

Conference Call Transcription

Event: Transcript of Bharti Airtel Limited Conference Call

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Transcript of Bharti Airtel Limited Conference Call

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PRESENTATION**Komal Sharan - Head of Investor Relations- Bharti Airtel Limited**

Thank you for joining us on this investor call. As you are aware, the Board of Directors of Bharti Airtel approved a fundraise of up to INR 21,000 Crores. In order to discuss this further, I have with me on this call, our Chairman, Mr. Sunil Bharti Mittal, our MD and CEO, India South Asia, Mr. Gopal Vittal, Group Director, Strategy and Business Development, Harjeet Kohli and CFO, India South Asia, Badal Bagri. Before I hand over the call to our Chairman for his opening remarks, I wanted to highlight that we will be opening up this call for question and answer session. Participants who wish to ask questions can send in their questions using the moderator chat option on their Airtel BlueJeans interface. With this, I hand over the call to our Chairman, Mr. Sunil Bharti Mittal for his opening remarks. Over to you Sir!

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Thank you, Komal. A very warm welcome to all the attendees on this call, our investors and other watchers from the public markets and media. I am joining an investor call like this after long years and I think today's call was more appropriate for me to begin with and I am assisted by Gopal, Harjeet, and Badal and of course Komal who handles our investor relations. We will be here for the next one hour to talk about some of the issues that face the industry and in particular what is happening at Airtel.

Let me begin by talking about our industry and the announcement that we made yesterday. India is truly moving into the digital world, on a very accelerated basis. The phase that we have entered now cannot be described as anything short of being exponential. More and more people are joining the bandwagon of being on digital services. Millions and millions of phones are going into the hands of Indians; these are powerful computing devices, capable of doing a lot more than we ever saw before.

Digital India is just not a dream anymore. It is a reality. Government services are moving through the digital medium, businesses are moving through the digital medium, monies are moving through the digital medium, healthcare services, and education any and every touchpoint of our economy or public services are now relying more and more on the digital medium.

To a point that the need for digital infrastructure is growing exponentially in the country. The rate of adoption in fact is something that has surprised all of us even as the lower end of the pyramid, people in the rural areas, people on the fringes of society, are all joining the mainstream of being on the digital medium. The last 18 months of the pandemic has accelerated this particular aspect and I would like to take a lot of credit as our industry, jointly all the players who are here in the industry, truly stepped up our efforts and worked to ensure that India remains connected.

People who moved into their homes, the traffic that moved with them to their homes was well managed and I think we can all, and you can agree with me, compliment the huge effort put in by the teams of all the telecom companies to ensure that India remains connected during these very difficult and trying times, not just for us as individuals but even for companies at large.

I think India has done very well by rolling out an extensive 4G network across the country. Today, India is in step with the globe in terms of ensuring that the citizens enjoy very high-quality broadband services based on 4G. In fact, 4G rollout has been exponential in this country in the last three or four years with almost every corner of the country is now ably covered by the 4G.

Efforts made by all the companies in this regard are lauded. I would say in particular, Airtel has been able to use the strength coming right from 2012 when we became India's first company to launch 4G services in Kolkata and thereafter stepped up on our rollout of the services to ensure that we remained relevant, valid and a leading player in providing mobile broadband services.

This August 15, our Honorable Prime Minister made a very strong appeal to the industry at large. He asked us to take more risks, he asked us to put more capital, he indeed exhorted the industry and industry players to show their animal spirits and go and grow the

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country's infrastructure to ensure that Indians can benefit from the futuristic networks that we can all rollout. Prime Minister's pillar of Digital India has been an article of faith with us at Airtel. We believe that the call could not have been more timely by the Prime Minister and today when we have taken the step to make a significant announcement of capital investment, which I will explain to you in a little while, it responds to his call to the industry at large to put in more manufacturing facilities, to put in more money into healthcare services, to go and do more bio-sciences, to do more research and activities, more importantly, ensure that all this is enabled to a very strong medium of Digital India, a vision that he holds very dearly.

With all this in mind, it was time for us at Airtel to respond. Yesterday, in the Board meeting, on a unanimous basis including our esteemed partner SingTel, we all concluded that the company needs to raise more capital. Yes indeed, this has been a flurry of rounds of capital increases in the company, but you all know that companies who have not been able to raise capital in time has suffered and importantly have not been able to partake the benefits of a growing economy that we are all seeing.

The capital that we have decided to raise is known to you, that is Rs 21,000 Crores, which will be by way of a rights issue. The details are already with you from our yesterday's release. Why are we raising this amount of money? Some questions have been asked, some queries have been posted. The reason for this is very simple. You have expressed from time to time the leverage that our company to be something that bothers you, it bothers us as well. We have been loaded with extraordinary debt, which we could not have imagined one year back. The load of AGR, the load of spectrum payments, have indeed created an extraordinary load of debt on the company.

Why we remain very comfortable and Gopal has talked about it in the past, I think we are comfortable for business as usual. We will be fine rolling out more 4G networks, we will perhaps even be fine with rolling out part of our 5G networks in substitution to the 4G network, but we believe that there is an opportunity to really accelerate our growth path now and for that we wanted to lower our debt levels, to improve our debt leverage and therefore have access to capital as and when we need for the growth capital that we require.

What are the growth triggers that we see imminently in front of us? 5G is upon us now. I have been saying for the last three or four years that H2 2022 will be the time when 5G will start to become a reality in our country, slowly in the key cities and then going into 2023 and 2024 into the rest of the country across the length and breadth of our current network and it seems to me that we are really coming close to that prediction now.

The auction of the spectrum is likely to happen sometime early next year and by H2 next year which is H2 2022-2023 we will start to see 5G services coming in key cities of India. The other aspect for any new technology or services is the device ecosystem and I am very glad to inform all of you that particular area is looking very good. 15% of devices coming are 5G enabled and by the time we get into H2 next year, a very large amount of smartphones will truly be 5G enabled. Another heartening feature is that the price points for 5G devices are coming down and I know once you get used to having 5G speeds and 5G throughput capacities, customers will start to use services more and more.

It is also India's cherished desire to see 5G coming in fast. We do of course hope that the pricing on the spectrum will be equally made attractive by the government to ensure India benefits from a robust 5G ecosystem.

In addition to 5G, I think we need to roll out more fiber, more than what we have done in the past. We need to prepare our networks for backhauling in 5G type of capacities while we have done a lot of fiber rollout, a lot more needs to be done. And as we do that we will also do millions of new home passes for FTTH broadband services into homes and of course offices. This has picked up a lot of momentum in the last 12 months, we are seeing more and more people joining Airtel's broadband network. If you have seen our last quarter announcement as well, the number of fixed broadband connections are now truly rising exponentially. We cannot let that opportunity be missed out by Airtel, which has been in a leading position, other than BSNL, to serve India's connected needs into homes & offices. That will require capital as well.

In the last one year, we are seeing accelerated demand by hyperscalers on Airtel to set up data centres. This is one place where Airtel has the right to win. We not only know how to build data centres, but we also have the domain knowledge to operate them more efficiently than anybody else in the country. We have submarine cable assets, we were the pioneers in submarine cables. India's first submarine going from Chennai to Singapore was done by Airtel and since then we have now got participation and ownership in multiple other submarine cables which is the heartbeat for any data centre, and of course, we have done fiber on ground to ensure the resiliency of our data centres. We believe we have a significantly higher chance of winning this space and attracting hyperscalers as compared to pure-play real estate players, so that will require investments as well.

So the clear position in front of us was business as usual for which we believe we are well funded. I think you also believe that or now go and accelerate on our growth path. What are we seeing in the marketplace? More and more customers are choosing Airtel. Airtel is becoming a place of choice with the brand as resilient, we are in a lifetime high of mobile revenue market share. We are getting more and more broadband customers unto us.

In the enterprise space, which I have not spoken about because it takes much lesser capital, the large corporates and midsized companies, MSMEs, are all knocking at our doors to connect them, to provide them solutions and we are also accelerating their path as well. To my mind, there would never been a better time for us to press on the gas, put more capital into the system, and ensure that we take disproportionate gains out of the market as India grows and adopts more and more digital services.

It would be a grave error of duty on our path if this was the time when we stayed with business as usual. I can share with you, I have never felt more confident and I have never felt more comfortable in saying I can see Airtel taking a very special place in India's top companies. I believe we can press on the gas now and move forward to take more market share in mobile services, significantly

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higher share in our FTTH business, step up on enterprise and global businesses and importantly also back it up with strong data centre business.

I am glad that some of the pain that we took earlier, is paying dividends today and will hold us for the future. We have the largest spectrum pool in the country. We bought a lot of spectrum in the past auctions, we renewed a lot of spectrum, importantly, we also brought in a lot of spectrum from Tata, from Telenor, from Videocon, from Aircel, which is all today helping us in serving our customers but importantly has become the bedrock for us to serve the customers for many, many more years to come without spending more money on the spectrum. There may be marginal renewals coming up in 2023-2024 but they are very small and modest. Other than the 5G spectrum, which we will hopefully secure at a reasonable price in the coming years, we are pretty much now on spectrum which as you know is not only a lifeline for us, but also a very heavy capital commitment that goes into it.

As we respond to the government's call to invest more money, accelerate the digital vision of India, we equally expect the government also to respond by having lighter touch regulations, by making life simple for telecom companies, Rs.35 of every Rs.100 that the telecom generate as revenues, go into government levies. The levies are far too higher. If India has to be truly a place where the citizens enjoy digital services, where the government gets tons of revenue because of digital vision, it is important that the levies and the load on the industry need to be brought down.

Lastly, yes, this industry needs to have the right economic model for far too long. We have played in this game by growing the industry at very minimal pricing level. People are consuming 16GB of data average per user per month. It is time that the tariffs do take up to make this industry viable and more importantly provide a decent and appropriate returns on capital to grow into more technology arenas, to rollout more networks and become a much more viable model of sustainability in the future.

In closing, let me say, we have been and we always will be very responsible. We continuously watch our expenses, we continuously watch our capex, we put reasonable capex that we can see ahead on the runway, we will not invest 10 years out, but we will never be short that in the next one or two years growth that comes through is not captured by Airtel. I can assure all of you that this money will be well spent in the areas that are described to you, and we are committed to partake the gains that this country offers to a handful of players in the marketplace.

In my opinion, this is once in a lifetime opportunity and the time for that to invest more, to accelerate is here and now. Thank you.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you, Sir. The first question is from Kunal Vora of BNP Paribas. He wants to know that in the recent earnings call, the management has indicated that leverage level is comfortable. Is there any change in our thought process and why are we looking at equity rather than monetizing some of the assets we hold?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

The first part is I think is very well answered by me. Business as usual does not require anything. I think we have sensed an opportunity for which we need to accelerate. Could we manage to raise more debt? I have to be honest, we can. There is a lot of goodwill in the marketplace. Our lines in the banks are very low. We can draw more money from the banks. We are getting great responses from the bond markets as well, but as you have pointed to us repeatedly as also our rating agencies, there is a right balance to be achieved between more debt and some equity. In my own opinion, therefore this new equity is not a change in game plan, this is not a change of heart, this is the need of the hour, this is the need for the company to accelerate beyond business as usual. As for the second part, I think we remain committed to monetization, but monetization at appropriate time and appropriate terms. We have a very large shareholding in our tower company, Indus at nearly 42%. That is an aspect which is not core to the heart of Airtel, but equally a very important asset, which we do not take lightly. We have ton of fiber. There are moves that we have seen across globally and here in India where fiber has been monetized but in the right and appropriate way. I can show you that these assets are on our radar to be monetized at an appropriate time. We are not giving you a different signal today by saying we will not monetize that but we will not monetize them at any cost. We will do it at the right time, at the right valuation and in the right structure.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. The next question is around the promoter stake. The promoter stake in Airtel has declined over the last few years while the rights issue will obviously not result in any reduction, but how are you thinking about the long-term stake of the promoters into Airtel?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

We have to see it from a promoter group as one rather than seeing separate promoter groups. At 56% promoter holding in this company, I would say is a fairly large shareholding for a size of a company that we are in. Bharti Telecom which is the premier promoter group company in itself holds about 36%, which in itself is a very large block. Then we have blocks held directly by Bharti entities and SingTel entities outside that. So, I would say we are at a comfortable level at 56%. If your specific question is about

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Bharti Enterprises stake, I think, we see Bharti Telecom as a key subsidiary of the group which holds 36% plus another 6% plus held by other group companies, 42% remain a very comfortable shareholding level and honestly, we do not see any reason for the market to be alarmed about it, but you also should know that no promoter goes down in its shareholding by choice. This industry has seen hell for the last four, five years. Eight or nine operators have disappeared. A very strong combined operator today is struggling. In the phase of that, I think, you will give us credit that we did dilution or raising of more capital in good time rather than chasing capitals when none would have been available. These were timely, we did the right things, we did not bother about the stock price at different levels, we raised capital and the outcome has been very clear. We are today standing very tall because of the large amount of money that we have raised. If that has resulted in some drop in our shareholding we are fine with that.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. The next set of questions are from Sanjesh Jain of ICICI Securities. The first question is that Bharti had recently added 5% equity stake in Indus Towers. Sir, therefore does the company plan to further increase stake in Tower Company with rights issue? The second question is on OneWeb. What are your thoughts on the satellite business and would Bharti Airtel also be investing in OneWeb in the future?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

As far as Indus is concerned, it is a very strategic asset. Life of a telecom company is in the hands of a tower company. You cannot have a situation where you have a weak tower company and then you are struggling to run your networks appropriately. We have seen in the past, there were weak operators, GTL and one or two others, where the operators riding on these networks suffered immensely. Airtel cannot afford that. We ran Infratel as 100% controlled company and it was listed as you know then we had a lower stake in the same. In Indus, we have a 42% stake. After the merger, our stake was at a level where we were less comfortable in having greater influence on it. A ~5% stake was bought last year and all I can tell you is that the money that we are planning to raise from the rights issue, there is no allocation towards buying Indus stake. But would we desire to have a greater influence in Indus at some point in time in the future, the answer is a definite yes. But it will be done at an appropriate time, it will be done only with a purpose, strategic purpose and importantly as I said, this is a monetizable asset and I can tell you if we have to monetize it tomorrow you will be significantly better served by handing over influence to somebody else, rather than giving them a weak shareholding in their hands. So, let us watch this space. There is no hurry on this. Well, the last year's 5% has given us an extra board seat, which has increased our influence on Indus, we look at it as a much stronger way and we feel much more comfortable that Airtel today is in safe hands when its towers are radiating on the basis of what Indus has created.

On the OneWeb, I think this question keeps on coming up occasionally. Airtel has no investment into OneWeb Global. The entire investment into OneWeb from Bharti is from Bharti Enterprises, with no correlation with Airtel. As far as Airtel is concerned, it will be a partner of choice for OneWeb in India and the total investment in India of OneWeb in setting up ground stations, would be \$30 to \$40 million, so let us say about 250 Crores to 300 Crores of which OneWeb Global will be taking some debt, Airtel's equity participation in Indian joint venture could be in the order magnitude of \$5 million to \$7 million. We are talking about 30 Crores, 40 Crores, 50 Crores of investment in OneWeb for India segment only. So I must make this very clear, there are no plans for Airtel to buy my stake from Bharti Enterprises or invest into OneWeb Global. We are talking about very tiny amounts for Airtel to be the custodian of OneWeb on the Indian and South Asian markets.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. The next sets of questions are on balance sheet. India Inc., in general has been talking about reducing leverage and what is the view of Bharti Airtel's promoter on deleveraging the Airtel balance sheet and what is the steady state net debt to EBITDA target? If you can share for the company and a related question is for the FCF generation opportunities going forward into the next year how are we thinking about it? Would we delever the balance sheet or would we invest it back into something related?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, we are a very pure-play telecom company. We have never deviated. We do not do other industries from Airtel, all those who have done by our family entities, or Bharti entities. We have never mixed and matched. We do not do real estate from here, we do not do manufacturing from here, we do not do other stuff from here. This is a pure-play telecom company. This was a commitment to our shareholders 25 years back when we started and we have kept absolutely pure to it. There are some adjacencies that keep on knocking at our doors and we evaluate them. Most of the time we have rejected them, if something comes up which is digital in nature and core to our business, in future we could look at that but they have to be very, very low capital intensity opportunities. Our large capital intensity or 95% of it has to be in the telecommunication arena. So, I would say in as far as our deleveraging strategy is concerned, if you ask me personally what is my comfort level, my comfort level is Net Debt to EBITDA ratio of 2x. Can we get there? My own view is that we should get there. We have very large monetizable assets, we have huge equity in Africa, we have huge equity sitting here in Indus and we have huge fiber assets that have not been encashed at all, 100% sitting with Airtel. They are of course very large real estate assets. At some point in time, they could become opportunities as well. I also believe that the cash flow from this industry is bound to increase. If this industry has to be sustainable, you will start to see an early pick up of tariffs and ARPUs going into the next several months through a combination of monetization on one hand and improved financials on the other, could start to see in the next few years and I am not talking about 10 years, I am talking about just two, three years, Airtel becoming much, much more comfortable in its debt profile.

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Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thanks Gopal. The next sets of questions are around the capex trajectory. Today, narrative announced 5G and accelerated capex meaningfully change our capex trajectory and in the instance that the Indian market goes through a duopoly could there be a meaningful change in our capex?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, I would say that we have done significant capex. We have not shied away from capex. We know telecom companies who have pulled their hands on capex have suffered heavily and this is something we have known for 20 years and therefore always we have been ahead of the capex game. My own view is that we will continue to rollout capex as we require. I also personally feel that as we go forward, the consumption per customer is not going to exponentially grow from 16GB, which is already a global record by the way. So, we believe there is enough capacity that has been created to now generate rewards back for us. In the event, there was a situation where more customers were to suddenly to come into Airtel fold, I think we are in a good shape to carry them through our fiber, mobile networks and I do not see therefore any reason for us to be worried about. But yes this 21000 Crores gives us exactly that leverage that we need that fuel to grow that extra mile that we can sense is around the corner.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

A related question is that as part of the larger investment that we are talking about could we also see a change in our handset strategy?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

I want to pass this to Gopal. He is much more closer to the handset side. So far, our company has been fortunate, our industry has been fortunate, for I would say 25 years, not to spend billions and billions of dollars of subsidies that the world does across their markets. India has escaped that so far we have not been requiring to do it. But I am sure Gopal has a clear strategy on that as well.

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

I think we have spoken about this in previous earning calls as well. Handset subsidies by themselves are pretty much I would say a mugs game because what happens is that when the handset comes to us for renewal at the end of two years or 30 months, the customer makes the choice all over again to actually choose the network of his or her choice and as a consequence to stay in the same place, we need to keep subsidizing again and again. I think world over now clear that handsets are really value-destructive in that perspective. This is a competitive industry so we will look at what happens in the marketplace. Through a combination of good marketing optics, through a combination of some capabilities, platforms around locks, we will experiment with lending options to actually provide some loans with our banking partners on a locked device. We have done some pilots with a few companies, some of large manufacturers OEM manufacturers. So we pretty much have clarity on how we deal with this, but the one thing I do want to underscore is that if you look at handsets as a market, unlike any other consumer market in India the lowest price handsets smartphones specifically between Rs.4000 and Rs.6000 strangely have actually the smallest market share of the total handsets market in India and that is simply because consumers spend four to five hours in their device and when they uptrade they are looking for a good quality device. As a consequence, I think we are going to watch this space and based on what happens competitively, we will take our call.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Gopal. What is your belief as in long-term ARPU trajectory for the Indian industry as a whole and which player do you think will blink first in terms of taking up the tariff hikes this time around?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

This has been my stated position for the last several years. We need to get to Rs.200 ARPU very quickly and I do not have a crystal ball in front of me, but if I have to say this industry needs to survive, this industry needs to thrive, we need to get to Rs.200 ARPU within this financial year. I would say we should aim to be at Rs.200 ARPU by the time we end this financial year. Eventually, this industry needs to be at Rs.300 per customer per month and in that you can enjoy ton of data which Indians are used to along with music, entertainment, Netflix, Amazon Prime, whatever is required should be available to our customers, financial services, electronic banking, health services. So we will put in a lot more stuff, but we need to get at Rs.200 ARPU point and then eventually Rs.300. The beauty of our industry is it is very granular, it is very segmented. For Rs.100 a customer will be able to be on the network, have a small amount of snacking of data, and then you could have customers going up to Rs.600, Rs.700, Rs.800 enjoying

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everything possible under the sun. Even then the tariffs in this country will be by far the lowest anywhere in the world. So, I remain very confident that we have seen the worst now in terms of tariffs wars, we have seen the worst in terms of ARPU contraction, do remember that in 2016 September at the launch of a new powerful competitor we had all gone below Rs.100. We are at midpoint 145, 150-ish this will start to trend towards Rs.200 within this financial year. That is where my indication is. I would hasten to add that I have a strong confidence that the industry will get to Rs.200 within the financial year.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thanks, Sir. One set of questions from investor is on the timing of the rights issue. In general, we have seen that our stock price is doing very well, on ground execution has been strong, we have been gaining market share. So why did we choose to dilute now rather than waiting for the industry to confirm it even more and share price to reach 750-1000 levels?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, there is never the right time for anything. You can always in hindsight look at things, but imagine, if we would not have done our first rights issue, imagine, we would not have done our QIP and FCCB. Possibly, we would not have had the right to another rights issue. Our company could have been in the doldrums. We could have been in serious difficulties. So, rather than being too opportunistic, too greedy in terms of what pricing can come through, we have to do the things at the right time. My biggest concern would be that you would have accused me and my team back to say why did not you wake up in time, when you knew very clearly that such a large growth opportunity is staring at you. We can see it. I am not exaggerating here. We can see that the time is here and now. Any delay, I am not talking about one or two months delay, but a delay of more fundraising to next year could have been detrimental to the fortunes persons of this company. I hope that we will be able to have a chat a year from now and you will be able to say this was the right decision.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

The next set of questions are around digital strategy. With recent restructuring should we expect Bharti Airtel to be more aggressive on the digital side? Are we looking to monetize the digital side of the business? Could we have any strategic investment coming in either at the Airtel level or into the digital side of the business?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, digital has been an area where we picked up momentum albeit slowly. I think most of the companies which are coming from traditional backgrounds. even though we are in technology like Airtel, take a little bit of time to get going and many do not actually get going at all. We have never used the narrative of digital to galvanize our story. We have been working in tranches on our digital strategy and I can tell you that I am today so pleased to share with you that Airtel truly is today a company that is digital in its core, digital in its services and importantly the customers are feeling it. Whether it is the advertising side of it, whether it is the Airtel IQ whether its touchpoints to our sales team, our entire sales management, distribution management, our networks internally being monitored now digitally, but importantly more and more enterprises picking up our digital services. Wynk has got now a record number of active customers using it. Airtel Payments Bank has got a record throughput of transactions and the customer on its network. Airtel Thanks is in a record-breaking addition of customers using a variety of digital services. So today, I would say we are strongly a digital company and in the coming quarters you will start to see us talking a lot more about it and also trying to give you our revenues coming from the digital which will start to get fairly impressive I would say, pure-play digital revenues which you know are more or less flowing through the EBITDA line are all coming through very, very strongly. We have again a right to win there because the right platforms have been laid out it has taken us four, five years to get there but we are there now. In terms of will we monetize digital? I must mention here and I heard this feedback from markets why did you buyout 20% stake back in Telemedia on the DTH? I think people get wiser in hindsight. All our customer-facing units, where we go to the customer, needs to be in complete control of one company and one which is Airtel. When you have a subsidiary that has a different set of shareholders; however, friendly and known to us like Warburg are, there are two boards, two separate companies, related party transactions. You have seen the Airtel Black which has been hugely well received in the marketplace, it is a big success. We want to give all our services which are go-to-market and customer-facing as one. So, digital to my mind again is something we cannot slice and dice. We need to keep it all under one company which is Airtel whereas infrastructure pieces like fiber and towers are very different. They are not my go-to-market assets, they can be sold off, they can be monetized, they can be part monetize, or wholly monetized but the company which faces the customer must remain one. So if you will see any alliances, any tie-ups, any equities being given to some strategic key investors from the globe, there will be only at Bharti Airtel and not in bits and pieces downstairs.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. Some investors are actually moving back to the correct narrative we just discussed and people want to know that why does not Airtel take the lead in raising tariffs in the industry?

Transcript of Bharti Airtel Limited Conference Call**Sunil Bharti Mittal - Chairman, Bharti Airtel Limited**

Well in a limited way we have been doing that. We moved first to Rs.49 as a minimum click in charge then we have recently taken it up to Rs.79 on an all India basis and the good news is that it has been very well received in the marketplace. Can this go to Rs.99 eventually? My answer would be an emphatic yes. The question is when. In the end, we are also bound by the market forces. We cannot be an outlier beyond a point. We can be having some premium given the strength of the brand and the attractiveness of you to the customers but you cannot go beyond a point where you start to hurt yourself. We will be vigilant but we will be happy to take small baby steps which could be even the first and foremost compared to others. So, I can assure you that we will not shy away from doing it and the Rs.79 and some postpaid plans which have been taken up are a testimony that we have run out of patience and we have taken the first move.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thanks Sir. The next set of questions are on Airtel Africa. How do you think about Airtel Africa over the longer-term or the medium-term horizon and could Bharti actually look to exit the asset at some point of time in the future if we sell that the India opportunity in itself was very compelling?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, for Africa, if we have to wind back the clock that money could have been put into India, the answer could be toss-up, could be both ways. Africa looked very attractive and we went in there. It has taken us much much longer than we would have originally thought in creating a success. It has been ten years now, we are in 11th year there. But the last four years have been delightful. What a turnaround story this has been and this is a true Bharti Airtel DNA where we do not easily give up. Today that company is outstripping the competitors in terms of growth rates in every market that we operate. It is solidly EBITDA positive company. It is a dividend-paying company and a regular dividend-paying company and we also have a very clear dividend strategy there and the stock prices also rallied up in the last year and a half. It is an asset that does not load Airtel India. It is an independent asset, an independent board. It is a FTSE 250 companies, listed on the London Stock Exchange. Company will continue to hopefully grow at a faster rate. We have made reasonably strong interventions and investments in Africa to reap the rewards going forward. Could there be an event in Africa at some point in time? Who knows, I mean you can never say never to anything but of recent vintages what we have done is showcasing Airtel Africa Money which is brought in three very strong marquee investors demonstrating a massive hidden value, a hidden gem within Airtel Africa, which is probably the same value as the mothership. That has been demonstrated by investments recently by QIA before that TPG and of course Mastercard. I can share with you that lot more people are very keen to subscribe to more equity of Airtel Money there. So my own view is we have a very strong asset which is growing at probably twice the pace of a competitive set of players in the market. So let us grow this asset. We have spent a lot of time lot of money on this, let this we have \$10, \$15, \$20 billion asset in the next few years. I have no doubt that if we can continue to show what we have been doing in the last few years, the next four or five years could have a multiplier effect on the value creation in Africa.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. Shifting gears a little bit, some of the investors want to know what is the leverage at Bharti Telecom and could we have actually have a scenario where Bharti Telecom again sells shares in the future to bring down the leverage?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, I know most of you are upset with what we did and I know this maybe is a matter of concern. I think we are at a level where selling any more would really be not appropriate for us and we have no plans. I think we have to see ourselves in the situation when we did that. The debt load on the company was high, AGR had come like a ton of bricks. Bharti Telecom had big leverage. Rating agencies have started to roll-in that debt into our overall debt. The message we were getting was that people hate promoter companies being leveraged. Even though even we had no pledge of shares or anything like that which we have never done that, the message was loud and clear. We responded to that. Today, Bharti Telecom has zero debt and that means that company does not need to do anything. We did not last time sell and pay ourselves rich dividends to enjoy cash flows coming to us as shareholders, it was just to pay back the debt which has been done so there is no plan. I mean I do not want to have a pin myself down to say ever but there are no plans to sell anything and Bharti Telecom is absolutely in a comfortable position to subscribe to its portion and perhaps much more.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. One question is on the structure of the right issue itself. Why this deferred payment structure rather than actually taking money upfront, why staggering it out over 36 months?

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Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, I think we have followed some of the best leading rights issue in the marketplace. We saw Reliance and Tata's do it. We just felt that is the right thing to do. Secondly, more importantly, this allows the shareholders to put in money over a period of time. It gives them a better I would say value for their money, time value for their money and we will draw this money as Gopal's plans keep on getting crystallized, as his acceleration starts to take place we will keep on coming back to the market. In our assessment it should not be more than three years, but will it be six months? No. So, there is a reasonable period indicated out there. We will pick up 25% immediately. One tranche will happen probably midpoint and then much before the three years or depending on how the cash flows goes. Let's say, if the tariff rise, we will have more leverage to defer by a few months. So let us see how it goes. The idea was to make it easy for all to invest and take money only when it is required.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

A related question is what is the general capital allocation policy you would like to follow? How do you think about raising money at the parent level and what are the parameters within which you would invested in the subsidiary company?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, I would say subsidiary companies are all, which are go-to market is going to be intrinsically 100% owned by us. Today, if we had clarity on non-telecom revenues not being AGRised, I would put DTH in the same bucket as Airtel. So, even if they are 100% subsidiary whether it is DTH or it is our digital play, they are all really part of the motherships, so take it as one. The capital allocation is for all these areas. In terms of infrastructure side, data center is where we have got Carlyle now. So that becomes a subsidiary in which you have an additional shareholder. The money that we have got from Carlyle and some more is to come by March, probably is giving us enough leverage to rollout some data centers but to accelerate that we are allocating some more money from this rights issue. So the allocation will be on a need base. What we can see for the next two years max three years, we will start to invest in that. We do not want to heavily frontload investments and the beauty of telecommunications is you do not do out and build 10 million tonne steel plant or a 10 million tonne refinery or a 10 million tonne fertilizer plant, you grow as the need comes, but equally you need to be prepared for a large influx of customers or traffic rising and to that extent as I said we will be very responsible in putting just enough capex to take us to the next one or two years. Because even if you go wrong in your assessment you will always catch up with the normal growth. So that is the way we allocate our money. We are very responsible. War on waste is critical to us, we challenge every dollar that we need to spend but equally we do not hesitate to spend \$100 million where it is required so that is the philosophy we have always had and will continue to have.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. In the interest of time, I will only be taking two more questions the first question is on capex. The 4G capex cycle eventually saw us investing close to \$35 billion where do we think the 5G cycle will lead us? What will be the total investment that we foresee over the 5G capex cycle? The second question is there is a third operator in the market who is weak, possibly likely to go through the IBC route, would we be interested in any assets there?

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, I think the second question is very hypothetical. I should not be answering. My stated position has been, India should see a three private player scenario and I will still keep on actively supporting that. We have enough spectrum and we really do not need any more assets to be taken by from anybody else. In our industry, the value of base stations / towers is very limited, Fiber essentially on the ground is very limited. So I would say we should all hope that even though weaker or a third operator should be there and be in the marketplace. So that would really be my view.

On the 5G capex, I would say in my opinion 4G is largely done other than the extra capacity that we are trying to create for any surge in traffic. Otherwise, the 5G capex will start to replace our cycle of 4G capex. So, I do not see a significantly higher amount of 5G capex coming through and the beauty of the 5G is that it has very large capacity. From 2G to 3G to 4G, we have seen the delta of capacity creation with the same dollar is huge and in 5G of course it goes into 100x situation from 4G. So, putting a 5G in areas where there is more traffic on 4G will be ideal, we will be very granular, very modular in our approach. Key cities will be taken up first where we spot the 5G device population in each of our markets. We go actually by each of the tower wise data. So, wherever we see more 5G devices showing up on our network, we will start to lighten those 5G base stations up. They will work very seamlessly with our 4G network as well. So, it would be very judiciously spent that's why I am saying if we can somehow have the right price point for the spectrum which we urged the government to look into, the growth of the 5G network will follow the traffic, the devices. I mean I travel, even despite the pandemic, actively across the world and I can tell you it is not that everywhere you are going into London or into Paris or into New York, you are seeing 5G network or people actively using 5G the network everywhere. It is getting better by the day but it is not house on fire at the moment. So, India will also see 5G coming in a nice pace which will not put too much pressure but one area which I must highlight is the fiber. You cannot be caught without a guard by not having the backhaul in place. That part you need to invest now because 5G is coming. It is only a matter of whether it is 6 months after H2 next year or one year and that takes time. Fiber digging, fiber connectivity is a long lead time and a large investment has to go there. On the radio network side or the core of 5G, I will not worry too much. It is very modular and will be well planned.

Transcript of Bharti Airtel Limited Conference Call

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you Sir. I think with this we will conclude the call, I would like to pass it back to you Sir for any closing remarks.

Sunil Bharti Mittal - Chairman, Bharti Airtel Limited

Well, thank you very much. Thank you for your patient listening. We may not have been able to answer all the questions in the given time but I hope you get a drift of where our mind is. We will remain very, very focused on how we spend our monies, your monies actually. You give us the money. We are the custodians. We participate alongside you to give you the confidence that it is not just your money but it is a collective pool of monies that we are responsible for. It will be very well spent. I personally feel that the dollar that we are going to spend here and after is going to yield significantly better returns than we have seen in a long period of time. Will we get to the heady days of the first ten years of Airtel where we have 32% IRR, possibly not. But will we remain in these 2%, 3%, 4% kind of returns? The answer is again, absolutely not. We will be in healthy teens and I am not talking about too distant in the future. So, every dollar that we can spend now must be spent, otherwise, we will miss this opportunity. Thank you.

Komal Sharan - Head of Investor Relations- Bharti Airtel Limited

Thank you.