

## Earnings Conference Call Transcript

Event: Bharti Airtel Limited Second Quarter Ended September 30<sup>th</sup>, 2019 Earnings Call

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**PRESENTATION**

**Rajyita - Moderator**

Good afternoon, ladies and gentlemen, I am Rajyita, the moderator for this conference. Welcome to the Bharti Airtel Limited Second Quarter Ended September 30, 2019 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 senior leadership team of Bharti Airtel Limited.

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. Badal Bagri. Thank you, and over to you, Mr. Bagri!

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

Good afternoon, ladies and gentlemen. Thank you for joining us today for this call to discuss operational highlights for the second quarter and the half year ended September 30, 2019, which we announced yesterday.

Present with me on the call to today are, Gopal, Harjeet, Nakul and Komal. This is a slightly unusual call as our full set of results, are not yet available. As you are aware, the Board of Directors of Bharti Airtel Limited, upon the recommendation of management, have decided to defer the adoption of second quarter and half year results until November 14, 2019 on account of needing more clarity and time to assess the full impact of the AGR matter following the recent judgment of the Honorable Supreme Court. However, in line with our consistent policy of timely disclosures and maintaining the highest standards of corporate governance, the company has filed with the stock exchange a limited set of operating data for the second quarter and half year ended September 2019, which were reviewed by the Board. These operational highlights provide the underlying drivers at work for each of our India segments and businesses, reflecting the trends at an operational level. Equally, we wanted to go ahead with this call to answer any question that you may have on the business.

Given the fact that the financial disclosures are yet to be made public, the call today will be focused solely on the operating data and the underline drivers. As you can appreciate, thereby we will be unable to answer any question, which pertain to financial information and which has not yet been disclosed in our filings.

Before I go on to discuss the operating environment in detail, I would like to take a few moments to discuss the AGR matter itself. Clearly, as mentioned in our press statement, we are disappointed by the verdict of the Honorable Supreme Court. The issue of the scope of AGR definition has been through several rounds of litigation with several judgments, which had been in favor of the operators till now. This decision has come at a time when the sector is facing severe financial stress, and may further weakens the viability of the sector as a whole, when operators have invested billions of dollars in developing the telecom sector and providing world-class service to our customers.

We understand that the Department of Telecom appreciates the duress faced by the industry and has formed a high-level committee of secretaries to review the situation, and financial stress of the sector as per media articles. The sector as a whole, including ourselves, will need to revalidate the amounts involved with the department and also expectable relief to deal with this adverse outcome. It is indeed in the best interest of all the parties to formulate a constructive mechanism to ensure that large levies including this one at hand can be resolved in a fair manner.

We are also evaluating the judgment in detail and its overall implications and accordingly request you that we will not be able to comment on it, much or take any questions on this matter as of now.

Moving on to business and performance, let us talk about our mobile business. The broader industry having now consolidated to three large players continues to see some semblance of stability. Continuing on the sequential growth trend that we have witnessed in the past quarters the mobile revenues sustained their growth trajectory this quarter as well by growing 1.1 percentage points. What is also noteworthy is like this growth is despite the shutdown in Jammu and Kashmir, otherwise, the same would have been higher.

I must also add herein that the Tata customers were also always roaming on our network, the revenue growth that we have reported is the underlying organic growth of the quarter. This is truly a feat for the second quarter, which you are well aware tends to be seasonably weak in the context of the mobility business in India. This in fact, is a positive reversal resulted in this Q2 trends after nearly 6 years.

Overall, this growth has been led by our focus on quality customers, prudent tariff tweaks, including some interventions on the minimum ARPU side and uptrading on account of Airtel Thanks. Our tariff offerings continue remain pro consumer, transparent and non-discriminatory to any network and we take pride in putting our customers need and convenience at the heart of our offering.

Starting July 1, 2019, we have consolidated the consumer mobile business of Tata Teleservices Maharashtra Limited and Tata Teleservices Limited. We have been able to seamlessly integrate the network and consumers have also been able to hold on to the revenue.

Our overall subscriber base number was also impacted due to shutdown of mobile services in Jammu and Kashmir during this quarter. We are hopeful that with the ban now lifted, these customers will again be active on the network.

Our 4G base continues to grow, and we added around 8 million customers during the quarter. With this, we now have over 100 million customers on 4G. Our focus on quality customers is also evident from the best-in-class operational parameters. Our ARPU is now at Rs.128, including Tata, which had much lower ARPU subscribers. On a like-to-like basis, the ARPU was flat quarter-on-

quarter at Rs.129. The network continues to witness strong engagement of the subscribers as the monthly average data usage from the customer base is again the industry leading at 12.8 GB per month.

On the network's front, we added more than 2,900 sites during the quarter and more than 18,000 mobile broadband base stations. We also further added capacities across the network through additional sectorization and Massive MIMOs. In line with our strategy of re-farming 900-megawatt band for 4G, we completed the re-farming across all the 10 circles, which contributes 900 megahertz band, adding to incrementally higher capacities for 4G and VoLTE. Further, we completed 3G shutdown in Punjab and Haryana this quarter, after shutting down Kolkata in the last quarter.

Our efforts toward network experience have shown results. As per OpenSignal October report, Airtel has been rated as the network with the fastest download speed experience and also winner in terms of video experience on the network. At the recently concluded Indian Mobile Congress, we demonstrated live 5G in 3.5 gigahertz and millimeter wave band on commercial smartphones, Mi-Fi, fixed indoor CPEs. We also demonstrated industry vertical use cases for manufacturing, mining, media, smart city using, private 4G, 5G networks and video analytics.

Talking briefly about other businesses; Digital TV services business continues to grow on the back of customer additions and increasing upgrades to premium plans. This quarter, we added over 180,000 customers. ARPU improved by Rs.5 from 157 to 162. The total base now stands a little over 16.2 million as at the end of September 2019.

We also announced the launch of our converged digital entertainment play, Airtel Xstream. This is part of Airtel's vision of building a world-class digital entertainment ecosystem. This offering affords the availability of a wide array of unmatched content on one platform but available across screens, while also creating a future ready platform for connected homes. It caters to needs of new generation of consumers who are looking for seamless and converged entertainment across multiple screens, at home and on the go. The product has taken off to a very strong start and we are hopeful of scaling it up even more.

Airtel business reported a 3.8% sequential growth in revenue. The business continues to grow, led by the demand for connectivity, data center and solutions across the spectrum. Home broadband revenues came a little softer; however, we continue to invest in the business and roll out home passes at an accelerated pace. Equally, we have simplified our pricing points to provide more benefits and value to consumers. ARPU, in the current quarter has shown a slight dip sequentially due to certain one-offs items in the previous quarter; however, you should take the current trends to be a reasonable representation of the underlying business.

Moving on quickly to other noteworthy areas, regulatory matters, the TRAI has come up with a consultation paper on review of interconnection usage charges (IUC). This is in line with what TRAI said back in 2017 when they had reduced the charges. We support this review, as we believe that asymmetric nature of traffic, along with large base of feature phones in the device ecosystem, coupled with large investments made on networks, means that the cost to carry a call is upwards of the current IUC. We have submitted the comments on the consultation paper and have firmly recommended that applicable date for zero termination charge regime be moved by at least 3 years.

Moving on to M&A, as previously mentioned, the merger of Airtel with Consumer Mobile business of Tata has become effective from July 1, 2019. Consequently, all customer's assets, spectrum and agreed liabilities of these businesses stand merged with Airtel effective July 1. The scheme of arrangement between Airtel and Telesonic for the transfer of optical fibre cable business has become effective August 1, 2019.

Lastly, on Infratel, as you would be aware, the Board of Infratel has approved the extension of the long stop date for the proposed merger with Indus by a period of 60 days. The matter is pending requisite approvals, and we await the finality of the same to be able to comment any further on this matter.

To sum up, the telecom industry in India continues to witness huge expansion in data and voice, along with price recovery. Our non-mobile businesses continue to expand at a healthy clip and Africa remains on its profitable growth journey. Overall business-wise, our execution remains strong. We are hopeful that the government will take a balanced approach on the AGR matter to ensure the long-term viability of the sector.

With this, we open up for questions now.

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**Rajyita - 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 constraints we would request, if you could limit the number of questions to two to enable more participation. Hence management will take only two questions per participant to ensure maximum participation. Participants who wish to ask questions may please press "\*" "1" on their touchtone 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 participants may please press "\*" "1" now. The first question comes from Mr. Manish Adukia from Goldman Sachs - Mumbai. Mr. Adukia you may ask your question now.

**Manish Adukia – Goldman Sachs – Mumbai**

Good afternoon and thank you for taking my question. First question just on the competitive environment in the industry, your overall customer base seems to have stabilized in this quarter but are you still seeing some churn to Jio phone because they seem to have amassed more than 70 million customers as of now and what is your estimate of incremental share in smart phone adds every month? And my second question is on Jio which recently announced new tariff plans which seem to be priced higher versus their earlier plans does that give you headroom to raise tariff on your own network and how are you thinking about this? And just lastly while we appreciate your opening comments on the AGR issue, can I just ask what kind of outcome are you hoping from the Government of India because the Supreme Court has only given three month as we understand to pay this amount? Those are my questions. Thank you.

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

So Manish, this is Gopal. I think on the competitive environment at the bottom end of the market, we have been impacted with the advent of Jio Phone, where there has been some movement away from our feature phone customers to Jio Phone. And recently also, you would have seen that there was a significant price drop on that particular phone, that has continued to put some pressure on feature phones. But as we have said, our focus is really to upgrade to smartphones, and that is really where the entire business execution is currently focused on.

On the new tariff plan, we have always maintained that tariffs are unsustainable and are low and must go up, so we welcome any movement to actually increase tariffs. We have historically been at a premium to our competition in terms of pricing. The only thing that we would like to do is to not look at temporary price movements led out of regulatory changes or regulatory issues, but really look at more sustained pricing increases. The current move, as we understand it, is a tariff only meant for off net calling based on regulation, and if the regulation were to unpeel, then that tariff would go way. Therefore, we have not made any decision to respond accordingly.

On the third question, I think Badal has already mentioned that we have seen media articles that the government is seized of the matter and a group forming secretary has already been formed. So we will await to hear the outcome of this, since there is no point getting ahead of ourselves and speculating as to what could or could not happen.

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**Manish Adukia – Goldman Sachs – Mumbai**

Thank you so much Gopal for that. Just a couple of quick follow up questions, on the lower end of your customer base feature phones, would it be safe to say that probably one third of your revenues on the wireless business would still be coming from the lower end of the feature phone that is No.1 and second on just the AGR issue, I mean while I agree that it probably be too early to comment on what the outcome would be, but again because the timeline is pretty short so what the Supreme Court has indicated, from a Airtel standpoint, from a liquidity stand point, how are you thinking about the next two or three months irrespective of what the let say the new committee decides?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

On the feature phones, it depends on the circles so there are circles, which still account for may be 50% of our revenues and other circles which account for 20% of our revenues so it is a kind of a mixed bag. On the second point, like I said I think before knowing the full outcome of what the requirement is and what any relief maybe forthcoming from the government. I think it would be premature for us to talk about liquidity and funding requirements, I think let us take a one step at a time, is how I would put it.

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**Manish Adukia – Goldman Sachs – Mumbai**

Thank you so much and all the best.

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**Rajyita - Moderator**

Thank you very much, Mr. Adukia. The next 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. I just wanted to allude to your opening remarks in which you had said that because Tata subscribers were already on the network hence there is minimal impact, just wanted to check whether there is any impact on the subscriber addition what we are seeing, if yes, what is the amount and I also would like to know that churn is coming down meaningfully, do you think that this low level of churn is sustainable and how far are you seeing that?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

Like Badal mentioned, I think the revenue that was reported last quarter already included the Tata component because there were roaming arrangements that we had with Tata, but as far as customers were concerned, we were able to acquire about 6 million to 7 million customers, about 6.5 million customers from Tata. At the same time, we lost a number of customers running into almost 2.5 million to 3 million in Jammu and Kashmir. This loss is not a permanent loss because of the way we define our revenue earning customer as a revenue that we have earned in the preceding 30 days. So this will come back the moment prepaid services are switched on. So that is really what's happening in the course of the quarter. And one of the reasons why the ARPU has slipped by Re.1 is that the Tata customer comes with a substantially lower ARPU.

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**Pranav Kshatriya – Edelweiss Securities - Mumbai**

Okay. I mean so that seems that the subscriber addition was more or less flat, I mean, zero subscriber addition broadly for Airtel standalone phone?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

Organically yes, you are right, during the quarter. Having said that, I think, to your last question on churn, I think we are really focused very heavily on churn. So we have a bunch of 10 levers that we have identified to radically drive down churn. There is also a substantial amount of SIM consolidation that has happened in the market with more or less equal sized players and the combination of both will mean that these churn trends that you are seeing of a reduction from last quarter and this quarter is a sustainable trend. We are pleased with the fact that the churn has actually come down and we will continue to work towards bringing it down further.

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**Pranav Kshatriya – Edelweiss Securities – Mumbai**

Thank you. That is it from my side.

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**Rajyita – Moderator**

Thank you very much, Mr. Kshatriya. The next question comes from Mr. Sanjay Chawla from J M Financial, Mumbai. Mr. Chawla you may ask your question now.

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**Sanjay Chawla – J M Financial- Mumbai**

Good afternoon. Thank you for the opportunity. My first question is with regard to the AGR definition, I mean, do you see any issue in terms of the AGR definition in respect of DTH license fee computation, because now that has also been paid on revenues net of content cost, do you anticipate any issue there potentially? That is first question. Secondly, Jio has also now introduced these all-in-one packs, so this is effectively a tariff hike although the driver could still be termed as IUC or regulatory. So can you just talk a little bit about the potential tariff hike constructs for yourself now that Jio has introduced these all-in-one packs?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

Hi Sanjay, on the DTH fees the matter is in court, it is sub-judice, it will be very difficult for us to comment on it; however, we do not see any risk as far as DTH is concerned from a definition perspective.

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**Sanjay Chawla – J M Financial- Mumbai**

Has DoT approached you in a fresh manner with regard to this netting off content cost as well?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

No, they have not Sanjay. Nothing as of now.

**Sanjay Chawla – J M Financial- Mumbai**

Okay.

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

Sanjay, on the price part, I have already talked about it. I think the way the pricing has been done by one of our competitor is to charge for off-net calling that is both available on a per minute basis as also on a bundled basis so for different plans, there are different amounts of minutes that are bundled in and with the promise to customers that if should the regulation change this will unwind and therefore we do not see this as a tariff increase, we see it as a passing on a current regulatory charge to customers which is in effect bilateral charge between operators and so we are not doing anything about it, we await the consultation of the TRAI paper and then we will take appropriate action.

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**Sanjay Chawla – J M Financial- Mumbai**

So Gopal, do you also see, you know the fact that your tariffs have been at a premium as you mentioned as some sort of a hurdle in capitalizing on this potential opportunity?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

No, that has nothing to do with it. I mean historically we have been at a premium and the reason that we have been at a premium is simply that our strategy is to really win with quality customers, we believe that we are well on course to executing on the strategy as reflected in all the programs that we are running whether it is Airtel Thanks, it is to sustain increase in ARPU that we have seen over the last few quarters, it is the move to shed some of the bottom-end customers by having a minimum charge, so all of those consistent with it and we will continue to do what it takes to drive that strategy.

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**Sanjay Chawla – J M Financial- Mumbai**

Okay. If I could just squeeze in just one question on the ARPU sort of a stability that we have seen in second quarter, what exactly has driven this ARPU stability in spite of the fact that the seasonality was rather pronounced this year?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

I think there are three things I would say. One is the upgrading from bottom-end packs to bundles, I think that is one and as people move to 4G they come at an improved ARPU. The second is Airtel Thanks. As more and more customers come on to the platform, we see an increase in ARPU because we have digital hooks to actually up-trade them and the third is some tweaks that we have done on the minimum recharge plans with the incoming being extended for seven days rather than fourteen days, after the expiry of the recharge.

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**Sanjay Chawla – J M Financial- Mumbai**

Okay got it. Thank you very much and all the very best on the AGR issue.

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

Thank you.

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**Rajyita - Moderator**

Thank you very much Mr. Chawla. 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. First one Jio has raised tariff to its indirect while you are not looking to respond to the same immediately, so do you see a potential for slightly better market share or higher state of gross additions in the short term till the time Jio reverses

it, that is one? Second one data volumes have been fairly strong almost more than 80% increase over the last year and usage also has been very high 13GB, how is the network utilization now and at what point do you see a need for additional spectrum? That is the two questions.

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

I think on the first question, I think it is early to say because that is really what our Q3 results will reflect what happens there, so I will not comment on that right now. On the second part of it our utilization has historically been around 60% as we mentioned but what we started doing as Badal talked about is shutting down our 3G networks so across Punjab, Haryana, MP we have already done it and by March 2020 I mentioned in the last quarter as well that we will progressively shutdown our 3G networks and pretty much migrate almost all of our 3G spectrum to 4G so that will give us substantial headroom to continue to grow data. The other part that we are doing is actually densifying our networks so on existing base station and existing tower we putting in fourth sector or fifth sector and in some cases massive MIMOs, splitting beams and so on and so forth so all of that also helps us densify networks. So I would say there is still sufficient headroom for us to continue to grow our data usage without the need for any spectrum.

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**Kunal Vora – BNP Paribas - Mumbai**

That is very helpful. Just one last question on the broadband business the decline of 5%-6% in ARPU did you take any pricing intervention, have you lowered prices ahead of Jio launch and are you seeing any impact of Jio broadband launch in any of the markets?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

Like Badal explained, I think we had some one off in the prior quarter on ARPU which showed slight increase. What we are seeing right now is the underlying ARPU. Our pricing has been dramatically simplified, we have moved to four to five pricing plans and one thing that I can confirm is that through these pricing plans the acquisition ARPU that we are getting which historically tends to be much lower than the existing ARPU has now seen a good uptick so that bodes well for the business. And finally from a competitive standpoint, different competitors are there in the market with very different price plans. We have not seen any significant increase in competitive intensity compared to prior quarters as far as this quarter is concerned, so the business continues to grow albeit a very modest rate in terms of customer adds and we would like to actually press on that peddle further.

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**Kunal Vora – BNP Paribas - Mumbai**

Sure, that is very helpful. Thanks.

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**Rajyita - Moderator**

Thank you very much Mr. Vora. The next question comes from Mr. Rajiv Sharma from SBI Caps, Mumbai. Mr. Sharma you may ask your question now.

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**Rajiv Sharma – SBI Caps – Mumbai**

Thank you for the opportunity. Just couple of questions from my side, so with this AGR verdict, you know how will it impact the license fee payouts and the spectrum usage payouts in these quarters to come, so like to like basis what could be the potential increase? Second is, I understand that we do not want to speculate on what the outcome of the committee will be but what inputs you got from your legal experts or team in terms of what is that government could do and what is your wish list which Bharti is talking to the government and the secretaries?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

Rajiv on the impact, while we generally do not comment on it but incremental impact on our existing financials will be marginal basis whatever accounting provisions we generally carry and according to principals which we have established so it is not a substantial implication incrementally going forward until there is one off non-telecom income which comes by way there should always be an exception. On what the expectations are, I think we have been fairly clear we have made fair representations in various forums and through COAI, so the expectations are all there in front of the government. We wait to hear from the government on what the actions possibly can be considered by them.



**Rajiv Sharma – SBI Caps – Mumbai**

So I am trying to understand these penalties and the tax rates and interest on penalties are the major burden rather than the base amount and given that this litigation has been long for 14-15 years can you help us providing us a sense as to from when these penalties have been computed and is there a room or headroom for DoT or the regulator to be more lenient here?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

Rajiv, the penalties and the interest are being computed from the financial year from which the assessment are being done, there is a demand for year 2006-2007. The interest is computed since then. Penalty is levied as on that date and interest on penalty is computed since then at this particular point of time. Is there a room for consideration out here? We definitely see that substantial room for consideration matter has been under litigation for so many years, several bodies have interpreted the same definition in very different ways, there have been judgement which has been in favour of the service provider so definitely there is a room for a fair amount of consideration on all of these aspects.

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**Rajiv Sharma – SBI Caps – Mumbai**

And will DoT take a call on this or it will be the Apex court which takes a call on the amount?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

Rajiv, very difficult to say who is going to take a final call but DoT definitely is going to compute the amount whether a consideration can be done for those amounts or for anyone of these elements, very difficult to say who is going to take the final decision on that.

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**Rajiv Sharma – SBI Caps – Mumbai**

Lastly 35% market share, Gopal can you throw color has to when we are targeting this and how do you want to go about it?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

Sorry what is that target that you are referring to I am not aware of this?

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**Rajiv Sharma – SBI Caps – Mumbai**

Some reports where you would mentioned that you are looking at 35% revenue market share?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

I have not mentioned any such thing.

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**Rajiv Sharma – SBI Caps – Mumbai**

Okay, so how do you see revenue market share panning out for yourself for the next four to five quarters?

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**Gopal Vittal – Managing Director & Chief Executive Officer, India & South Asia – Bharti Airtel Limited**

I think our focus as we mentioned is you know our strategy is quite clear, market share we believe is strong barometer of performance but really the more important thing is what are underlying drivers to gain the market share. I think over the last couple of years we have held well, we have grown market share but for us the underlying drivers are more important and that is really a function of two pivotal strategies, one is our obsession around quality customers and really winning the quality customers, reducing our churn and making sure that we drive whole bunch of services to create stickiness with them and second to deliver a really strong network experience for which I think we have made substantial investments, re-farmed spectrum, moved to sub-Giga hertz band, 4G, shutting down 3G networks and of course continue to make the investments that are required in a smart way. OpenSignal recently showed that we are the best performance in terms of video experience as well as speed, so all of those are moving in the right direction and that I think is important for us to actually drive the objective of growth in market share.

**Rajiv Sharma – SBI Caps – Mumbai**

That is very helpful. Thank you.

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**Rajyita - Moderator**

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

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**Sanjesh Jain – ICICI Securities – Mumbai**

Good afternoon and thanks for the opportunity. I got just one question on this Tata Tele revenue, I was trying to reconcile the number which Tata Tele has disclosed in previous AGR report where if I add the circle wise AGR plus NLD it comes from Rs.3.3 billion and we have not gained anything is what we are now disclosing in this quarter, I just wanted to understand the math behind it?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

Sanjesh, we can take this question offline. However, broadly the Tata Tele may have enterprise business and other businesses which have not come to Airtel so that the numbers may not be like-to-like comparable. AGR is a summation of all circles and there will be revenue amongst all circles as well and hence that may not be comparable but we can take this question offline.

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**Sanjesh Jain – ICICI Securities – Mumbai**

That is helpful. Thank you.

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**Rajyita - Moderator**

Thank you very much Mr. Jain. The next question comes from Mr. Varun Ahuja from J P Morgan, Hong Kong. Mr. Ahuja you may ask your question now.

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**Varun Ahuja – J P Morgan – Hong Kong**

Good afternoon gentlemen and thanks a lot for taking the questions. Firstly, I want to ask you know the long stop date extension for tower merger, could you just explain whether it is more to get the regulatory approvals or whether there is scope for more discussions with the Idea Vodafone that is my first question?

Then the second one is I think similar to one of your bonds if you could guide whether the existing bank loans has any covenant that come into play obviously subject to the ratings?

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**Nakul Sehgal - Corporate Chief Finance Officer – Bharti Airtel Limited**

Varun, I will take the first one, this is Nakul. As Bharti Infratel has also disclosed to the stock exchange. The Board of Directors on their meeting on October 24, 2019 had accepted the Committee of Directors recommendation to extend the long stop date by 60 days and on the basis of agreed on closing adjustments and other conditions precedent for closing and based on the net debt as of September 30, 2019 as was mentioned such agreed closing adjustments is expected that the dilution of equity stake held by the current shareholders of Infratel should be lower than the account of lesser number of shares that should be issued against the swap of Indus shares. Such completion of the merger is conditioned upon various approvals which we have alluded to in the past and also fulfillment certain other condition precedent, however there can be no assurance that this can be completed within the due time, so this is what we will like to say on this as of now.

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**Varun Ahuja – J P Morgan – Hong Kong**

On this can I ask you on that whether the share price has moved a lot and we are all reading the media report is there any way that, I mean from your perspective it seems like it is all mathematical formula that has been agreed to but let us say the other parties for one reason or the other do not agreed to it, is there any kind of penalty that they would be imposed if they decide to actually walk away from this?

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**Harjeet Kohli - Group Director, Strategy & Business Development**

Varun, this is Harjeet here. The scheme of the merger is duly filed with the NCLT. It has all the provisions there. It will be inappropriate to comment outside the scheme. Theoretically all such transactions have a settlement risk where unlikely that given the recent discussions both the counterparties have had on extending the long stock and associated whatever closing adjustments we had to do is unlikely should cause any change but I would say all of that is part of the NCLT scheme, we hope to get the approvals and then take this forward in the coming few days or weeks.

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**Varun Ahuja – J P Morgan – Hong Kong**

Got it. Second question is regarding to the covenants?

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**Harjeet Kohli - Group Director, Strategy & Business Development**

Varun again Harjeet here, ratings related covenants are not there in any meaningful across the debt facilities and bonds that we have, but for a small portion of a bond which is outstanding in Airtel Africa which Airtel Africa is carrying substantial cash reserves but that also is a debt incurrence covenant not a breach. Having said that, I think in general the covenant philosophy with the relationship bank market and the loan market that we access away from the bonds, bonds are all the investments way package, carry a leverage based covenant. So clearly from the perspective of where we are, including the potential and evolving implication of AGR, we will need to assess all of these as we go along. Today, from a ratings perspective we do not expect high level of sensitivity but clearly credit appetite, cost too access the appetite all of that gets impacted and that is why some of the evolving implications of the judgement that we have had an adverse basis we need to watch carefully.

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**Varun Ahuja – J P Morgan – Hong Kong**

Alright. Thank you very much.

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**Rajyita - Moderator**

Thank you very much Mr. Ahuja. The next question comes from Mr. Rohit Chordia from Kotak Securities, Mumbai. Mr. Chordia you may ask your question now.

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**Rohit Chordia – Kotak Securities – Mumbai**

Gopal just had one quick question on second order impacts of the AGR case outcome assuming the worst case pans out there is no relief that is forthcoming, does this impact your investment plans in any case whatever capex you are looking to do on the network side etc., would you have to have relook at that at all, second order effect the dividends from Bharti Infratel would you have to restructure a little bit to ensure that there is no license fee and SUC leakage on that, so if you could comment on some of these aspects assuming the worst case pans out?

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**Harjeet Kohli - Group Director, Strategy & Business Development**

Rohit, this is Harjeet. Sorry to cut you sort of to intervene here. I think on this matter as Gopal also earlier mentioned, we have to be respectful of the situation. It is the Honorable Supreme Court judgement on one side, we have to be respectful also of the government's senior stature officials, committee that is being formed to kind of review this. It is probably not right for us to keep commenting on what we expect or what can happen I think it is difficult, it is an awkward situation for us hope you appreciate. On a broader theme, what you are saying is, clearly when the impacts of such unprecedented situation come on any industry and these are more or less industry level impacts, if you exclude one or two players, I think in that situation the industry reassess is what is happening and to that extent the more or less adjustment being done at an industry level is not a meaningful competitive dynamic change, then you have to say which one is weaker, which one is stronger and how does that play out. So we do not want to comment about how things are in the industry but that is the element of plan which we have to do once these certainty of how this is evolving is in our understanding. So allow us to sort of live with this for the moment and understand how this is evolving and then maybe we can catch back as more clarity comes on this aspect.

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**Rohit– Kotak Securities – Mumbai**

I hope to get an answer in January may be. Anyway a quick more a bookkeeping sort of a question, if you could help with some numbers on, you know how many smart phones are there in your network where you are perhaps still the second SIM? It that a sizable number.

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**Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited**

First of all (a) we do not disclose this number and (b) it is also very difficult and it has to be a very indirect form in which we will be able to assess where we are potentially a second SIM, I can tell you that that number is not sizable. Based on whatever assessment we have done, it is not sizable.

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**Rohit- Kotak Securities – Mumbai**

Understood, thank you very much. All the best.

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**Rajyita - Moderator**

Thank you very much Mr. Rohit. 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**

Hi, I have a couple of questions. On the ARPU side you mentioned that like-for-like things are flat and you outlined the underlying drivers of ARPU change, could you also discuss the ARPU trends on the postpaid side and how you see the competitor activity shaping there? Second question is on whether you are also considering shutting down of 2G sites in places where your VoLTE traffic is significant and while answering this question it would be great if you can comment on the proportion of voice traffic that is now on VoLTE and how quickly it is changing? Thank you.

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**Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited**

On the postpaid side, I think ARPUs after a substantial amount of down-trading that we have seen we have seen for about seven eight quarters, for the last couple of quarters they have been a kind of a holding steady. Our pricing on postpaid is at a substantial premium over prepaid and despite that we continue to add customers and our churn is quite comfortable there. 2G there is no plan to shut down because even in circles like Delhi there is a substantial amount of 2G revenues that still are around on 2G networks coming only from 2G phones. Secondly there is a leakage on 4G devices on VoLTE because there are two three things, one is the 4G device having a VoLTE configuration which is something the device manufacturers need to do. All the new devices coming in for last 12 months have had this configuration but devices that are older do not have it. The second is that VoLTE then needs to be switched on the device, some customers switched it off and the third part is then to provision those customers. All of which lead to some leakage and there needs to be some kind of fallback and this is a reason some small slug of spectrum on 2G which actually takes that leakage. The reason we were able to shut off our 3G networks was that the revenue from just 3G devices was very very insignificant in the low single digits and therefore we took a call to shut that off. 2G we still have some runway for the next few years.

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**Vivekanand Subbaraman – Ambit Capital – Mumbai**

Thanks for the detailed explanation. One small follow-up on the postpaid side, you mentioned that the customer addition remains healthy and you also outlined in your annual report at great lengths about Airtel Thanks, is this program more successful on the postpaid side in resulting in up trading or is it indifferent are the customers indifferent in up-trading in postpaid versus prepaid?

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**Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited**

I think it is the impact of up-trading on Airtel Thanks is more on the prepaid segment plus in the postpaid segment because once the customer opts for a postpaid plan they do not make shifts every now and then. A switch from one plan to another happens after a lot of thought and deliberation and that is when they make a switch so there is lot more on the prepaid side.

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**Vivekanand Subbaraman – Ambit Capital – Mumbai**

Alright, thank you. All the best.

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**Rajyita - Moderator**

Thank you very much Mr. Subbaraman. The next question comes from Ms. Sharon Chen from Metlife, Hong Kong. Ms. Chen you may ask your question now.

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**Sharon Chen – Metlife – Hong Kong**

Hi thank you for taking my questions. Just a couple of questions, first one is in terms of your liquidity can you tell me how much cash and undrawn bank facilities you have available and are these bank facilities committed and second is in terms of the company's legal option, at this stage is the plan essentially to accept court judgement or is the petition up for review on the cards? Thank you.

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**Harjeet Kohli - Group Director, Strategy & Business Development**

This is Harjeet here again. On your first question, I think leading committee is also getting setup. We are assess how basis the information they have on how the situation is, I can tell you excluding a ring-fencing this particular AGR situation you had a rating category, you had the liquidity assessment and those assessment stand. I think the issue is clearly ring fenced to the event of any large payout coming out of this recent judgement and for that as I mentioned earlier in one of the comments, since Honorable Supreme court has given a judgement and we also understand that a committee of senior government official is looking at what needs to be done towards telecom sector, I think it will be appropriate only to comment what that event and thereby its implication means both in terms of access to further credits and thereby on our overall ratings and liquidity situations. But ring fencing that we have a fair amount of existing flow of liquidity as well as capital assets. The event is what needs to be watched for.

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**Sharon Chen – Metlife – Hong Kong**

Sorry can you just give me the numbers of excluding the events how much cash and undrawn bank facilities you have available?

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**Harjeet Kohli - Group Director, Strategy & Business Development**

I think the fair assessment of the cash is sitting in June 2019 results so far across Africa and India, it would be about both including our tower companies it could be over two billion dollar may be 2.3 – 2.4 billion dollars. The tower company is free cash flow positive as you very well know. Airtel Africa in their earnings call and release they have generated free cash flow for the quarter that continues and India is just about a free cash flow neutral depending upon how the quarter goes for the capex. So in general that is the cash situation. Access to bank lines, bond market etc., is a rating cum credit appetite based issue. If you see our overall debt that June 2019 results show, you will see a significant debt is in form of the DoT spectrum liability and other portion of debt is finance lease obligation equivalent debt, the pure market debt is about 7 – 7.2 billion dollars as at June. Off that as you very well know bulk of that 7.2 billion dollar is bonds outstanding so there is bank related appetite but having said which I said that business is as usual and this particular event being slightly unusual needs to be assessed its particular ring fenced way.

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**Sharon Chen – Metlife – Hong Kong**

Okay. So do you have any committed undrawn bank facilities available right now?

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**Harjeet Kohli - Group Director, Strategy & Business Development**

I said cannot comment. I think this is something which is not there in our usual financials otherwise. It will be slightly out of the ordinary to comment on that. What I think is business is usually has some continuity available. It is the event that needs to be assessed and looked at for that impact is.

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**Sharon Chen – Metlife – Hong Kong**

Okay. And in terms of my second question?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

On the legal option, all options are being evaluated and it is going to be premature for us to comment on our course of action on the call but suffice to say the company will do whatever is required and whatever it deems fit from a legal course of action on this matter.

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**Sharon Chen – Metlife – Hong Kong**

Thank you.

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**Rajyita - Moderator**

Thank you very much Ms. Chen. The next question comes from Mr. Bharat Shettigar from Standard Chartered Bank, Hong Kong. Mr. Shettigar you may ask your question now.

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**Bharat Shettigar – Standard Chartered Bank – Hong Kong**

Thanks for the call. First question is with respect to the Africa refinancing I think given that Africa has listed now, there were some talks or some plan that eventually that the debt there could get refinanced without a parent guarantee, so any thoughts on where we stand with that issue, that is number one. Second is, probably something bit more simplistic on the AGR issue in terms of the Supreme Court judgement what is the exact amount that the Supreme Court has asked to repay in the next 90 days, and the reason I ask is there are slightly conflicting reports that it probably also includes the spectrum usage charges so can you confirm the exact number?

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**Harjeet Kohli - Group Director, Strategy & Business Development**

This is Harjeet, I will take the first one and request Badal to take the second one. On the first one, Africa refinancing, I think most appropriate for our listed Africa board and management to comment but I am picking up from what their comment has been in this quarter and sort of relaying it back that intend to refinance the parent guaranteed outstanding in Airtel Africa continues to be there. Airtel Africa by itself as a credit is getting evaluated for its own rating category and/or independent credit access from the bank market. That includes credit access in the operating companies is also at the holding company in London and Netherlands. Clearly, all of that processes is in play and over the course of next few weeks or months that refinancing exercise to be extended in the necessary and right to do will be done. At the same time because of the fact that overseas parent, which is Airtel India has better credit rating it has economic benefits from the other side, so the Airtel Africa board, its management are deciding what is the best strategy, intent continues to be refinancing all of these guarantees bonds out over the course of next few weeks and months.

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

Bharat, on the second question on AGR, as you would be aware that the judgment is a principle based output, which has been received from Supreme Court. It is deciding on the principles of adjusted gross revenue, which has not been quantified a number in their judgment. The number has to come from DOT and we need to then assess what, then understand those numbers better. And that is actually one of the reasons why we soft time for publishing our financial results.

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**Bharat Shettigar – Standard Chartered Bank – Hong Kong**

Okay. That is very clear and helpful. Thanks.

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**Rajyita – Moderator**

Thank you, very much Mr. Shettigar. The next question comes from Mr. Aliasgar Shakir from Motilal Oswal, Mumbai. Mr. Shakir you may ask your question now.

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**Aliasgar Shakir - Motilal Oswal Securities Limited**

Thanks for the opportunity. I just had one question relating to this earlier acquisitions of Tata Tele and Telenor we have done. Does the license fee, I mean, the SC verdict obligation of license fee fall on us or the M&A agreement is clear that the obligation is on the seller?

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**Badal Bagri – Chief Financial Officer – India & South Asia - Bharti Airtel Limited**

The obligations of Tata Tele merger or Telenor does not come to Bharti Airtel. It is absolutely exclusive in the M&A agreement with them.

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**Aliasgar Shakir - Motilal Oswal Securities Limited - Mumbai**

That is very helpful. Thank you so much.

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**Rajyita – Moderator**

Thank you, very much Mr. Shakir. The last question comes from Ms. Richa Negi from Goldman Sachs, Bengaluru. Ms. Negi you may ask your question now.

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**Richa Negi - Goldman Sachs - Bengaluru**

Thank you. Good afternoon. I understand this AGR issues, your top priority, but wanted to understand if there is any plan to continue deleveraging and/or opportunistically tender senior bond? That is all from my side.

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**Harjeet Kohli - Group Director, Strategy & Business Development**

This is Harjeet. I think this answer has to be looked away from the specific event, which you mentioned. I think that event does change the entire plan and the strategy to the extent it has impact and that is why we are in the wait and watch mode to see how that impacts. But if you, for a moment, isolate that event, all our stated intent basis the free cash flow generation on a global basis, basis our intended and publicly stated asset monetization opportunities, the intent is to create a more conservative leverage profile than existed on June 2019. But having said which, the fact that this new event has come in, I think this will lead to dovetail to how that strategy now plays out. And to that extent, I cannot comment how the evolution will be from where we are but excluding that that intent of using asset monetization and other opportunities to the de-leverage will continue.

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**Richa Negi - Goldman Sachs - Bengaluru**

Thank you so much.

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**Rajyita – Moderator**

Thank you, very much Ms. Negi. At this moment, I would like to hand over the call proceedings to Mr. Badal Bagri for the final remarks.

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**Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited**

Thank you all for joining the call. Look forward to engaging with all of you during the course of the period and definitely talking to you next quarter.

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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.