Assam who battled the heavy rains and floods to make sure that the network does not go down. I am immensely proud of their efforts to ensure connectivity under the challenging circumstances.

At the beginning, let me say that our business fundamentals remain stable and have improved this quarter given the recently concluded 5G auctions, the exploding data growth and the agreements on the MSA renewal framework besides our improved operational performance. I will touch upon each one of them one by one.

Coming to the 5G auctions first, the telecom industry is at the next phase of growth as it moves closer to paving way for high-speed 5G services to public and enterprise. In line with the Government's plan of a rapid rollout of 5G services in the country, the DoT concluded the entire auction process for 5G spectrum within a short span of time. The changes in the reserve price and payment schedule, and availability of enough spectrum were key to the successful auction, which saw active participation from at least two telcos. The telcos acquired spectrum across bands including 3.3 GHz and 26 GHz band, which are important for 5G services. The Government of India has received a total bid amount of a whopping Rs 1,53,173 Crores with 51,235 MHz spectrum sold out, out of the total of 72,098 MHz spectrum on the offer. Also, this is the first time we saw the bidding on 700 MHz band which is a significant change from the previous auctions. The acquisition of 5G spectrum in conjunction with Governments encouraging stand makes us feel optimistic about swift proliferation of 5G services in the country. Indus Towers has geared up to support the 5G requirement of the operators based on their rollout strategy.

Well, the auctions are on one side, but there are great tailwinds in terms of 5G adoption as well. Global trends of 5G adoptions are quite positive as evidenced by the statistics mentioned in Ericsson Mobility report. As per the report, global 5G subscriptions grew by 70 million in March quarter to 620 million and are expected to reach around 4.4 billion by the end of 2027. Additionally, the number of commercial 5G service providers also increased from 200 in December 2021 to 210 by March 2022. The report also estimates that 5G penetration in India will reach 40% to 500 million subscriptions by 2027.

This was about the 5G story; however, the inherent demand which comes from data consumption by the large Indian customer base remains robust. The total data consumed across top three operators combined grew by a healthy 36% year-on-year in Q4 FY2022. The average data consumed per user per month across top three operators stood at more than 18 GB in Q4 FY 2022 exhibiting a year-on-year growth of 30%. The rapid growth in data consumption coupled with continued migration to 4G and 5G is expected to drive the demand for passive telecom infrastructure and we are very well positioned to cater to this demand.

Another thing of immense significance to us is the MSA renewal. We are pleased to inform you that revised framework has been agreed with both our major customers. The renewal of co-locations will provide us with long-term revenue visibility from a substantial part of our portfolio for the next 10 years. As we highlighted in the last quarter, we have offered competitive rates to our customers under the revised framework. I would like to add that both customers have agreed to renew majority of their sites expiring between March 2022 and March 2023. They retain the option of exiting up to 9% sites without exit charges or renewing all or part of the sites at a future date. Vikas will be sharing further details later.

From an operational performance standpoint, we had an improved quarter. During the quarter we had additional net additions of 1,027 towers and 591 co-locations. These numbers do not include addition of lean towers and corresponding co-locations. Net additions were impacted due to higher churn in co-locations at 733. Our total towers and co-locations at the end of Q1 were at 186,474 and 336,382 respectively each growing by 3.0% and 3.4% year-on-year basis. We expect this demand to increase further. In continuation with our commentary last quarter, we have continued to see strong traction and demand for leaner towers. During the quarter we added around 1,021 leaner towers. With the imminent rollout of 5G services in the country we expect this demand to increase even further.

Now for the elephant in the room, let us talk about the receivable situation, which has been under stress for a few quarters now and we could reverse the trend in Q4 FY2022 by restructuring the security package. This cover ended on July 15, 2022. We continue to work with our customer to improve our receivables position, but we are all aware of how stretched their financials are. Collectively as Board members we believe that their receivables are good and recoverable; however, we have used prudent accounting practice to

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change ELC thereby increasing our provisions by Rs.1,233 Crores which has impacted our EBITDA, profits, etc. Vikas will further elaborate upon this.

Coming to my last point which is my ESG agenda. We remain committed in our endeavour to create a sustainable future for the Company and the communities we serve and to that end we have been making progress in our ESG journey. We have finalized targets across dimensions of ESG with the objectives of reducing GHG emissions, improving upon our waste management practices, having a more diverse employee base and prioritizing its wellbeing, ensuring sustainable sourcing amongst other things. The teams are already finalizing the roadmap and initiatives towards achieving their target. We are planning to announce our ESG targets in coming quarters. I will now request Vikas to take you through our operational and financial performance for the quarter and look forward to your questions. Over to you Vikas and thank you and apologies for this interruption!

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

Thank you, Bimal, and a very good afternoon to all the participants on this call. I am pleased to share with you the financial results of the first quarter ended June 30, 2022.

To begin with an update on our operational performance, we closed the quarter with a total tower and co-location count at 186,474 and 336,382 respectively, each growing at 3.0% and 3.4% year-on-year basis and 0.6% and 0.2% quarter-on-quarter basis.

In terms of the financial performance our reported revenues were up 1.5% year-on-year to Rs.69 billion while the core revenue from rentals grew 0.3% year-on-year to Rs.42.2 billion. The year-on-year growth numbers are impacted due to tapering off exit revenue as we had indicated in our previous calls. Adjusted for this, the gross revenues and the core revenues were up by 1.9% and 2.2% respectively year-on-year. On quarter-on-quarter basis our reported gross revenues and core revenues from rentals were down 3.1% and 11.0% respectively. The quarter-on-quarter revenue growth numbers were lower mainly due to the absence of Q4 provision reversal of ~Rs.5.5 billion. After adjusting for the provision reversal, the gross revenues were up 3.4% while the core revenues were down 0.8% on quarter-on-quarter basis. Both the quarter-on-quarter and year-on-year numbers have also been impacted by the co-location renewals at competitive rates and terms, which I will talk about in the later part of my speech.

Reported EBITDA declined by 34.2% year-on-year and 42.9% quarter-on-quarter to Rs.23.2 billion. EBITDA margin was down by 18.2 percentage points year-on-year and 23.5 percentage points quarter-on-quarter to 33.7%. EBITDA numbers were lower due to a substantial increase in provision for doubtful debts, which is recorded under other expense.

As per our accounting policy when our receivables are overdue beyond a threshold, we need to make provision for doubtful debt and we also write back or reverse those provisions as and when we are able to collect those aged receivables. We have made provision for doubtful debt of Rs.12.3 billion in this quarter due to delay in payments from a customer beyond the threshold period. Adjusted for exit revenue, the provision for doubtful debts and the provision reversal, EBITDA was up 2.9% year-on-year and down 0.8% quarter-on-quarter.

Our energy margins continue to be negative. Q1 was impacted by seasonality as our diesel consumption increases during this period, which was partly offset by the lower provisions on account of revision in our estimates that we usually do in the first quarter of every year. We continue to take initiatives towards reduction in diesel consumption to minimize energy loss.

Our reported profit after tax was down by 66.3% year-on-year and 73.9% quarter-on-quarter to Rs.4.8 billion. Again, adjusted for exit revenue provision for doubtful debt and provision reversal our profit after tax was up 2.9% year-on-year and down 4.7% quarter-on-quarter.

Our cash flow from operating activities for the quarter was Rs.18.7 billion in Q1 FY2023 compared to Rs.19.6 billion in Q1 FY 2022. Our free cash flow for the quarter was at Rs.5.5 billion, which was impacted by the delay in payments from one of our major customers. Our reported pre-tax return on capital employed and post-tax return on equity for the past 12 months were lower on both year-on-year and quarter-on-quarter basis to 22.0% and 29.5% respectively.

Let me now spend time on explaining the developments on co-location renewals and receivables. On the co-location renewals, I would like to inform you that we have established a renewal framework with our customers that includes the discount on prevailing rates of the renewal portfolio to maintain our competitiveness and continued business relationship. As a result, we have secured renewal of majority of the co-locations expiring between March 2022 and March 2023 for an extended period of 10 years. The revised rates on these renewed co-locations will come into effect on their respective renewal dates starting from April 1 of this financial year. The revised rates are estimated to result in a marginal reduction in the revenue per quarter on Ind-AS 116. We believe that the financial impact of the discount would be offset by incremental revenue from future rollouts by the customer for their network expansion, launch of 5G services and other network solutions. Moreover, securing a 10-year extension on the renewal portfolio provides the long-term certainty and visibility of core revenue.

Next, I would like to apprise you of the receivable situation. Our reported trade receivables decreased by Rs.8.1 billion due to provision for doubtful debt of Rs.12.3 billion, which is accounted in the other expenses. While the customer has expressed that it is closer than ever to tying up its financing needs and also considering the fact that there have been positive developments recently including its participation in the 5G spectrum auction, we have nevertheless considered the current situation and adopted a more stringent accounting practice for making provision for doubtful debts in respect of dues recoverable from the customer. Adjusting for this provision, increase in trade receivables would be Rs.4.2 billion due to shortfall in the payment by the customer. I would like to

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reiterate what Bimal said that the receipt of payment from the customer remains challenging in the short term. The customer has proposed a payment plan wherein they have conveyed the ability to pay part of the billed amount till December 2022 and 100% thereafter along with clearance in a phased manner between January 2023 and July 2023 of the old dues that would accumulate till December 2022. We are engaged with the customer to work out a better payment plan, hence we expect to see gradual improvement in our trade receivables position that we will continue to monitor very closely.

In summary, we had a mixed quarter wherein our financials reflect the stress placed on them by the collection issues from one of our major customers. We are hopeful of navigating our way through this situation given the long-term growth story of the telecom infrastructure space remains robust. I would now like to hand over the call back to Bimal.

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Thank you Vikas and I am happy to take questions, so over to you Rajyita!

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**Ms. Rajyita - Moderator**

Thank you very much Sir! We will now begin the question-and-answer session for all the participants who are connected to the audio conference service from Airtel. The first question comes from Mr. Pranav Kshatriya from Edelweiss Securities, Mumbai. Mr. Kshatriya you may ask your question now.

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**Pranav Kshatriya - Edelweiss Securities - Mumbai**

Thanks for the opportunity. My first question is regarding the impact of MSA renegotiation, you talked about decline in the revenue because of this. Can you quantify how much will be the impact in terms of the rent per tenancy compared to the previous quarter of course adjusted for that Rs 5.5 billion one off which was there? That is my first question and secondly how should we see the financial impact of no exit charges for 9% of the tenancy because. I assume that they would want to execute basically it is churned out higher tenancy. Will that have revenue implications, or it will have other cost implications because you might have to close certain towers because of that, so how should we see this impacting revenue/profitability? Those are my two questions.

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**Bimal Dayal - Chief Executive Officer – Indus Towers Limited**

Thank you, Pranav. I will take the second one first on this 9% and the impact thereof. I think if you actually look at over a period of 10 to 12 years there has been a lot of let us say scope for optimization, which has been built in into whatever we end up doing, so this could be the landlord rental, this could be energy cost, etc., and I think over this period there is some amount of towers, which let us say we would like to exit or let us say jointly between our customers and us we would certainly like to work upon those costs as well. However, I think this number in reality would be much, much lower than 9%. This is more flexibility, which is existing with the customers and us. I think there are certain incentives, which let us say the customers have wherein the costs are higher, and this actually puts a very good pressure on towerco like us to bring those costs down for some amount of such towers and we are working with the customers. Now we certainly would like to give you a colour as to impact of this 9% and since we have kind of closed these MSAs very recently, I think in coming quarters we would certainly give you the colour as to whether this would be 1% or sub 1% or any other number, so just watch this space. From a distance I can only say that no operator would like to change their grid because it impacts the customers, end customers and customer satisfaction for the end customers and more importantly it costs a good amount of money to shift these towers as well, hence once you take the incentive to move these towers out which is the higher cost I think we will be able to settle for a much higher number than 91%, which as I said as story develops we would share the impact. On MSA maybe Vikas you could take us through on the impact.

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

Yes, sure. Hi, Pranav. Thanks for the question on MSA. I think as far as the impact of the competitive prices in terms that we spoke about that would be on an average roughly about Rs.500 per tenancy and that would translate to roughly Rs.900 per tower on an overall average basis.

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**Pranav Kshatriya - Edelweiss Securities - Mumbai**

This you are adjusting for this lease equalization or that will not have material impact because of that?

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

So as far as the lean towers are concerned this is the first time we have started reporting as you can see, I am sorry I did not get the question, could you repeat the question, Pranav?

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**Pranav Kshatriya - Edelweiss Securities - Mumbai**

When you talk about the rental, there is a factor of lease equalization impact that because now the renewal has happened. So the lease would be for a longer tenure, so when you say this Rs.500 impact, is it on the reported revenue basis or is it adjusting for the lease equalization?

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

This is adjusted for the lease accounting because as part of the renewal we have also secured a 10-year extension which is quite significant, so yes from that perspective this is as I said on Ind-AS 116 basis.

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**Pranav Kshatriya - Edelweiss Securities - Mumbai**

If I have to see the impact on the billing basis how much you bill to the customer versus what you are billing earlier, how much will that impact be?

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

Pranav unfortunately there is business sensitivity because it is customer specific information which we will not be able to share because of the confidentiality.

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**Mr. Pranav Kshatriya - Edelweiss Securities - Mumbai**

Sure, I understand that. I have a few questions I will come back in the queue and thank you very much.

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**Rajyita - Moderator**

Thank you very much Mr. Kshatriya. The next question comes from Mr. Kunal Vora from BNP Paribas, Mumbai. Mr. Vora you may ask your question now.

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**Kunal Vora - BNP Paribas - Mumbai**

Thanks for the opportunity. Again, the question on MSA renewal, any other changes in the terms such as annual escalations which you are getting which was about 2.5% and whether there is any change in terms such as loading?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Thanks, Kunal for this question. There is no change when it comes to our annual escalation or the loading charges, so it remains the same.

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**Kunal Vora - BNP Paribas - Mumbai**

The second question is operators have acquired 5G spectrum. Can you run us through what kind of upside you can see from that purely from loading, not from new towers, but on loading assuming that the tenant goes from say 50,000 to 100,000 sites on which they deploy 5G services. What kind of an upside would you expect from that?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Kunal if I understand your question right you are actually trying to look at what kind of an impact 5G will have on Indus starting with the loading charges. So let me say first of all that I think operators' strategy would vary from let us say one customer to the other and let us put it this way that the initial responses which we have seen, I think we will see large scale rollout of 5G on our existing sites and which would start almost in weeks' time from here on. I think we have been working on preparing the sites for quite some time now. I think each one will have different radios and different antenna sets. However, only colour I can give you is where we stand is the average loading for 5G is going to be higher from what we actually realized on 4G as I think for at least first year with



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massive rollout I think we really expect to do very well when it comes to our loading revenue on 5G; however, I think per site basis it will depend on customer-to-customer and the kind of equipment which comes in.

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**Kunal Vora - BNP Paribas - Mumbai**

Thanks for that, in 4G if I am not mistaken it used to be about 10%. Is that the kind of number you indicated like the number in 5G will be higher compared to that, so is that right way of looking at it?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Look I am only saying it will depend on customer. On an average we have seen that this is higher now what will the customers do to optimize this will actually happen when this rollout begins. In our trials this is what it is right now. I would not be able to kind of substantiate this for you until the first rollout start to take place that would be the good time to ask this question, but my take from whatever we have seen on an average this is going to be higher than 4G for sure.

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**Kunal Vora - BNP Paribas -Mumbai**

Thanks, Sir. Just one small question, will the receivables issue have any impact on the dividend distribution strategy dividend payout which you are looking at that is it from my side?

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

Kunal I will take that one. I think like I said our dividend policy has not changed. It still remains linked to the cash flow, so hopefully we will keep evaluating the cash flow situation of the company and we will stick to the policy. If there is any excess cash flow, we would be happy to sort of distribute that out, so we will keep evaluating and then we will see where the whole thing goes.

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**Kunal Vora - BNP Paribas -Mumbai**

Thank you.

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**Rajyita – Moderator**

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

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**Vivekanand Subbaraman – Ambit Capital -Mumbai**

Thank you very much for the opportunity. Unfortunately, my questions are on the same two issues that got discussed before so on renewals I am trying to understand this better so you said that through the year there will be co-locations that will come up for renewal and therefore the new rates will kick in so there will be a Q-o-Q revenue reduction. Is that understanding correct?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Yes, so we have all the co-locations I mean bulk of it was due to renew in March 2022, but even in the next 9 or 10 months we will have the co-locations that will come up for renewal, but bulk of it has already got renewed as of April 1, 2022, so there will be small portions that will keep coming up and we will basically apply the new rates as and when they come up.

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**Vivekanand Subbaraman - Ambit Capital- Mumbai**

So extending this a bit more you would definitely have some tenancies that will come up for renewal perhaps in 2023 and 2024 from the two large operators. Does this mean that you will have to negotiate for those tenancies again or will the same conceptual framework be applicable in subsequent years also when those respective co-locations come up for renewal?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**



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Vivekanand, right, this same framework will be applicable to the tenancies, which will come up for renewal in the future as well. So I think whatever we have right now the understanding is this is for the tenancies, which are coming in for renewal and the future tenancies as well.

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**Vivekanand Subbaraman - Ambit Capital- Mumbai**

Great and could you help us understand what percentage of the co-locations from these operators come up for renewal in fiscal 2024 and 2025, any broad ballpark will help?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

I do believe that a bulk of it would be behind us or is behind us in the current and the coming fiscal year. I think maybe offline we can share through Dheeraj what kind of staggering we have for these tenancies in the coming years.

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**Vivekanand Subbaraman - Ambit Capital- Mumbai**

Understood and the last one which is on receivables. So if I understand correctly, we had a payment plan from Voda Idea. We announced this on February 22, 2022. So from then to July 15, 2022 there was a certain committed payment. Can you help us understand if this committed payment for this period February to July covered the billing that you had from Voda Idea or was it significantly lower? I am trying to look at it from the perspective of the new payment plan that you are trying to arrive at with Voda Idea?

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

Sure, I will take that one Vivekanand. I think the payment plan that we had agreed back in February had two parts. There was the first part which was linked to the primary pledge or the security that we had, which sort of supported the restructuring and as a result that was monetized by the promoter and routed back to VIL and then it was basically used against our outstanding. So that was the first part and then there was a second part wherein we had a minimum commitment of Rs 3,000 Crores in that period so both these parts basically covered our billings in that period and that got over on July 15, 2022 and that is when we reached out for a new payment plan for the future.

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**Vivekanand Subbaraman – Ambit Capital- Mumbai**

By when do you think you will be able to conclude the new payment plan, the one that you describe where VIL has given a certain roadmap, but you are hopeful of something better?

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**Bimal Dayal – Chief Executive Officer – Indus Towers Limited**

Look Vivekanand, I think this is an ongoing discussion and negotiation which we are constantly engaged with the customer, and I think pretty much everybody including the senior people at the Board are involved at that level as well. I cannot give you a date of conclusion here, but the engagement is on as we speak and I think we all understand how important it is for this company to improve our cash flow situation, so it is absolutely taking the highest priority for all of us, and I think sooner this happens the better and that is the endeavor for all of us right now.

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**Vivekanand Subbaraman – Ambit Capital- Mumbai**

Alright, thank you and all the best.

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**Rajyita – Moderator**

Thank you very much Mr. Subbaraman. The next question comes from Mr. Arun Prasath from Spark Capital, Chennai. Mr. Prasath you may ask your question now.

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**Arun Prasath – Spark Capital – Chennai**

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Thanks for the opportunity, you have said that 5G loading will be relatively higher as compared to 4G. Can you explain why fundamentally that should be the reason? With some of the higher power 5G RAN's or the antenna is bigger, can you just explain a little bit about that Sir?

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**Bimal Dayal – Chief Executive Officer – Indus Towers Limited**

I think if I remember it right the major loading is coming from the power requirements and also the antennas, which would go up. I think it is the power requirement which actually will alter the loading or get us the bulk of the loading.

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**Arun Prasath – Spark Capital – Chennai**

So that means that as a towerco we also need to upgrade our facilities say, batteries or DG infrastructure site to support the high electrical loads?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

That is correct and all this depends on the condition of the site as well whether we have headroom or whether we need to improve the site condition to match the load requirements and that is an ongoing exercise. I do not think I would possibly be too worried about that part.

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**Arun Prasath - Spark Capital - Chennai**

Second question is on lean towers that we are talking about, is the understanding correct that going forward we will be only deploying the leaner towers and not the traditional ones we used to deploy earlier? Is it what we have agreed with the customer as well?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

No, I do not think that is the understanding. Leaner towers provide a limited loading opportunity. Every product which we actually put up has its own applicability after which the other product kicks in and I do not think there is a cannibalization which takes place. Hence, wherever operator has to put a heavier site which has loading requirements higher than the leaner one I think the next level of site kicks in, so I do not think it would be right for you to conclude that only leaner sites will be installed. Yes, at the moment we are seeing very good traction from the customers to build the leaner sites and I think we have also improved upon cost structure of this tower which is fitting in the bill for a faster rollout.

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**Arun Prasath - Spark Capital - Chennai**

Just to understand a little bit more. Is the leaner tower the solution offered by Indus because one operator is expanding, and other operator is not putting enough capex or giving any orders? So, in order to minimize the capex we go with the leaner towers, is the understanding right at least?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Well, it is a product in itself and if we go back in time when we used to make single tenant sites, we were not even recovering we were negative. With leaner towers we make reasonable money and is not a money losing venture, so it is a good thing. While we roll it out for one customer, I think we do believe that it would also provide a good take off path for our next customer as and when the customer wants to deploy sites on similar rooftops, so I think it fits the bill for us in a very good way and it fits the current scheme of things in which we have a symmetric rollout taking place between the operators.

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**Arun Prasath - Spark Capital - Chennai**

Whenever the other operator is ready how will we accommodate that operator in the leaner tower? Do we have a pathway for that, or is it something that we are yet to analyze?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

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This depends from site-to-site, but I think one of the biggest things which happens in acquiring any site is the physical acquisition of the site, rest is around the electrical and let us say the physical towers as well which is easy and doable thing. So once you acquire an area, I think the hard part is done, rest is really fixable for the second operator which is our core business so all I can say is with even leaner towers being rolled out, we are ready for the second operator depending on the condition of site.

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**Arun Prasath - Spark Capital - Chennai**

Very helpful Sir. Thank you and that is it from my side.

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**Rajyita – Moderator**

Thank you very much Mr. Prasath. The next question comes from Mr. Manish Ostwal from Nirmal Bang, Mumbai. Mr. Ostwal you may ask your question now.

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**Manish Ostwal - Nirmal Bang - Mumbai**

Thank you for the opportunity. I have only one question with respect to the provision for one of our telecom customers. So up to June 30, 2022 we have taken the most of the provision or how the provision line with respect to this thing will move forward in coming quarters, can you guide us on this front?

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

Basically like I said because of the risk that we have within our accounts receivable, we have adopted a more stringent provision policy and as a result we have made a provision, now going forward like I said we are sort of engaged and discussing a better payment plan, the current commitment that we have indicates a part payment of the bills till December 2022. If that happens then that would mean that the receivables would probably worsen a bit more before we start seeing improvement in which case there might be a situation where we will have to provide more to sort of keep managing the risk of account receivables, so we have to really monitor this very, very closely, assess the situation and see how we decide on this one.

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**Manish Ostwal - Nirmal Bang - Mumbai**

Sure, thanks a lot.

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**Rajyita – Moderator**

Thank you very much Mr. Ostwal. The next question comes from Mr. Praful Kumar from Dymon Asia Capital, Singapore. Mr. Kumar you may ask your question now.

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**Praful Kumar - Dymon Asia Capital - Singapore**

Thanks for the opportunity. Sir, I had just two questions, first in terms of now 5G rollout, can you just explain a bit more how this is a bigger opportunity for us in terms of revenue growth, so is it that more products are being demanded by the operators or how exactly is the value add that we do on this rollout?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

So you have two questions, Praful, would you like to ask the second one as well?

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**Praful Kumar - Dymon Asia Capital - Singapore**

Yes, second question is the extension of the previous one, can you explain a bit more on why on receivables you are taking a write-off and you think it would be a big worry because if the third operator is now government guaranteed, so what exactly is the problem here in terms of underlying cash flows, what exactly is the problem here?

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

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Praful I will give two comments on what you just mentioned, one government guaranteed and second write-off. I do not think there is a write-off taking place or second there are government guarantees here. Technically I would like Vikas to answer this question on receivables I will take the 5G rollout subsequently.

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**Mr. Vikas Poddar - Chief Financial Officer – Indus Towers Limited**

So, Praful I think the rationale is the fact that we have a very aging receivables while there is a payment plan in place, which gives us the visibility of eventually collecting all the dues, but at the same time we have the account receivable that is aging and very concentrated with a large amount and hence as a prudent approach we have decided to provide so that we are managing the risk very well, so I think it is like Bimal said it is not a write-off it is just the provision and there is no government or sovereign guarantee behind this, this is purely commercial outstanding that is there.

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Just to add little bit more colour on I think we have been talking about the receivables. I think please look at it this way that we also have been in our discussions with the customers. We have been told that we will not be worse off when it comes to the payments made on a percentage basis by our customers, which actually on an extrapolation tells us that we are kind of not the only ones in this entire ecosystem, hence we all are actually eagerly looking forward to I think the financial package which has been spoken by our customer and those closures basis which they have given the payment plan. I do believe that since you brought out the Government I think in public domain information it is very clear that the customer is also waiting for the equity conversion and I think that is where you actually mentioned the government guarantees but I think that thing has still not happened if I remember it right. So I think few good things have to actually take place before the whole thing starts to fall in place and we are eagerly waiting or watching this.

On the 5G side, we do believe that this time the enthusiasm and the strategy from the customers is certainly going to be slightly different than what we have seen in the past. If you actually go back to some of the strategies, which let us say operators adopted when 3G was rolled out or even 4G was rolled out initially I think we actually took a hotspot approach or we used to wire up the areas where the traffic is supposed to be higher and we used to have this concept of hotspots and then we saw a mighty rollout of 4G and everybody started to look at a wide brush approach towards peppering up the entire country with 4G. Now 4G has taught us a lot of lessons and we do believe that there will be a very quick proliferation of 5G on our sites themselves and we will see huge amounts of rollouts coming up on our existing sites. As I mentioned, the per site basis we will probably have revenue which is higher than what we derive out of 4G but remains to be seen what the operators end up with. Hence this is what gives me the backing of what I am saying that it would be significant for us in let us say next 12 to 18 months before the next phase of 5G kicks in which will be occupying the space which makes us even more relevant which means the ultra low latency network. I think initially we will have the massive broadband proliferation of 5G and then later on we will see the ultra low latency network coming up which we will occupy the street furniture much more wherein we become even more relevant. So that actually tells me 18 months with huge amount of rollouts of 5G on our existing sites post that I think we will certainly see low latency coming up, so it is a good thing for tower industry.

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**Praful Kumar - Dymon Asia Capital - Singapore**

Got it. Thanks a lot.

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**Rajyita – Moderator**

Thank you very much Mr. Kumar. The next question comes from Mr. Varun Ahuja from Credit Suisse, Singapore. Mr. Ahuja you may ask your question now.

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**Varun Ahuja - Credit Suisse - Singapore**

Thanks for the opportunity. I just want to ask two questions and obviously those are related to two big things, one is the rental negotiations and also on the receivables. First on the rental negotiations can you give some clarity on it because the last time when it happened I think there was a detailed presentation over there and the attempt was that in future whenever the negotiation will happen or the renewals will happen rather the right term, the older and newer tenancy will be at that equilibrium level and that is where the freeze happened and all that changes happened, but looks like based on my understanding what is happening is you are going back to the same scenario where after 10 years again you will have a 2.5% escalation and when the renewal will happen the older and newer tenancy will be at different rate. How are you accounting for that way to genesis of this problem started so any clarity on that front will be helpful. Secondly on the receivable, can you explain how does the movement will happen on it in future or other way, till when in terms of date you have kind of provided provisions for the VIL receivable that is number one, in future how should we think about the movement on the receivable side if there is a quarterly revenue run rate from VIL, how much are you collecting and how much will add to the receivable any clarity on that would be helpful? Thank you.

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Thank you Varun for your question. Look I think my understanding of 2016 was a structural correction that was made in which on one hand we had escalation freeze is taking place, on the other hand we got a five-year extension of the renewal for a set of tenancies. Obviously, this actually also brought in the concept of the rate lift as well; however, it was very clear within the MSA framework that these tenancies will expire in a period of time which we have been actually transparently sharing with you that by March 2022 almost a third of our tenancies were to expire which they did. I would say that under the current circumstances there was no other way than kind of engaging with the customers and negotiating a great deal which we have managed to do. I do believe that we have under the circumstances a great deal in which we have secured this for another 10 years. For an infrastructure business like this I think it is sealed for a good period of time. Please put yourself in shoes wherein you were to negotiate a deal like this where you are negotiating with customers and I think the difference between the balance sheets of each of these customers and Indus Towers there is a truckload of gap and in that context I think where we stand with the kind of impact Vikas has spoken, I think this is a great deal which we have secured not only for Indus Towers but for the industry itself because whatever we end up doing actually becomes industry benchmark. I think 10 years is a great period of time. I do believe that whatever impact we have let us put it this way with accelerated 5G rollout with the newer sites coming in I think we should be able to swallow this within let us say a year or year-and-half and we have clear 7 or 7.5 years of growth, please remember that this 2.5% escalation year-on-year is a great thing to happen and I think there is no way this model will get changed or get worse from here on. I think it is a great model which has delivered in the past, so I think we certainly have come out clean with minimum or no change to the model. So I as CEO and Managing Director of this company, I am very happy that we have secured this under very, very difficult circumstances not only for us but for our customers as well and good that we have done it for both the customers and as you would know both the customers are in a very different frame when it comes to their financial position. On the second part Vikas maybe you can take up.

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

I think on your question just to recap the question your question is how we really see the receivables going ahead. First of all I would want to start with saying that if we look at the trend in the last couple of months because of various reasons if we just keep aside the security money that we received then excluding that we have been getting payment of roughly 50% to 60% in the last couple of months of our monthly dues and we are also basically from public domain and from the information that we have know that the customer has a funding plan which it is in discussion with its lenders and that will have a huge bearing on their cash flows and their ability to invest and so on. So the payment plan like I said we have received still indicates that we would not be able to make full payment of monthly dues till December 2022 in which case if that happens then directionally, we can expect that the receivables will go up further and in which case like I said we will continue to assess the situation and wherever we see the accounts receivable risk developing we will make the necessary provisions to do adequate derisking of the situation, so I think the simple answer is while I said we are discussing and trying to work out a better plan, but given the current indications it seems like it will go up for a couple of months.

**Varun Ahuja - Credit Suisse - Singapore**

Thank you, the last question was for the provision that you have provided till what date, any month by when those provisions we have made in terms of accounted as a bad debt?

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

Again, that is dependent on the policy that we have which is different for different customers, so again it is a bit of customer specific information, we may not be able to reveal that Varun, but I can assure you that this is based on a stringent approach that is discussed and assessed and then we make those provisions. If required, we will take another position and make it more stringent if required going forward.

**Varun Ahuja - Credit Suisse - Singapore**

Thank you.

**Rajyita – Moderator**

Thank you very much Mr. Ahuja. The next question comes from Mr. Ankit Patel from L&T Mutual Fund, Mumbai. Mr. Patel you may ask your question now,

**Ankit Patel - L&T Mutual Fund - Mumbai**

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Thanks for taking my question and good afternoon. I had two questions, one was you mentioned that you expect to receive part of the payments till December if you could quantify what part of the payments the range in terms of how it will be received, and the second question is regarding the other customer how is the payment going on and whether there is any change in the payment track record over there?

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

So Ankit, I think as far as the quantification of the part payment is concerned I think the pretty much the past trend that I spoke about wherein excluding the money that we received as part of a security monetization otherwise we have been getting roughly like I said 50% to 60% of our monthly dues, so that is a good indicator of the part payment we can expect going forward subject to whatever discussions we are going to have in terms of bettering the payment plan, so I think that would be a good indicator. Other customers, I do not think we have major receivables issues except for one non-JV customer where we have some old dues outstanding, but that sum is not very material and in any case we are working with that customer as well to expedite the payments and recover those dues.

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**Ankit Patel - L&T Mutual Fund - Mumbai**

Thank you.

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**Rajyita – Moderator**

Thank you very much Mr. Patel. At this moment, there are no further questions from participants, I would now hand over the call proceedings to Mr. Bimal Dayal for the final remarks.

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**Bimal Dayal - Chief Executive Officer - Indus Towers Limited**

Thank you Rajyita. I think it is fairly nostalgic for me. Let me first thank pretty much all my able partners and Vikas and Dheeraj for doing a commendable job. I would certainly like to thank our field force, the management committee members, Indus family, shareholders, and the Board members of past and present both. A very special thanks to Mr. Kumar, our current Chairman who has been the biggest support. Pretty much thank you all for joining and making this a great interactive session. I think there is beside responding, there is a great learning as well so thank you for keeping it alive. Logging off with my best wishes to all with a conviction that the newer leaders will take this great company to greater heights. Thank you very much. God bless.

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**Rajyita – Moderator**

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