February 26, 2019

**National Stock Exchange of India Limited**
"Exchange Plaza",
Bandra - Kurla Complex,
Bandra (E),
Mumbai – 400 051

**BSE Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Dear Sirs,

**Sub: Investor Presentation**

**Ref: "Vodafone Idea Limited" (IDEA / 532822)**

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The above is for your information and dissemination to the public.

Thanking you,

Yours truly,

For **Vodafone Idea Limited**

**Pankaj Kapdeo**
**Company Secretary**

Encl: As above

**Vodafone Idea Limited** (formerly Idea Cellular Limited)
An Aditya Birla Group & Vodafone partnership

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# STRONGER TOGETHER.
# FOR YOU.

## Vodafone Idea Limited

India’s Leading Telecom company

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# Introduction to Vodafone Idea

# Vodafone Idea Limited: A leading telecom operator

**1,850 MHz**
Spectrum holding

**> 198,000**
Unique GSM Cell sites

**>376,000**
Broadband sites

**>340,000 Kms[1]**
Fibre

---

**> 480,000**
Enhanced coverage
Across towns & villages

**1.4 million**
Retail touchpoints

**11,100**
Branded stores

**387 million**
Subscriber base

---

**38%**
Customer market share[2]

**32%**
Revenue market share

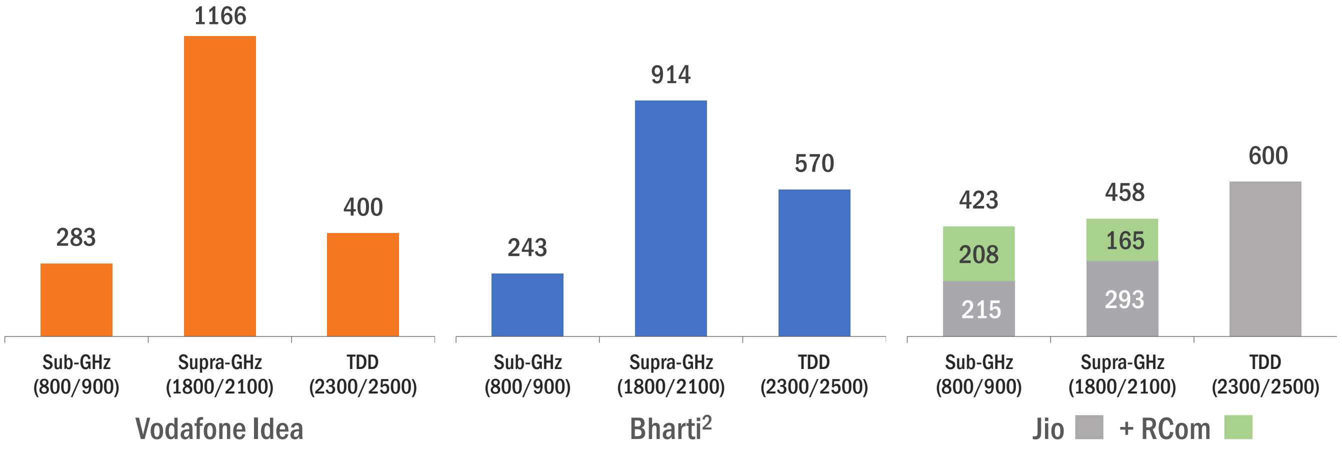
**With our strong assets we are well positioned to compete**

Note: TRAI Financial Report as of Dec-2018; TRAI Telecom Report on Subscription Data as of Dec-2018; other Data (Company Disclosures) as of Dec-2018
1. Includes own fibre of ~158k kms and IRU fibre; Including overlap 2. Active customer market share - VLR (Visitor location register)

# Well positioned to compete: Two complementary brands


# Well positioned to compete: Largest spectrum portfolio

Spectrum holdings - unpaired basis (MHz)[1]

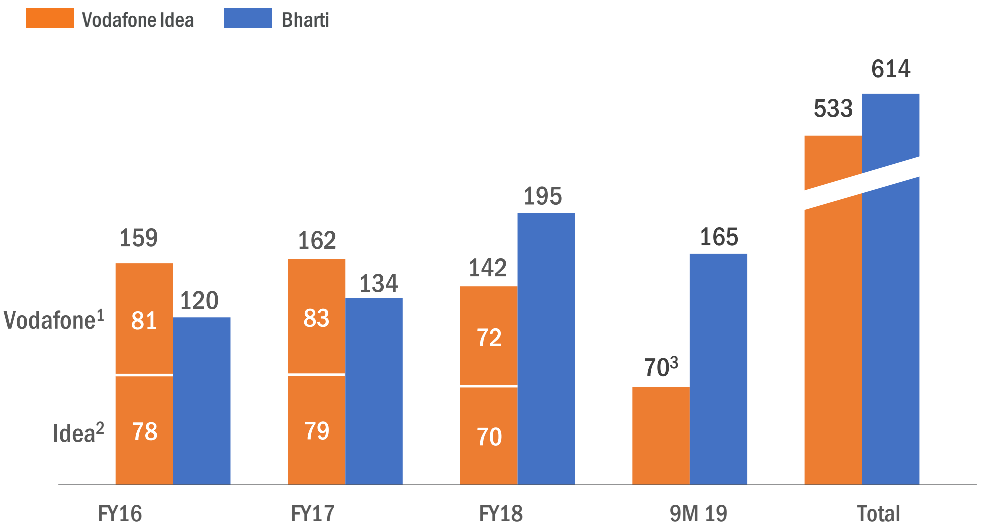



| | | | |
|---|---|---|---|
| Total holdings | 1850 MHz | 1727 MHz | 1480 MHz |
| Total liberalized holdings | 1715 MHz | 1537 MHz | 1480 MHz |

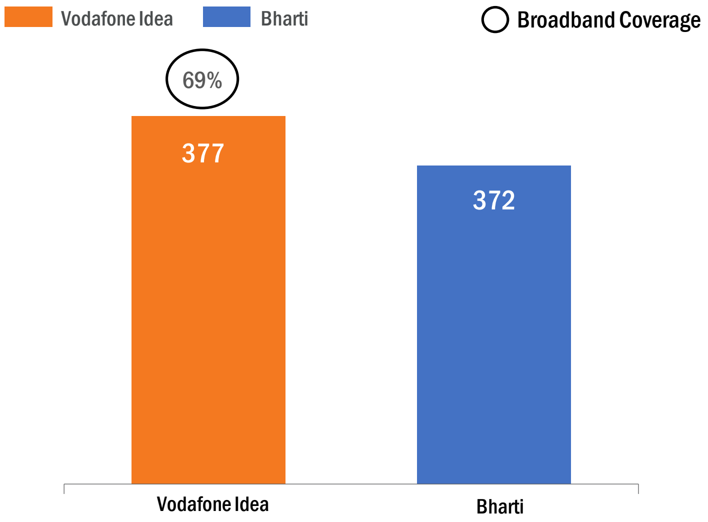
1. Source: Department of Telecommunications; administered spectrum holdings: VIL 135 MHz (in 900 and 1800 MHz band), Bharti 190 MHz (in 900 and 1800 MHz band)
2. Includes Tata

# Well Invested Network: Capex at par with peers historically

## Capital expenditure (Rs. bn)




## Broadband Sites ('000) (Dec-18)




**Early investment for 4G rollout and focus on network innovation since merger announcement**

1. Capital expenditure for Vodafone has been derived by addition of the change in work in progress for tangible and intangible assets excluding spectrum during the relevant period
2. Capital Expenditure for Idea has been derived on the basis of addition to the gross block of assets (excluding spectrum) during the relevant period as adjusted by change in working capital progress and forex and interest capitalization / decapitalization during the relevant period
3. Capital expenditure for Vodafone Idea for the 9 months represents gross additions to gross block and change in capital work in progress

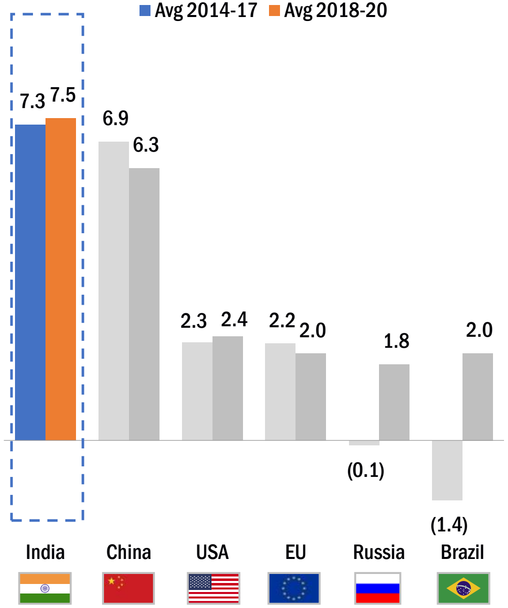
Note: Quarterly disclosures of companies

# Growth opportunities

# Growth opportunity: Large population, fastest growing economy

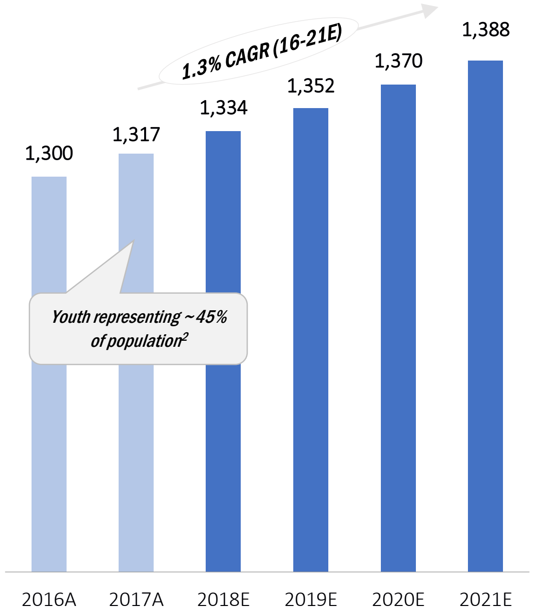
## Fastest growing major economy

**Real GDP growth (%)[1]**




## Growing population and high demographic dividend

**India's population (mn)[1]**




## Easing inflationary environment

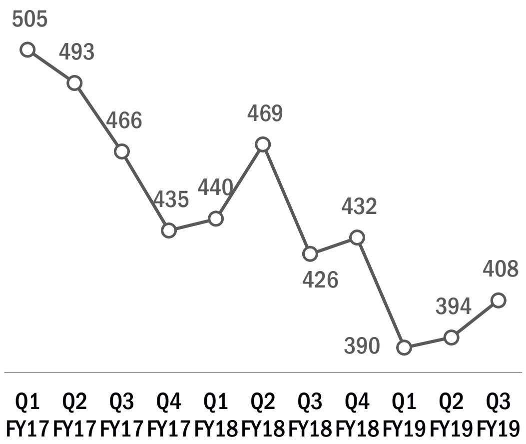
**Consumer Price Index growth (%)[1]**


1. IMF as of Oct-2018
2. Defined as individuals aged less than 25 years of age

# Growth opportunity: Significant ARPU recovery potential

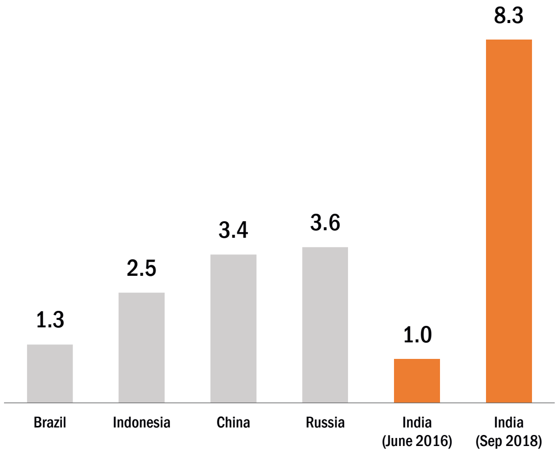
## Significant revenue decline

**Wireless Industry gross revenue (Rs. bn)[1]**



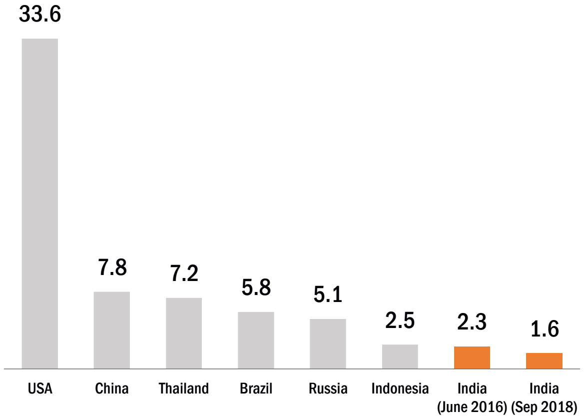

## Exponential data growth

**Data usage per data subscriber per month (GB) - September 2018[1,2]**




## Significant ARPU compression

**Blended mobile ARPU (US$) – September 2018[1,2,3]**



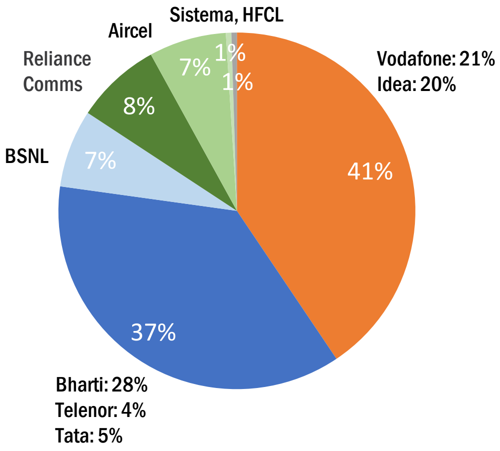

1. Source (India): TRAI Financial Report
2. Source (For countries other than India): Ovum Report extract (As of September 2018)
3. ARPU = TRAI Gross Revenue/Average Subscriber Base; US$1 = INR 71

vodafone | !dea

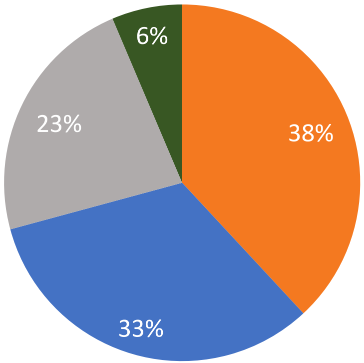
# Growth opportunity: India now has three main players

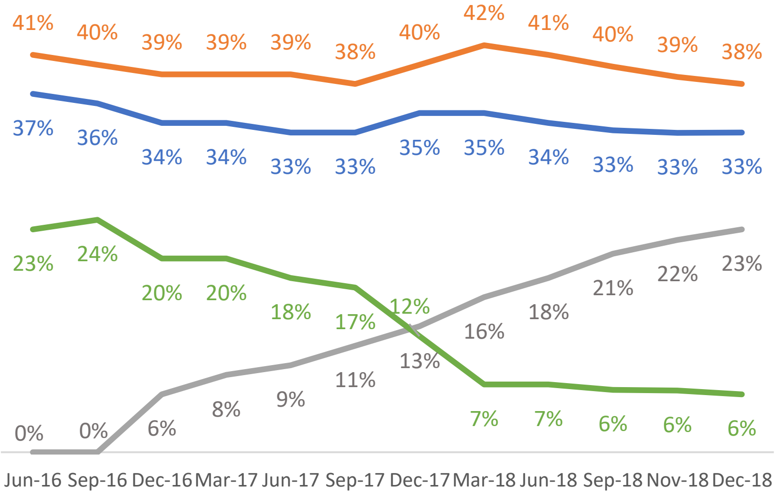
Active customer market share (%)[1]

Jun 2016 (%)




Dec 2018 (%)



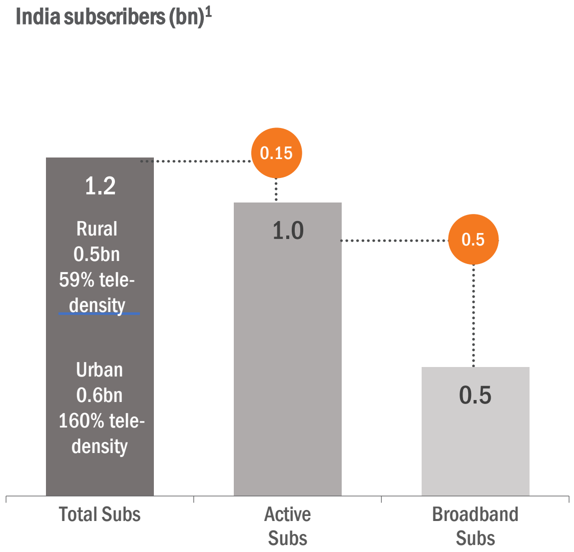




Vodafone Idea　Bharti + acquisitions[2]　Jio　Others

1. VLR (Visitor location register): Source - TRAI Telecom Reports on Subscription Data. 2 Bharti including Tata and Telenor

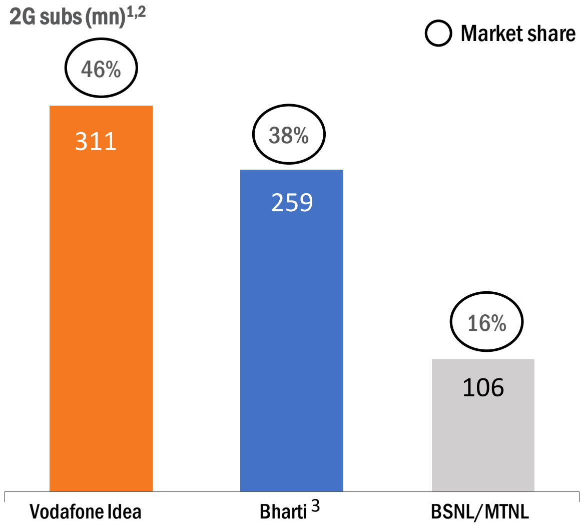
# **Growth opportunity:** To upsell 2G subscriber base

## Under-penetrated market



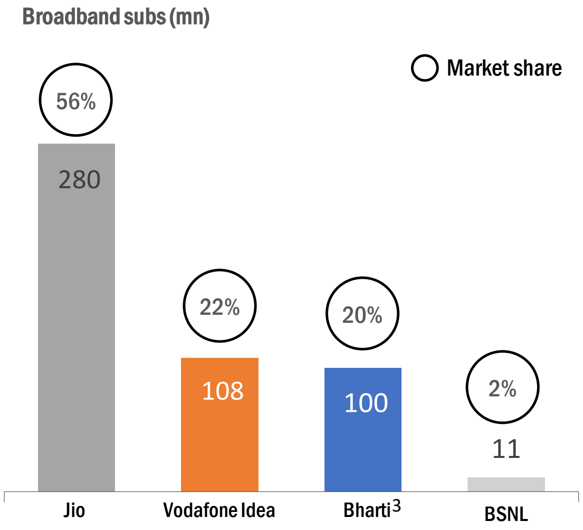

Our fair share of growth is a significant opportunity

## Two main players 2G market




Well placed to upsell customers to 4G

## Three main players mobile broadband market

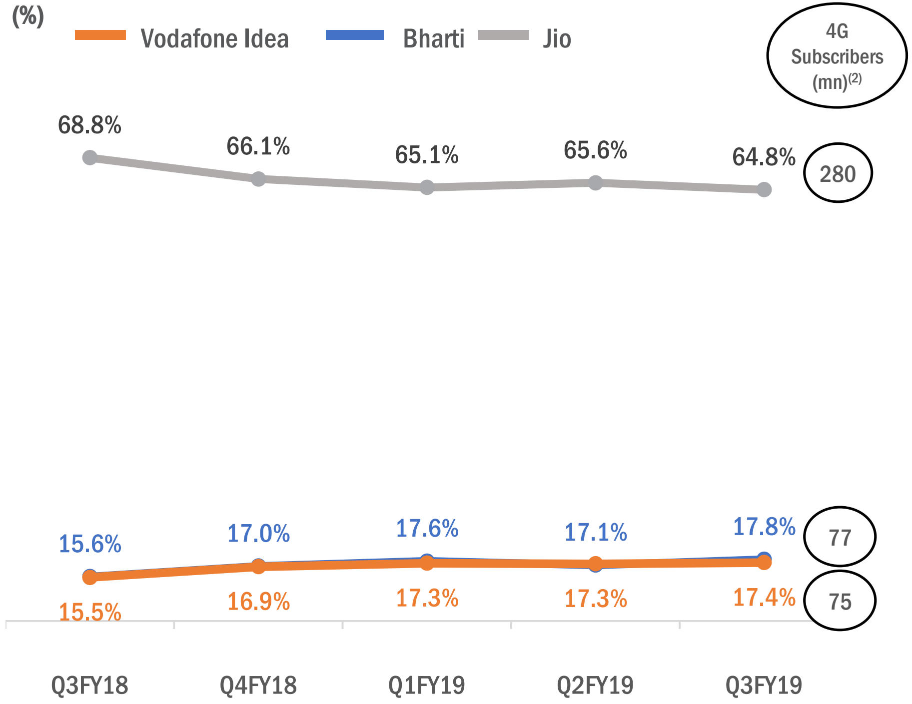



Competitively placed

1. Source: TRAI Telecom Report on Subscription Data (December 2018) 2. 2G subscribers = Total subscribers – Broadband subscribers 3. Includes Tata

# Growth opportunity: Substantial 4G potential

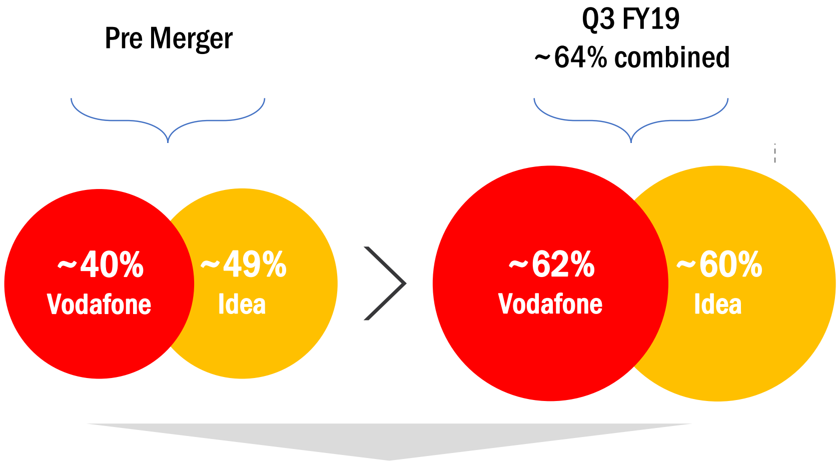
## 4G subscriber market share[1]




Source: Quarterly disclosures published by the Companies

1. Please note that the subscriber definition may vary for each Company
2. As of Dec-2018

## Expanding 4G population coverage




**Incremental population coverage (mn)**

| | |
|---|---|
| Vodafone | ~265 |
| Idea | ~125 |

# Strategy

# Vision

Create world class digital experiences to connect and inspire every Indian to build a better tomorrow

# The strategy for Vodafone Idea

### 1 Radically accelerate integration to reduce cost of production

- Bring forward synergy targets
- Optimise capex through equipment reuse leading to improved 4G coverage
- Create a ‘fit for future’ organisation

### 2 Prioritising investments in key profitable districts

- Investment focused on key and profitable districts
- Network expansion for both brands based utilising existing investments
- Improve 4G capacity in key districts to enhance customer experience

### 3 Drive ARPU via simplification, rationalisation & upselling

- Reduce number of price plans
- Low value recharges for non unlimited customers
- Digitalization of customer acquisition / servicing process
- Utilise Big Data & Analytics to improve ARPU

### 4 Fast growing revenue streams, partnerships to drive value

- Business services
- Partnerships for Digital Content
- Partnerships to enhance return from our assets

### 5 Strengthen balance sheet

- Capital raise of up to Rs. 250 bn / ~US$3.5bn
- Monetise 11.15% stake in Indus Towers
- Monetise fibre assets

**Focused investments to improve customer experience and in turn, profitability**

# 1 Integration: Progressing ahead of plan, accelerating synergies

Target synergy completion date FY 2021 | Previously FY 2023

## Day 0

- Executed smoothly
- Meticulous planning before completion
- Organisational decisions made and implemented
- Exit notices for ~66k co-located sites delivering integration benefits starting Sept' 18

## Today

- Network vendor selection, equipment ordering completed
- Circle & Zone infrastructure consolidation completed
- Product harmonization done
- Organisational structure in place
- Unified network experience to customers of both brands in 8 circles
- Started exiting low utilization sites, optimized loading on co-located sites

## Accelerating synergies

- Prioritisation of low utilisation site exits
- Quicker real-estate rationalisation
- Managed services RFP being fast tracked
- Faster store rationalization
- Integration of Distributors and retail footprint
- Customer service operations to be completed shortly

# 1 Integration: Overview of network integration activities

## Integration activities

### Physical activities

- Physical sites consolidation
- 3G/4G sites relocation
- Microwave Hop re-engineering

### Software upgrade & configuration

- 4G -bandwidth upgrade (5-10,10-15,15-20, 10-20 MHz)
- GSM software configuration
- Second carrier addition-3G

### Spectrum Refarming

- L-900 Refarm
- L-2100 Refarm

## Key levers supporting accelerated integration

- Similar BAU activities already completed
- Sufficient spectrum
- Coherent Radio Frequency grid across all circles
- Dynamic Spectrum Refarming
- Orchestrated & executed through the Advanced SNOC in Pune

**146k sites** rolled out between Apr-17 to Sep-18; **62k sites** shared (ICR/MORAN) between Apr-18 to Jun-18

**Unified network experience for 8 circles completed by Jan-2019**

**Targeting to complete integration activities within 18-24 months from the date of merger**

# 1 Integration: Network opex and capex synergies

| | |
|---|---|
| **Site exits rental savings and loading savings** | • Day 0, tenancy exits of ~66k co-located sites resulted in an immediate monthly cost saving from Sept '18<br>• Prioritisation of low utilization site exits from overlapping networks resulting in rental savings<br>• Network integration and optimisation of loading, and reduction in energy costs |
| **AMC, O&M & other network opex reduction** | • Managed service scope reduction due to site exits<br>• Equipment removed from sites will be used as spare equipment and will reduce AMC to vendors<br>• Off-net lease line will be converted to On-net |
| **IT opex synergy** | • Application, operation, IT facility consolidation<br>• Modernisation to the Cloud leading to savings in AMC & energy |
| **Capex synergy** | • Spectrum consolidation creates significant capacity<br>• Capex avoidance and efficiencies<br>• Scale of procurement post merger results in better pricing and credit terms |

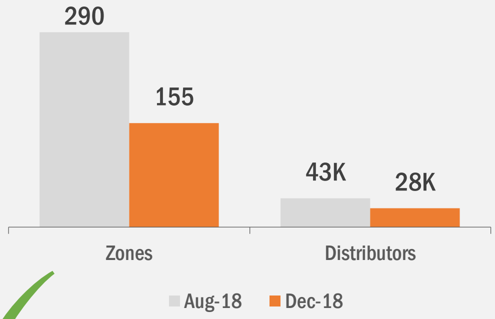
# 1 Integration: Operations integration ahead of plan; structure & organisation completed

## Circle Operations

Circle and zonal office infrastructure consolidated

✓ Achieved

## Sales & Distribution




✓ Achieved

In progress

## Urban Branded Retail Stores


Aug'18
~5,900

→

Dec'18
~4,900

In progress

# 1 Integration: Other opex synergies

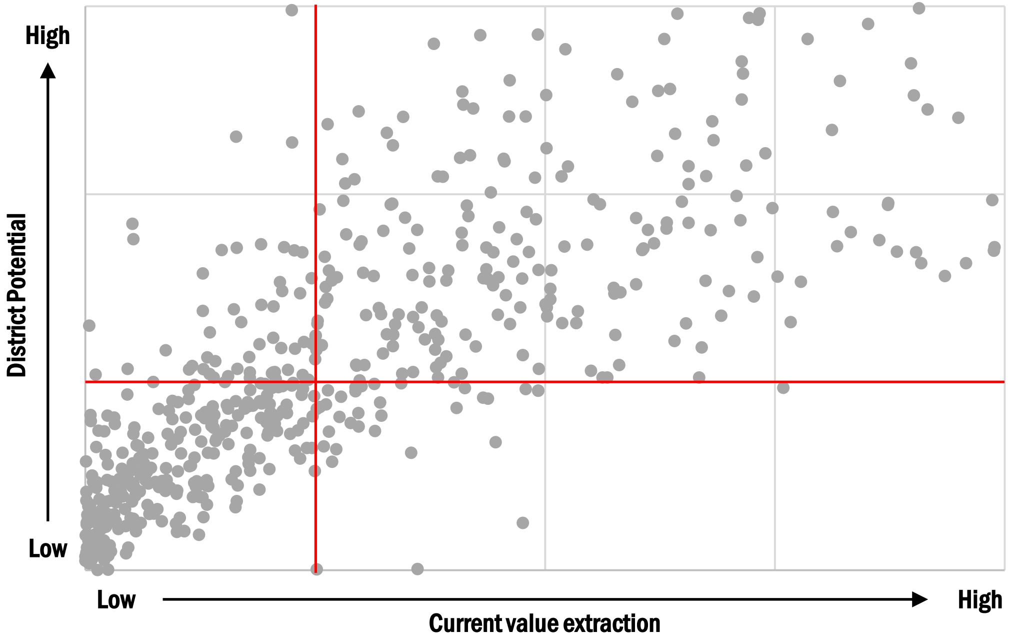
| | |
|---|---|
| **Acquisition** | • Change in acquisition mix with focus on higher value customers<br>• Distribution consolidation<br>• Closure of high cost - low quality channels |
| **Servicing** | • Harmonisation of retail stores & service centre consolidation<br>• Increase in acquisitions through digital channels<br>• Centralised credit and collection (lower cost, bad debt and churn)<br>• Simplified portfolio resulting in lower calls per customer |
| **Advertising & promotions** | • Combined advertising and business promotion<br>• Unified distribution and retail infrastructure<br>• Product simplification |

# 2 Prioritising Investments: Moving focus from circles to key districts

Revenue per District per month for 650+ Districts[1] (Q2 FY19)

**Quad C**
**Build selectively**
54 Districts
3% Revenue

**Quad D**
**Optimise costs**
276 Districts
7% Revenue




**Quad A**
**Fortify and win**
303 Districts
86% Revenue

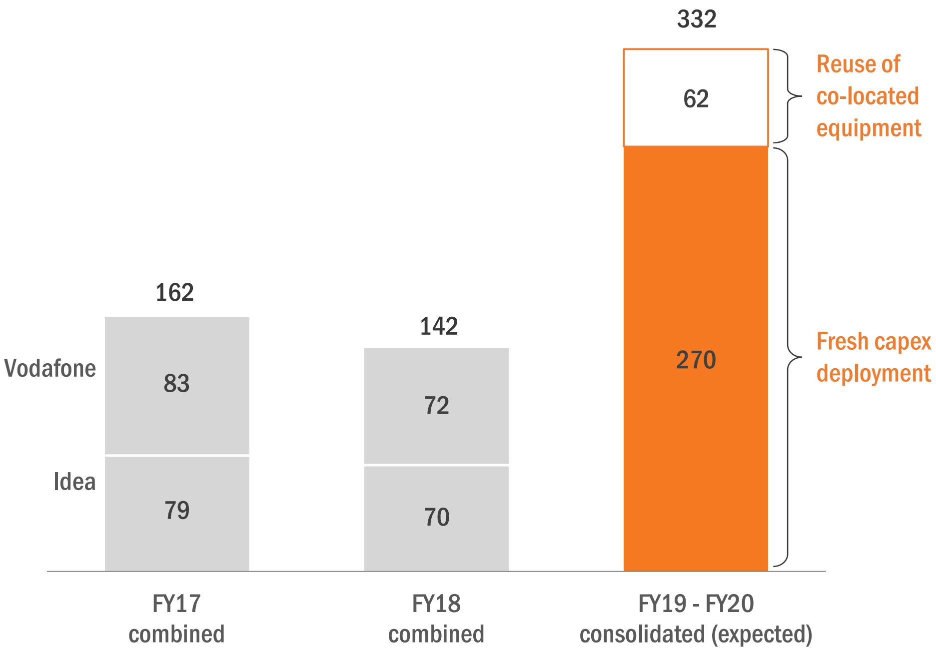
**Quad A + B**
(338 Districts)
(50% of total)

**Quad B**
**Fortify and win**
35 Districts
4% Revenue

1. Census 2011, Company's internal analysis

# 2 Prioritising Investments: Capex guidance

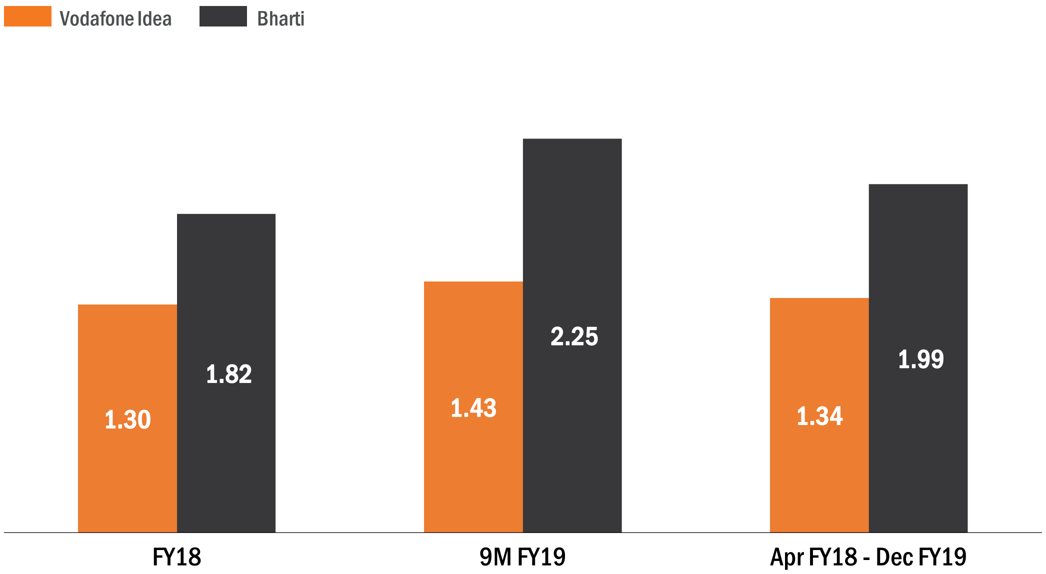
Capex (Rs. bn)




- Sources of capex synergy
  - existing co-located equipment to be redeployed
  - spectrum consolidation creates significant capacity
  - capex avoidance and efficiencies
- Investments focused on profitable districts
- Cumulative fresh capex deployment in FY19 & FY20 of Rs. 270bn
- Scale of procurement post merger results in better pricing and credit terms

# 2 Prioritising Investments: Capex Efficiency

## Capex per site (Rs. mn)




## Deployment in last 21 months

| | Capex (Rs. bn) | Incr. BB sites (No.s '000) | Incr. OFC (Km '000) |
|---|---|---|---|
| Bharti | 360 | 181 | 44 |
| Vodafone Idea | 212 | 157 | 25 |
| Vodafone Idea as % of Airtel | 59% | 87% | |

Source: Quarterly disclosures of companies

# 3 Simplification of prepaid plans: Driving ARPU improvement

## New: simplified portfolio: non-unlimited recharges

Only 5 plans - nationwide

Rs 35
Rs 65
Rs 95
Rs 145
Rs 245

28 days validity

Long validity

2GB, Rs 245 talk time, 30p/mins

100 MB, Rs 26 talk time Rs1.5/min

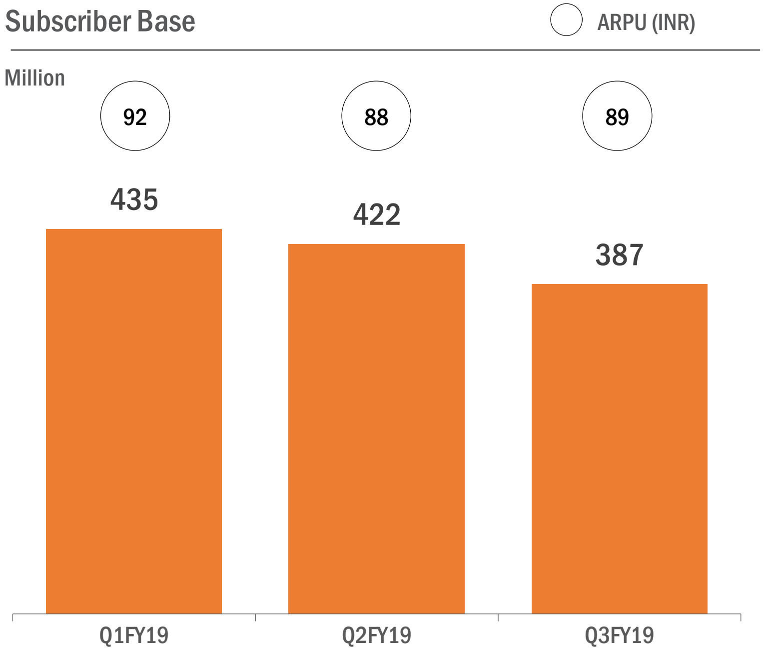
**Integrated products with bundled Talk time, Data, Tariff**

- Common price points across all 22 circles
- Easier to understand
- All vouchers with validity
- Reduction in customer complaints
- Positive trade feedback
- Lower cost to serve - IT systems, Call Centres, Back Offices

## Acquisition plan

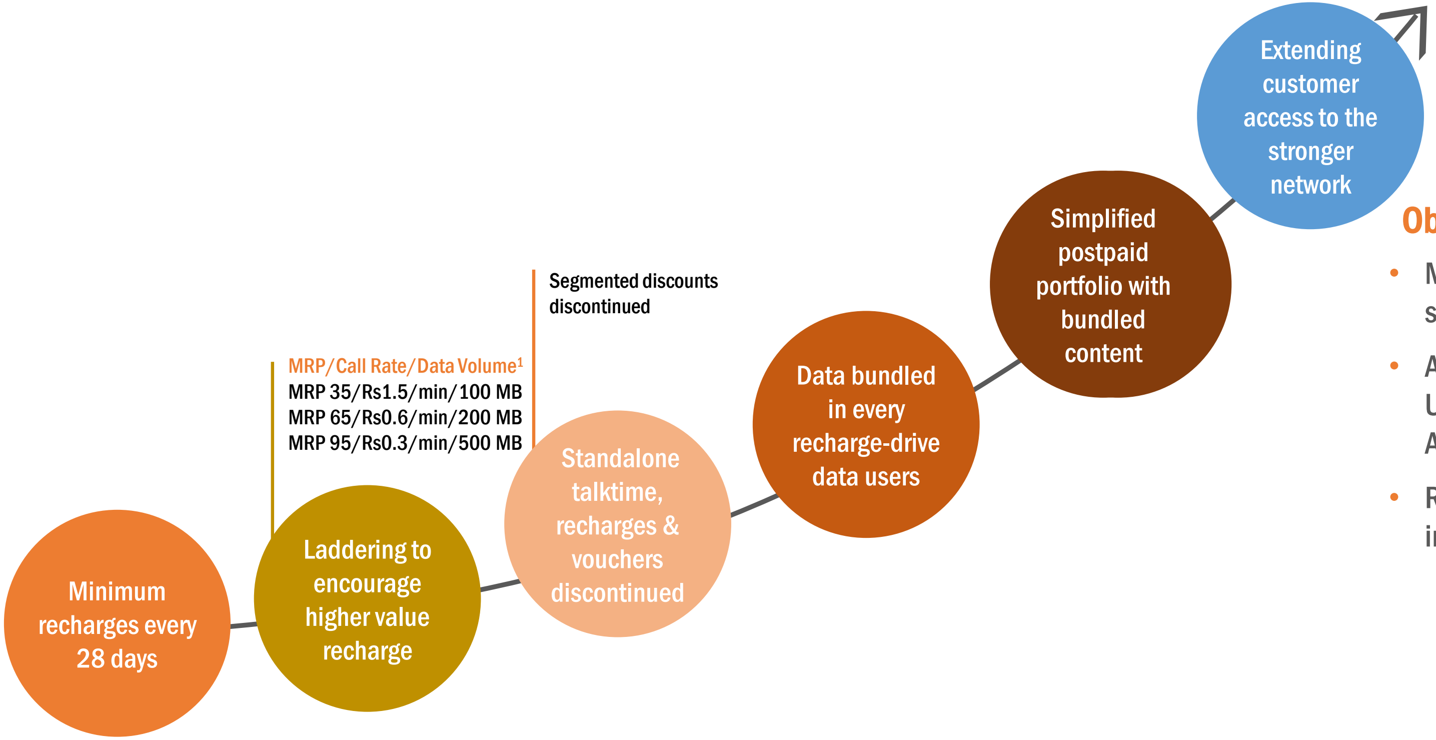
Rs 76

- Only 1 plan in Non-unlimited




**Simplification to drive ARPU, reduce costs and improve customer experience**

# 3 Simplification of prepaid plans: Driving ARPU improvement




## Objectives

- Minimum recharge of Rs. 35 to stay on the network
- Accelerated migration to Unlimited, to improve blended ARPU and reduce churn
- Reduction in incoming-only and inactive base

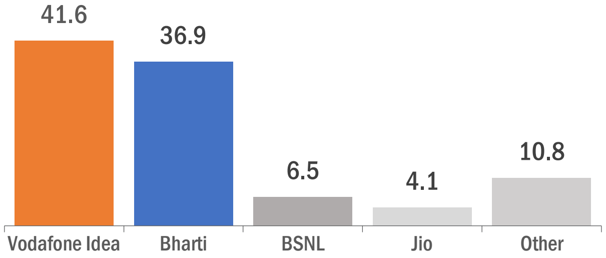
**Actions resulted in growth in daily revenues on a month-on-month basis during Dec 2018 which continued into Jan 2019**

1. As of Feb 22, 2019

# 4 Driving value: Leadership positions in Business Services

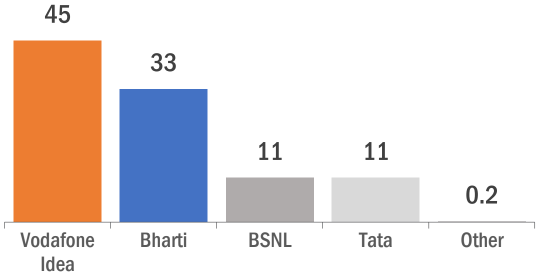
## Leader in mobility market share

Enterprise mobility market share (%)




## Number 1 in Internet of Things

IoT RMS (%)

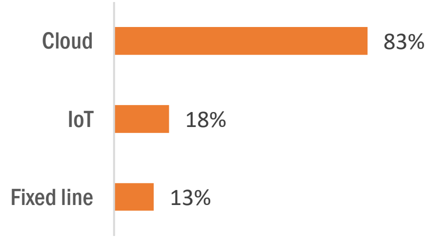



**5bn**

- IoT market volume by FY22
- Benefit of Vodafone Group leadership: 60mn IoT connections

## Non-Mobility: the growth engine[1]

Revenue growth (Apr to Dec 2018 YoY)




**Strategic focus:** Trusted and valued partner for business in a digital world

| | | | |
|---|---|---|---|
| 1 Protect & grow connectivity | 2 Grow SoHo/SME | 3 Accelerate IoT | 4 Reposition Cloud |

Source: Frost and Sullivan mobile services report for Q1 FY 19; Department of Telecommunications

1. Data is from Company's internal reporting

# 4 Driving value: Partnerships for Growth

## Our Assets

- 387mn customers
- 11k stores
- Carrier billing
- Digital assets
- Distribution reach 1.4mn
- Customer intelligence

## Our Arrangements with

- Global Content Providers
- Regional Content Providers
- Financial Institutions and NBFCs
- E-Commerce
- Leading Handset Manufacturers
- Social Media Platforms

**Co-creating value for our customers and partners**

# 5 Strengthen Balance Sheet

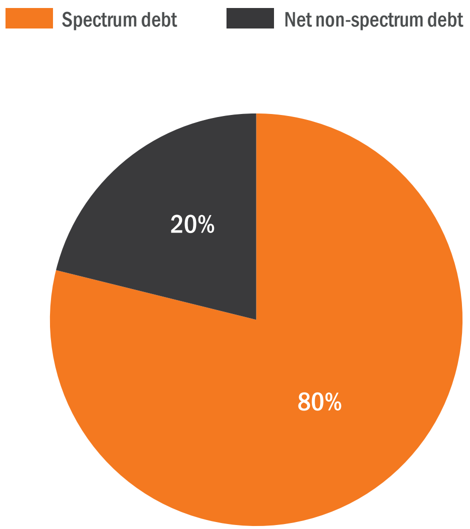
## Net debt breakdown (Dec-18)

### Current Position

- 80% of current net debt to DoT for spectrum
- Debt : equity ratio @1.78: post proposed equity issue ~1.0

### Initiatives

- Up to Rs. 250 bn (~US$3.5bn) equity raise with promoter shareholders indicating support up to Rs. 182.5 bn (~US$2.5bn)
- Indus Towers 11.15% sale proceeds of ~Rs. 50 bn (US$0.7bn) for cash at completion[1]
- Fibre monetisation being actively explored as an option to increase financial flexibility
- Significant acceleration of synergies
- Initiatives for ARPU improvement




Note: US$1 = INR 71

1. Based on Bharti Infratel VWAP for last 60 trading days as of December 31, 2018 (subject to completion of Bharti Infratel and Indus merger)

# 5 Strengthen Balance Sheet: Fibre monetisation opportunity

## Business Overview

- Fibre assets used for backhaul capacity
- ~180k km of fibre under IRUs and which will continue to remain in the mobile business[1]

*Km*

| | |
|---|---|
| Intra – city | 38 k |
| Inter – city | 120 k |
| **Total** | **158 k** |

## Strategic Rationale

**Increasing value through sharing**

- Dedicated focus increases value:
  - Driving sharing
  - Utilising unused capacity
  - Building optimal routes
  - Delivering operational efficiencies

**Release of capital**

- Creates incremental financial flexibility

**Future capex avoidance**

- New fibre roll-out will be in a FibreCo, resulting in fibre capex avoidance for mobility business

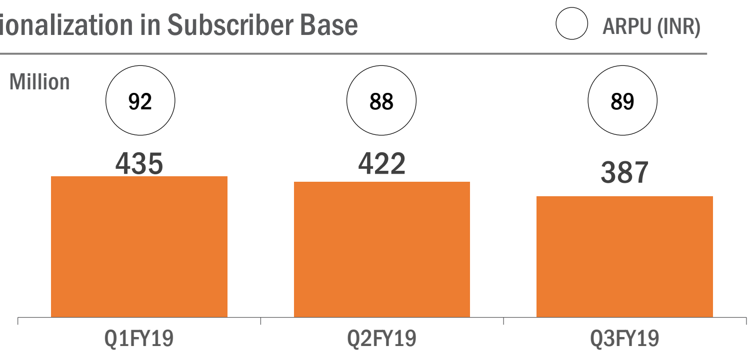
**Creating value by separating the fibre business from the mobility business**

1. Including overlaps

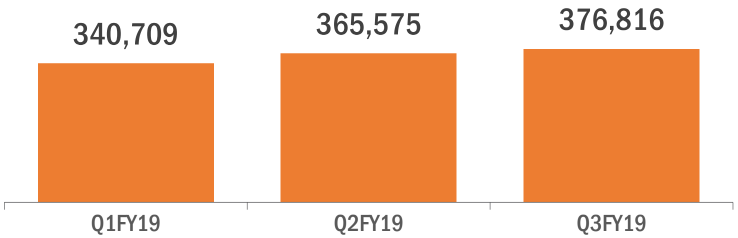
# Q3 FY19 Performance Review

# Key Operating Trends

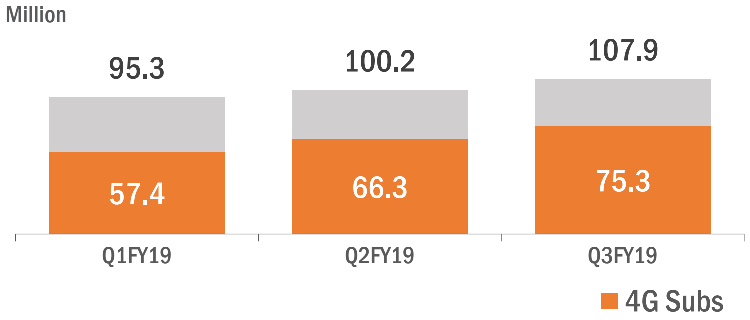
## Rationalization in Subscriber Base



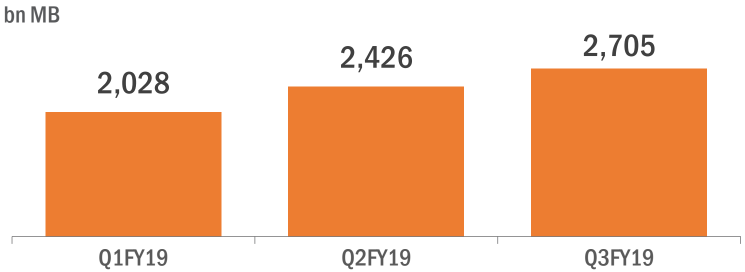

## Expanding Broadband Sites




## Consistent Growth in Broadband Subscribers




## Rapid Data Volume Growth




Source : Company filings

Note: 1. Q1 FY19 is a consolidation of erstwhile Vodafone and Idea 2. Q2 FY19 is on a pro forma basis

# Finance: Results and merger accounting

| Rs. bn | FY18 | 9MFY19 |
|---|---|---|
| Revenue | 603 | 367 |
| EBITDA | 118 | 37 |
| Capex | 143 | 70 |
| Net debt | | 1,149 |
| Net worth | | 645 |
| Debt : Equity | | 1.78 |

- Pro-forma Revenue and EBITDA for FY18 and 9M FY19 have been computed assuming merger is effective 1st April 2017

# Summary

# Summary: We are creating the leading telco

1. **The Indian market is a large under-penetrated growth opportunity**
2. **Vodafone Idea has leading assets** – the largest spectrum, network quality, distribution reach, customer service and two strong brands
3. **Our strategic focus is on our strong positions** in the most profitable and attractive areas of the market
4. We are **accelerating the delivery of merger synergy benefits**
5. **We will strengthen our financial position** via a potential capital raise with promoter support and asset monetisation

A winning strategy for Digital India, customers and shareholders