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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 on the Company's performance for the first quarter (Q1) ended June 30, 2023**

Dear Sir/ Madam,

Please find attached the transcripts of Earnings Call conducted on July 28, 2023 on the Company's performance for the first quarter (Q1) ended June 30, 2023. We wish to inform you that said transcripts are being submitted today due to exigencies being faced internally.

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **Indus Towers Limited**

SAMRIDHI RODHE

Digitally signed by SAMRIDHI RODHE
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Samridhi Rodhe
Company Secretary & Compliance Officer

Encl.: As above

Conference Call Transcription

Event: Transcript of Indus Tower Limited First Quarter Ended June 30, 2023 Earnings Call

Event Date/Time: 28th July 2023, 2.30 PM IST

CORPORATE PARTICIPANTS

Mr. Prachur Sah
MD & CEO – Indus Towers Limited

Mr. Tejinder Kalra
COO – Indus Towers Limited

Mr. Vinod Rao
Head Business Controller – Indus Towers Limited

Mr. Dheeraj Agarwal
Head Investor Relations – Indus Towers Limited

CORPORATE CALL PARTICIPANTS

Mr. Kunal Vora
BNP Paribas/Mumbai

Mr. Aditya Suresh
Macquarie/Mumbai

Mr. Sanjesh Jain
ICICI Securities/Mumbai

Mr. Vivekanand
Ambit Capital/Mumbai

Mr Sonal
Prescient Cap/India

Mr. Arun Prasath
Avendus Spark / Chennai

PRESENTATION

Vandana – Moderator

Good afternoon, ladies and gentlemen. I am Vandana, the moderator for this conference. Welcome to the Indus Towers Limited, first quarter ended June 30, 2023, 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 is the senior leadership team of Indus Towers, Mr. Prachur Sah, MD and CEO, Mr. Tejinder Kalra, COO, Mr. Vinod Rao, Head Business Controller 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. Prachur Sah. Thank you and over to you Mr. Sah!

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

Good afternoon everyone and thank you Vandana and a very warm welcome to all the participants on the call. I am pleased to present our business performance for the quarter ended June 30, 2023. Joining me today are my colleagues Mr. Tejinder Kalra, COO, Vinod Rao, Head Business Controller and Dheeraj Agarwal, Head Investor Relations.

The quarter gone by was especially satisfying for us on two fronts. Firstly, we continued to see good demand from one of our major customers, particularly in rural areas, resulting in the highest tower additions in a quarter for Indus Towers. Secondly the collection level from one of our customers seen in Q4 sustained in Q1 as well.

Before I dive into specific areas, I would like to take a moment to acknowledge the invaluable contribution of our field force, who continue to work tirelessly to help Indus Towers accomplish its goal of enabling nationwide connectivity. Our teams on the ground ensured connectivity in Gujarat, North East region, Uttar Pradesh and Bihar amidst the Biparjoy cyclone and harsh weather conditions including flash floods witnessed in these areas. The team also managed to install sites in the tough terrain of Uttarakhand

and Gurez and Siachen located in the North of Jammu and Kashmir. This is a testament to our commitment to work with our customers to bridge the digital divide.

On the industry front, the Government remains dedicated to accelerating the roll out of telecom infrastructure across the country and is taking necessary measures to ease the process. These include composite billing schemes for multiple power connections, option of applying for a power connection for telecom infrastructure through Gati Shakti Sanchar portal and mapping of different ministries to the Gati Shakti portal to apply for Right of Way (RoW). These proactive measures by the Government reflects its commitment towards fostering a conducive environment for business growth in the telecom sector.

Moving on to 5G, the top two operators continue to roll out 5G rapidly, having launched 5G services in more than 3,500 cities and towns with Pan India urban coverage expected to be completed this year. Around 275,000 5G base transceiver stations or BTSs have been deployed by the operators across the country with average weekly run rate of deployment increasing significantly from approximately 7,000 in March to almost 12,000 in June. The aggressive roll outs by operators have translated into increased traction in our loading revenues. We expect to see good demand for new sites once the 5G network achieves a certain penetration level and creates a need for more capacity.

As per Ericsson, global 5G subscriptions have reached 1.1 billion with 125 million additions seen in March quarter alone. Total subscriptions are now expected to reach 5 billion by the end of 2028, with 5G subscription in India expected to reach 700 million mark by 2028 with a penetration of about 57% as per the report.

Data consumption in the country remains robust, aided by the rapid uptake of 5G and the continued upgrade from 2G to 4G. The average data consumed per user per month across the top three operators grew 14% year-on-year to 21.2 GB for the quarter ended March 2022 and the total data consumed grew by 21% year-on-year in the March quarter. With the thriving data consumption and the rapid integration of 5G, the demand for passive telecom infrastructure is expected to rise significantly to add more capacity, and we possess the capability to effectively cater to this increasing demand.

In terms of our operational performance, I am pleased to report that we have recorded our highest ever tower additions in a quarter. We continued the tower addition momentum seen in Q4, underpinned by strong demand from our customers. During Q1 we had net additions of 5,410 macro towers and 5,048 corresponding co-locations. Our total macro towers and co-locations at the end of Q1 was 198,284 and 347,879 respectively, each growing by 6.3% and 3.4% on year-on-year basis. Our tenancy ratio remains industry leading at 1.75. We continue to witness good demand for leaner towers primarily for densification purpose in urban areas. Our leaner tower additions stood at 936 in Q1 compared to 1,235 in Q4. Including leaner towers our net co-location additions were at 5,984 in Q1 against 4,631 in Q4.

Taking a cue from our operating performance, I would like to lay out our four key strategic priorities where we have been driving a sharp focus. These are market share, cost efficiencies, network uptime and sustainability. Let me spend some time to give you an update on actions taken and progress made on each of these priorities.

Firstly, regarding market share, we have significantly increased our share in business of our major customer and a total addition of 10,615 co-locations over the last two quarters is a testimony to the excellent work done by the team. We have formed a dedicated team to smoothen the deployment process and optimize delivery time through a real time tracking mechanism and logistics alignment. By way of digital intervention in our Pan-India partner and supplier ecosystem and close coordination with customers to align with their requirements, we have furthered our competitiveness helping us secure more wins.

Secondly, on cost efficiency, we are working on optimizing both operating and capital expenses. Energy makes up more than half of our opex and diesel cost accounts for a large part of it. Our multiple initiatives have yielded an 8% year-on-year reduction in diesel consumption in Q1 despite increase in load from installation of 5G equipment. These initiatives include augmenting our energy storage solutions. We added solar and piped natural gas energy solutions on our tower sites during the quarter and also converted tower sites from indoor to outdoor which further reduced diesel consumption. For sites with prolonged electricity outage, we are working with a technology partner to pilot an Aluminum-Air based energy solution to replace diesel. There are various measures under implementation to improve the overall capex productivity such as tower design standardization, automation in procurement process for better cost control and use of artificial intelligence and machine learning to enhance life cycle of equipment.

Thirdly, on network uptime, which is very critical for our customers, we continue to maintain a very high uptime and delivered an uptime of 99.95% in Q1 FY2024. Please note that the quarter was marked by severe natural calamities such as Biparjoy cyclone in Gujarat and heavy rains and floods in areas of North East, Bihar and Uttar Pradesh amongst others. Despite these challenges, our teams on the ground ensured a high level of uptime in these areas.

We are embarking on digital transformation of our network by connecting all our towers through the largest real-time telemetry data system. This will make our monitoring and action planning more robust and faster helping us further improve our industry leading network uptime. The system will also facilitate auto and self-healing measures in the network, which will improve the productivity of field staff and optimize the operating cost.

Now moving to sustainability which stands as a key priority for the organization. We are guided by our ESG vision and launched ‘Zero Goal Hai’ or ‘Zero is the target’ campaign during the quarter with the aim of achieving zero emissions, zero harm, zero waste, zero bias and zero tolerance to non-compliance. I have already highlighted our energy initiatives to reduce diesel consumption and adopt green sources of energy which will drive control over Scope 1 and Scope 2 emissions. We have recently concluded inventorization of our Scope 3 emissions which will help us target key sources of emissions in our value chain.

Our gender diversity inched up from 6.3% to 6.5% over the quarter aided by focused hiring programs and initiatives taken on fostering an inclusive work culture. However, a lot more work needs to be done here and we are currently focused to do the same. Regarding the safety of our workforce, we are bringing in technological interventions such as introduction of virtual reality-based training modules and software application for correction of unsafe driving behaviour.

We have assessed our major suppliers and partners on key ESG parameters. We are now engaging with them to drive more focus on the identified ESG opportunities to make our sourcing more sustainable.

Our efforts towards ESG are being recognized as we were adjudged “Best Emerging Company of the Year” at the prestigious Transformance forums. Indus also ranked 31st amongst 200 companies at Business World Sustainable World Conclave.

Now I request Vinod to take you through our financial performance for the quarter ended June 30, 2023 and I look forward to your questions. Over to you Vinod.

Vinod Rao – Head Business Controller – Indus Towers Limited

Thank you Prachur and good afternoon everyone. I am pleased to share the financial results for the quarter ended June 30, 2023. Reiterating our strong operational performance, this quarter marked the highest ever tower additions in a quarter for Indus. As Prachur said, we added a total of 5,984 co-locations including those on leaner towers, driven by network expansion by our major customer and interventions taken by us to optimize the deployment time.

Moving on to financial performance for this quarter. Starting with revenues, our reported gross revenue was at Rs.70.8 billion growing by 2.6% year-on-year. Core revenue from rental increased by 2.7% year-on-year to Rs.43.3 billion, aided by strong tower additions and loading from 5G rollouts. Please note that the Q1 FY2024 had an impact of non-recognition of revenue equalization assets for one of our major customers. On a quarter-on-quarter basis total reported gross revenues and core revenue from rentals grew by 4.8% and 2.0% respectively.

Moving to profitability, the reported EBITDA grew by 51.3% year-on-year and 2% on a quarter-on-quarter basis to Rs.35.1 billion. EBITDA margin was up 16 percentage points year-on-year and down 1.4 percentage points quarter-on-quarter to 49.7%. Just to remind that the EBITDA figures of Q1 FY2023 were impacted by a provision for doubtful debt of Rs.12.3 billion. Energy margins were lower at -3% in this quarter due to seasonality as our diesel consumption increases during this period. As Prachur had highlighted earlier, we are taking several initiatives to reduce our diesel consumption which should help minimize our energy losses.

Our reported PAT, profit after tax, stood at Rs.13.5 billion growing 182% on a year-on-year basis and declining 3.6% on a quarter-on-quarter basis. The significant increase in depreciation and lower other income impacted our net profit.

Our reported pre-tax return on capital employed and post-tax return on equity for the rolling 12 months were at 13.8% each.

Moving on to cash flows, the free cash flow for the quarter was Rs.58 million as our capex increased substantially to Rs.22 billion. We have invested a large sum of capital to capture the growth opportunity arising from the accelerated rollouts by our customer. This is critical to our business growth and a timely and swift response by Indus will generate long-term value to the shareholders. Our receivables increased by about Rs.4.3 billion during this quarter as our customers are seeking clarity on certain bills and we expect to resolve it soon. I am happy to report that the collections from one of our customers are now stabilizing at close to the invoiced amount after the shortfall that we witnessed in 2022. Regarding this customer’s past dues, we are in constant dialogue with the customer for clearance of the same. We also continue to closely monitor any developments around the customer’s fund raise plans.

To sum up, we are pleased to have delivered a solid operational performance in Q1 coupled with the strides we are making in each of our strategic priorities. Steady collections have helped our financial performance while the accelerated 5G rollouts and rural expansion by one of our customers would serve as significant levers for our growth. I would now request the moderator to open the floor for Q&A.

Vandana – Moderator

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

Kunal Vora — BNP Paribas/Mumbai

Thanks for the opportunity and congrats for a good quarter. I just wanted to get some sense on the growth capex of Rs.22 billion how much of that would be on macro towers, leaner towers, loading and any other initiatives, if you can help us understand this better, and how do you see it going forward? That is part one.

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

Kunal thanks for the question. Our capex is being distributed between towers, 5G rolls out, replacement and sustenance and energy capex. These are the typical distribution of our capex. Vinod, you want to add anything further.

Vinod Rao – Head Business Controller – Indus Towers Limited

Sure. Kunal some high-level numbers for you on the breakup of the Rs.2,200 Crores of capex, around 1,400 of it is for the rollouts, the macro rollouts and the rest are split across the other categories which Prachur just mentioned.

Kunal Vora — BNP Paribas/Mumbai

And the cost per macro tower how would that be now, like you added 5,000 towers, so it used to cost about Rs.25 lakhs. Where is it now, about Rs.15 lakhs to Rs. 20 lakhs. If you give a number which will help us to project the numbers better.

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

Kunal, I think it stays in the same range.

Kunal Vora — BNP Paribas/Mumbai

On the leaner towers thanks for sharing the details which you have, if you can share the cost per tower like margins compared to the macro towers like any details which you can provide incrementally on the leaner towers?

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

Typically, Kunal, leaner towers are definitely lower on capex and we have a typically high double-digit margins on the leaner towers.

Kunal Vora — BNP Paribas/Mumbai

And capex will be significantly lower? It will be like say compared to the close to 20 lakh which you have on macro, will it be like say 3 lakh, 4 lakh, and 5 lakhs?

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

I will not be very specific, but it is significantly low.

Kunal Vora — BNP Paribas/Mumbai

Okay one last question if I can which is how we should look at the average revenue per co-location going forward, like it is down marginally year-on-year. Is it largely because of the rental renegotiations and should we expect it to increase going forward led by escalations, loading and contribution from leaner towers?

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

I feel that is being impacted by the RER, otherwise I think the revenue from co-location should remain on the ballpark basis where it is.

Kunal Vora — BNP Paribas/Mumbai

Sorry I could not hear this clearly.

Vinod Rao – Head Business Controller – Indus Towers Limited

Kunal what we were saying was the ARPT is impacted this quarter by the RER, the revenue equalization impact which I talked of in my opening session. Other than that, it should be pretty much same quarter-on-quarter.

Kunal Vora — BNP Paribas/Mumbai

But should we be building in some improvements because of annual 2.5% escalation you are having, 5G loading also, leaner towers as their revenue increases, but towers do not get counted so should we be expecting an increase going forward or flattish numbers?

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

So Kunal it is from a forward-looking point of view. I think it has many factors like what kind of mix we are talking about so it will not be reasonable to assume one or the other but depending on the mix I would expect because primarily we will be doing the single tenancy towers as of now so I think the numbers should stay in the region, but it also depends on the mix that we will deploy going forward.

Kunal Vora — BNP Paribas/Mumbai

Thanks. That’s it from my side. I will come back in the queue.

Vandana – Moderator

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

Sanjesh Jain – ICICI Securities/Mumbai

Good afternoon, Sir. Thanks for taking my question. A few from my side. First on the 5G, you did mention that we have grown from 7,000 roll out in the month of March to 12,000 roll out and we have reached 275,000 BTS, is that the right data point? Just wanted to confirm that.

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

So, first of all let me clarify the 7,000 to 12,000 is the deployment by the operators so these are the total deployment by the operators at the industry level and 275,000 is also an industry number as such, so it is not directly correlated to sites. Tejinder if you know technically what is the site?

Tejinder Kalra – Chief Operations Officer – Indus Towers Limited

Sanjesh, first of all as Prachur clarified 7,000 to 12,000, the industry is fast tracking its deployment of 5G over the network so that is the pace the industry is doing overall, so between our various customers put together and the full portfolio of towers that they have from all the towercos put together, that is the base and the overall volume of 5G BTSs that they have installed. If one were to look at out of the 275,000 BTSs what share would fall on Indus sites I would say roughly little over one third would be sitting on Indus sites from this overall base that we are talking about here.

Sanjesh Jain – ICICI Securities/Mumbai

From the market share perspective for the 5G, will it be lower for us when you compare to 4G because one of the operators has mentioned that they have rolled out 115,000 BTSs and that covers 65% scope of their immediate coverage, that means we are running closer to the first phase of completion of 5G roll out. How do you assess the market share for Indus Towers from the 5G?

Tejinder Kalra – Chief Operations Officer – Indus Towers Limited

Eventually if we have seen the 4G getting spread to almost 100% of the towers it is a matter of time when 5G will go to 100%. So we do not see 5G getting selective but yes it may take two to three years when that full scope roll out of 5G would happen. One of the operators has two frequencies and therefore two BTSs per site that they need to put up so obviously if they are talking of higher number of BTSs it does not mean they are covering higher number of towers because you can divide that by two and that is the number of sites that they are probably covering up. If you look at overall from an industry perspective my estimation is roughly about 25% to 30% of the sites get covered by 5G, even shade lower may be, but that is where we are at an industry level from my estimation.

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

And our market share will be reflective of the tower market share at the end of the day.

Tejinder Kalra – Chief Operations Officer – Indus Towers Limited

Correct.

Sanjesh Jain – ICICI Securities/Mumbai

Fair enough. From the loading charges, can you help us understand putting a full blown non-standalone 5G versus standalone 5G what will be the differential in terms of the rentals which we charge to the operator?

Vinod Rao– Head Business Controller – Indus Towers Limited

So Sanjesh this is Vinod. The rentals that we charge to the operator is a function of the equipment that they deploy, the power and the space and the weight so standalone or non-standalone is the operator’s technology preference. For us it is a function of these three in terms of the loading revenue that we generate.

Sanjesh Jain – ICICI Securities/Mumbai

Fair enough. Just one last on the capex side what is the payback period right now we are seeing for both macro as well as the loading that we are putting on the 5G side?

Vinod Rao – Head Business Controller – Indus Towers Limited

So Sanjesh from a payback perceptive what we need to understand is the operators come with us on a tenancy for a 10-year duration and as you are already aware, significant amount of the portfolio has already got renewed last year which means we are seeing another 10 years on those tenancy. So, if we are getting loading on them that loading revenue is going to come with us for the next nine years or eight years as the case may be and it is payback accretive from a very early stage from a loading perspective.

Sanjesh Jain – ICICI Securities/Mumbai

That is fair enough, but what will be the payback assuming that it is an incremental cost over incremental revenue right and that is number one. Number two for the fresh macro tower the single tenancy towers we are putting what is the payback period for that?

Prachur Sah — Managing Director and Chief Executive Officer – Indus Towers Limited

Sanjesh, typically for macro towers we are at a high single digit IRR on a single tenancy basis without any loading and for the leaner towers it is probably high double digits. That is the IRR that we operate in and as the loading comes in the IRR further improves or when the second tenancy comes the IRR improves further so that is the numbers that we are currently operating in.

Sanjesh Jain – ICICI Securities/Mumbai

Fair enough Sir. Any update on the dividend you want to share? We have not announced any dividend last fiscal year. What is the general thought process on the dividend payout now considering that we are into an elevated capex mode as well for probably next one to one and a half year?

Vinod Rao – Head Business Controller – Indus Towers Limited

Sanjesh, as you are aware our dividend policy requires us to distribute 100% of the free cash to the shareholders. At this point in time, it is very difficult for us to predict the free cash flow for the whole year given the number of moving parts. As you rightly said it is capex on the one side but on the other side it is also the visibility of the collections from a major customer and the funding plan of that customer. Unless we sort of get a grip on those factors which are extraneous to us, it is difficult for us to sort of think of dividends at this point in time. Once we get clarity on some of them, we will be able to come back to the Board and then to you all in terms of our plans for dividend.

Sanjesh Jain – ICICI Securities/Mumbai

That is clear. Thank you very much for answering all my questions and best of luck for the coming quarters.

Vandana – Moderator

Thank you very much Mr Jain. The next question comes from Mr. Aditya Suresh from Macquarie, Mumbai. Mr. Suresh you may ask your question now?

Aditya Suresh – Macquarie/Mumbai

Thank you. So, I had a question on the dividend but you just answered that. The second question I actually had was on the under-recovery of energy reimbursement so that is 3% in this quarter, 2% last quarter, and 1% the previous quarter? There seems to be an increase here. Any color you can provide here on this?

Vinod Rao – Head Business Controller – Indus Towers Limited

The major reason as we mentioned at the outset is really the seasonality in the transition between the winter period and the summer period. So that is usually a high diesel consumption period and plus as Prachur already mentioned we have had a couple of weather disturbances during the quarter which is I would say taken the energy cost up higher and hence to that extent some amount of non-recoverability is there, and Prachur has already talked about this that we are taking multiple initiatives to reduce our diesel consumption as highlighted which going forward will help us reduce the losses.

Aditya Suresh – Macquarie/Mumbai

And on the accounts receivable? Is it a mild increase here this quarter? Any colors on this and it is connected to your larger tenants?

Vinod Rao – Head Business Controller – Indus Towers Limited

So yes, you are right there is minor increase of around Rs 4 to 5 billion in the account receivable for this quarter end. The way we look at it is a timing issue as one of our customers is sort of looking at our bills and we are expecting it to get unwind in this quarter. In fact as we speak I can say a significant portion of that has already unwound and we have got the cash in our bank.

Aditya Suresh – Macquarie/Mumbai

Thank you.

Vandana – Moderator

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

Vivekanand – Ambit Capital/Mumbai

So I had a question related to the energy margins so just to understand better, Prachur you said that this quarter you saw 8% lower diesel consumption despite the higher 5G load, so in that light if I look at the energy margins on a year-on-year basis they are more adverse compared to last year so what has changed on the energy side that in the last four quarters the energy spread has widened and I am considering 1Q FY2023 as the comparison to adjust for seasonality?

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

I think Vivekanand if I am not wrong you are asking for the comparison to Q1 of FY2023. I believe in Q1 of FY2023 there was a one off that was impacting and giving an impression. If I correct it, it was probably actually higher negative than what it is in Q1 of this year. I think it was close to 3.8 negative in last year so actually the energy costs are on the improving trend given that we are reducing the diesel. Of course, we want the pace to be faster. All of us want the pace to be faster, but just to correct last year because of the one off it appears, but if you correct for it, it is minus 3.8. Vinod anything else?

Vinod Rao – Head Business Controller – Indus Towers Limited

No Prachur that is it.

Vivekanand – Ambit Capital/Mumbai

That is very clear. Thank you for clarifying. The second question is on the capex outlook. So I understand that you have seen increased demand from one of your large customers especially to roll out sites in rural markets. So based on the plan that the operator may have shared with you, how should one think about the capex for FY2024 considering that perhaps the rural roll out appears to be the single biggest factor for your capex to be so high?

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

I think the demand for new towers from the rural expansion and densification in urban areas still seems to be robust. We expect this demand momentum to remain healthy at least in this year and probably extending in the first two quarters of next year but I think it remains based on rural expansion, the densification of urban areas and the 5G roll out that will primarily drive the capex for Indus.

Vivekanand – Ambit Capital/Mumbai

Sir my last question is on the market share that we may now have of Airtel. So, I think a couple of quarters ago this was discussed quite a bit with respect to Indus' market share. You mentioned in your opening comments that your market share has gone up, Could you help understand where it was say a year ago and where it is now?

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

All I can talk about is the numbers that I have right now. As of now we have rolled out close to 5,984 co-locations for all our customers combined, this includes urban, rural and lean and in my view the market share has improved substantially and we intend to keep it that way with operational performance so that is what I can comment on but I believe it has increased.

Vivekanand – Ambit Capital/Mumbai

Okay that is clear. Thank you. All the best.

Vandana – Moderator

Thank you very much Mr Vivekanand. The next question comes from Mr. Sonal from Prescient Capital, India. Mr. Sonal you may ask your question now?

Sonal – Prescient Cap/India

So, I have a question with regard to your debt paydown and debt levels, if you could give me a guidance around what is the plan for the Company to repay the debt? What is the comfortable level over the course of the next one to two years? That will be helpful. Thank you.

Vinod Rao – Head Business Controller – Indus Towers Limited

So as far as the debt is concerned you would have noticed our net debt remains relatively flat for the last couple of quarters. It is around Rs.5,000 Crores ballpark is the number which we are comfortable at. Having said that there is some head room in case we need to borrow more to help us capture these opportunities that are there in the market, but for now we sort of look at this number as a guiding light for us in terms of where we want to see our debt levels.

Sonal – Prescient Cap/India

Got it Sir, so this is the range you want to operate in typically. Sir I had second question on the sharing factors that you see post the 5G roll out? This is again a two-to-three-year kind of outside in perceptive, if you could just give broadly like what are the numbers you are talking about, broader reach that will be helpful if you could?

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

If I understand your question correctly you are asking about a sharing factor and in my view 5G and sharing factor are not correlated because if whoever is on the tower wants to roll out the 5G, it should not impact the sharing factor per se. It is a fact though that the newer towers that we are currently rolling out are single tenancy towers so that will potentially impact our sharing ratio. It has impacted, from 1.78 we went to 1.75 primarily driven by the roll out of the new towers not so much the 5G.

Sonal – Prescient Cap/India

So at a blended level Sir, if the sharing factor blended levels will go down will the unit level revenue go up if I were to just talk about let us say on a per operator basis if you could give that as a guidance?

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

I am not sure that is the right reference. I will not be able to comment on that.

Vinod Rao – Head Business Controller – Indus Towers Limited

So the ARPT what we measure is the average revenue per tenant. That is the number which we are reporting and that number is a function as you rightly said of some of the 5G revenue that we will get, but I am not able even to get the drift of your question in terms of what you are probably driving at. The ARPT continues to go up as and when we get more 5G revenue. That is the percentage. It is a small percentage because currently it is loading revenue so that is how the ARPT will move.

Sonal – Prescient Cap/India

I will take this offline. That is it. Thank you.

Vandana – Moderator

Thank you very much Mr Sonal. We do have a follow-up question from Mr. Sanjesh Jain from ICICI Securities, Mumbai. Mr. Jain, you may ask your question now?

Sanjesh Jain – ICICI Securities/Mumbai

Thanks for this follow-up question. Just one thing, wanted to understand do we have any plan on the battery side? We are one of the largest consumers of batteries and there is a growing demand for batteries, replacement batteries because of the adoption of EV do we plan to do anything around it to see that the assets can be better sweat? Is there any thought process there and I know we have largely been using Lead-Acid, but this will also help us in terms of getting into a more better quality battery, any thoughts there?

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

Sanjesh the battery is a very important topic. We have a full dedicated technology team working on that one, Currently, we are working as you said on lead acid batteries. We are looking at lithium ion and other new solutions as I mentioned aluminum solution as well. So absolutely, battery is a very important component of our network and we have actually laid out a very clear strategy on how we want to operate and make that as a part of a very important ecosystem for us in operations especially as we reduce the diesel cost across our operations, so we are going into specifics, yes. Lead acid, lithium ion and any new technology on the battery side will remain at the forefront in our opportunities and we are constantly looking at partners to participate where they come and participate with us and work with us in this area.

Sanjesh Jain – ICICI Securities/Mumbai

But is this technology limited for the internal consumption or you want to build a business model around it?

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

Sanjesh we will look at the opportunity. As of now I can tell you that currently it is more focused on the tower side and as more opportunities come up which is more feasible, we will be happy to update you.

Sanjesh Jain – ICICI Securities/Mumbai

Got it. That's it from my side. Thank you.

Vandana – Moderator

Thank you very much Mr Jain. We have another follow-up question from Mr. Kunal Vora from BNP Paribas, Mumbai. Mr. Vora, you may ask your question now?

Kunal Vora – BNP Paribas/Mumbai

Thanks for the follow-up. So, I wanted to check on the receivable provision which you created? It is not a very large amount but at the same time why it is created and is that a disputed payment or why is the provision created?

Vinod Rao – Head Business Controller – Indus Towers Limited

This is Vinod, so there are two things you are probably asking at the same time. So, we have certain provisions for disputes and as a general provision for doubtful debts that gets created. The provision for doubtful debts is a function of the number of days of overdue so there is not really anything specific concerned with the disputes why we have sort of created this provision this quarter and the figure this quarter is fairly miniscule in terms of the hit to P&L.

Kunal Vora – BNP Paribas/Mumbai

And the second is on the energy margin, is it a timing issue? Last year if I recollect right, you also made a large reversal of energy losses and you had reported some gain so should we expect something similar going forward or this is permanent?

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

It was a one-off last time.

Kunal Vora – BNP Paribas/Mumbai

Last time was a one off but last time I think was also a reversal of accumulated losses. I thought it was something like that? You had losses for many quarters and like finally you managed to get some money from the customers and there was some reversal. So, is that something which we can expect on ongoing basis or was that clearly a one offs? It is not something we should expect?

Vinod Rao – Head Business Controller – Indus Towers Limited

Kunal that was clearly a one off. There were certain settlements done with the customers and as a result of that we recognized the one-off last year. We do not see that continuing forever.

Kunal Vora – BNP Paribas/Mumbai

And finally, you had allowed like some 9% exits to the customers without any penalty. Is this fair to assume like going forward you will not have any meaningful exit penalty revenue because it has come off obviously to miniscule levels right now, so going forward there should not be any exit penalty revenue.

Vinod Rao – Head Business Controller – Indus Towers Limited

That is right Kunal.

Kunal Vora – BNP Paribas/Mumbai

That's it from me. Thank you.

Vandana – Moderator

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

Arun Prasath – Avendus Spark / Chennai

Thank you for the opportunity. Largely I wanted to understand given that we are now mostly rolling out in the rural site what will be the difference in the tariff between say in a tower in a rural site versus with our existing portfolio because this will obviously pull down the sharing revenue per operator number which is kind of not hinting us in figuring out what is the impact of loading revenue?

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

Arun I am not very clear on the question because loading revenue is irrespective of the location. It depends on what loading comes from that particular tower.

Arun Prasath – Avendus Spark / Chennai

Loading revenue should have already had some kind of impact on the sharing revenue per operator, right? It finally goes and impacts the sharing revenue per operator but we do not see that in the numbers, so I am wondering is there any because the mix related shift business is not impacted? This is not reflecting in the numbers?

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

I can only say that depending on the tower mix, depending on the kind of tower we deploy and in general there is a movement towards a certain kind of tower that we are deploying in rural and even some parts of the urban so that will drive our revenue and in fact, I believe the loading revenue would happen on each depending on the timing when the 5G comes through it will happen eventually on the rural as well. You may probably not be seeing it because of the RER impact last year but otherwise we are seeing from our point of view if we correct for RER and we are seeing the growth in the ARPT as well.

Vinod Rao – Head Business Controller – Indus Towers Limited

That is right and Arun we mentioned it at the outset that we had a correction taken from Q3 onwards in terms of the RER for one customer. That is the impact from a downside you will see on a year-on-year perspective in our ARPT.

Arun Prasath – Avendus Spark / Chennai

So, most of the contracts are now repriced, so last year I think we did only around I think one third of the total. The remaining two thirds are also now repriced that is the reason why it is not reflecting?

Vinod Rao – Head Business Controller – Indus Towers Limited

So, it does not happen like over one year or one and a half years. Significant part of the portfolio was up for renewal last year which got done and now we are sort of spread over the next including FY2024, they are spread over the next couple of years Arun.

Arun Prasath – Avendus Spark / Chennai

So, what percentage of the contracts are coming for renewal this year and next year?

Vinod Rao – Head Business Controller – Indus Towers Limited

Ballpark it is around 10% Arun.

Arun Prasath – Avendus Spark / Chennai

10% this year and 10% next year is it right?

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

Ballpark.

Arun Prasath – Avendus Spark / Chennai

I will reconcile the numbers offline. Thank you.

Vandana – Moderator

Thank you very much Mr. Prasath. Due to time constraints, I would like to hand over the call proceedings to Mr. Prachur Sah for the final remarks.

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

Thanks a lot, Vandana. Thanks everyone for the questions. In summary, we are very pleased to have built on robust operational performance of Q4 and delivered significantly to our customer's rapid network expansion in 2023. We continue to make progress on each of our key strategic priorities, which are critical to our growth, competitiveness and customer satisfaction over the long run. One of our major customers' rural expansion and swift rollout of 5G by operators are underpinning the positive momentum. We are excited to facilitate our customers in this next leg of growth in a sustainable and inclusive manner. I once again thank you all for joining the call. Have a good day.

Vandana – 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.