

## Conference Call Transcript

Event: Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar

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**Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar****CORPORATE PARTICIPANTS****Mr. Gopal Vittal**

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Chief Operating Officer, Bharti Airtel Limited

**Mr. Soumen Ray**

Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited

**Mr. Harjeet Kohli**

Joint Managing Director, Bharti Enterprises

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Financial Controller, Bharti Airtel and Chief Financial Officer, Bharti Hexacom Limited

**Vaidehi Sharma – Moderator**

Goodafternoon, ladies and gentlemen I am Vaidehi Sharma the moderator for this webinar. Welcome to the Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar. Present with us today is the senior leadership team of Bharti Airtel and Bharti Hexacom Limited. 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. Post the management opening remarks we will open up for an interactive Q&A session. Interested participants may click on "Raise Hand Option" on Zoom application to join the Q&A queue. The participants may click this option during the management opening remarks itself to ensure they find a place in the queue. Upon announcement of name participants to kindly click on "Unmute Myself" in the pop up screen and start asking the question post introduction. With this I would now like to hand over to Mr. Gopal Vittal for his opening remarks.

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

A very warm welcome to this earnings call for Q2 2025. With me on the call today I have Shashwat our newly appointed CEO designate, Soumen, Harjeet, Naval and Akhil Garg.

Let me start by giving some texture on the organizational announcement we made yesterday. Our objective through this change is to bring in a fresh crop of younger leaders into key positions to run the India operations. This move symbolizes world class succession in best-in-class companies. Shashwat will be appointed CEO designate and will take over the role of MD & CEO on January 01, 2026. Shashwat joined us in 2018 from Hindustan Unilever. Over these last six years he has been giving a series of well-thought through and planned experiences where he has created impact. He led the entire consumer marketing across all our segments - mobile, broadband, and DTH. In addition, he was responsible for partnering with functions to shape the digital agenda. Since 2023 he has run the operations as Chief Operating Officer. This rich experience across various parts of our business makes him a very strong candidate to lead Airtel well into the next decade. In the next one year my job will be to fully ready him to take over as MD as you can see all of this has been a very well planned succession. I will be stepping up to the role of Vice-Chairman & MD for this year 2025 and eventually as Executive Vice Chairman for Bharti Airtel. My job will be focused on four areas, one to mentor and groom Shashwat, so that he is fully ready to lead the India business in 14 months' time, second I will take on some of the roles that Sunil plays today across the group specifically driving synergy on digital, procurement, talent, and network strategy. We believe this will add capacity to the group, third I will spend time scaling some of our incubation and growth areas, digital services, financial services, and data centers. Finally, I will also provide broader oversight across our overseas operations. In addition to this, I have also agreed to continue as Vice-Chairman for GSMA as a nominee of Airtel for an additional two years so that latest developments related to technology are assessed and relevant parts brought back to Airtel. I want to clarify that I am fully committed to the Bharti group and I have no intention of taking on anything outside the group.

Let me now turn to the performance and update on our strategy

A quick background on ESG. In our ongoing commitment towards ESG initiatives, I share the latest progress. We solarized over 3,500 sites in the quarter and about 24,800 sites in the last five quarters. Our efforts to reduce the environmental impact have led to a savings of over 2 million litres of diesel per month over the last two years resulting in approximately 5.8 tonnes of CO2 emissions eliminated monthly. This has been achieved with the deployment of lithium-ion and valve-regulating lead acid batteries and other measures. We recently collaborated with Nokia for energy-efficient solutions and practices through Airtel's mobile network and expect to reduce Airtel's carbon emissions by an estimated 143,000 metric tonnes of CO2 annually.

Nxtra has achieved a 4% reduction in Scope 1 and 2 emissions compared to FY21 despite a 25% increase in power consumption. We have over 220 megawatts of renewable energy usage, a 41% increase over FY23. Nxtra also saved over 160,000 tonnes of CO2 emissions via various initiatives. We are proud that all our hyperscale data centers have reached IGBC Gold Certification reflecting

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our commitment to sustainability in construction. Women participation in Nxtra also increased 30% in FY24. We maintain transparent disclosures on ESG and we are proud of high standards of governance and ethics.

Let me give you some highlights of our performance

We delivered a solid quarter. Consolidated revenue of 41,400 odd Crores, India revenues were strong with about 8.7% sequentially to just over 31,500 Crores. EBITDA margins came in at 54.8%, an improvement of 1.1%. We delivered the highest ever quarterly operating free cash flow, which is EBITDA minus capex of 11,000 odd Crores. Capex for the quarter was 6,260 Crores. The strength of our balance sheet is a testament to prudent capex and commitment to trim high cost debt over time. During the quarter, we prepaid another tranche of DoT Spectrum dues pertaining to 2016. In the last five quarters we prepaid over 32,000 Crores of high-cost spectrum dues. India net debt-to-EBITDA now stands at 2.6 compared to 3.1 a year ago.

I also want to clarify the position on net debt in India. On a reported basis the net debt has gone up by 6,000 Crores. All of this was related to spectrum that was procured in June, which was received during this quarter. In addition, do note that we paid out 5,000 Crores of dividends from our cash generation. We continue to have solid execution and razor-sharp focus, which is a foundation of our consistent performance.

All businesses are delivering market share gains. I also want to underscore our effective and simple strategy, which has consistently delivered results - quality customers, delivering a brilliant experience for them, putting digital at the core and relentlessly focusing on operational excellence and stripping out waste.

We continue to expand our network. We rolled out about 5,000 network sites, over 9,800 route kilometres of fiber in the quarter. We have deployed recently purchased spectrum to turbocharge our network across key circles. We are delivering the best experience in India and that truly is the obsession for us so we believe our focus and obsession was endorsed by the recent results in open signal - a crowd source network experience platform. Airtel was awarded all five awards on 5G network experience on open signal, a testimony to the hard work done by all at Airtel.

A quick update on each of our segments

In the mobility business we experienced a loss of 2.9 million customers due to sim consolidation triggered by the tariff repair, but this decline was milder than what we observed in earlier rounds. As we have seen in the past, these trends normalize over two quarters and we have already seen that normalization happen through the month of October. We have already seen a trend reversal with customer adds. We added 4.2 million smart phone customers in the quarter. Postpaid net adds remain steady at about 0.8 million. Flow through of tariff increase is as per expectations and we expect the full benefit to be reflected in the coming quarter. ARPU came in at Rs.233 compared to 211 in Q1 maintaining an industry-leading growth. At the same time the ROCE of the India business is still very low at 11.2%. The only way to improve this is further tariff repair.

Underlying ARPU drivers remain intact, feature phone to smart phone upgrades, prepaid to postpaid upgrades, data monetization, and international roaming. We continue to expand our 5G coverage. We ended the quarter with a 5G user base of 105 million, 5G shipments continue to grow and we are gaining share.

In the broadband segment we added nearly 6 lakh customers, a step jump from previous quarters. Our FWA expansion is yielding strong results. During the quarter we rapidly expanded our coverage of FWA. This is also driving the addressable market and the expansion for our Wi-Fi services. We are now live in more than 2,000 cities through a combination of fixed wireless access and FTTH.

In the DTH segment we lost over 500,000 customers in the quarter, this is largely impacted by pronounced seasonality. Our simple and differentiated strategy continues to drive share gains even in challenging industry. Airtel Black, our converged offering plays a key differentiator in the marketplace. Customers on Airtel Black plans have grown by about 65% in the last one year. Our Xstream offer which is the OTT bundles along with linear content has seen strong traction with 55% growth in the customer base in the last one year.

Airtel business - our revenue growth in Q2 was 3.3% sequentially. The domestic business is showing strong traction with growth coming from both connectivity and emerging segments. The global business has seen an improvement in customer discussions on upcoming business but that has yet to translate into firm orders. Our engagements with large global customers for potential deals are moving as per expectations. To boost our global connectivity offerings we signed an agreement with Sparkle for Blue & Raman Submarine Cable Systems capacity between India and Italy. The margin impact is attributed to the changing revenue mix with incremental growth driven by new and adjacent businesses and these are businesses with low capex.

On our digital businesses, our efforts are channeled through improving and driving growth in CPaaS, Financial Services, IoT, Security and Cloud. Airtel Finance is shaping up well and we believe there is significant room for growth in the space. I will just share a few details here. Airtel Finance has served over 1 million customers till date across various financial products. We are trending at an annualized loan disbursal rate of 3,000 Crores and our AUM stands at 2,500 Crores. We continue to partner with leading NBFCs to scale our loan portfolio. We will be expanding the portfolio across various financial products with partners. In line with our vision of financial services marketplace, fulfilling needs of our customers with the trust of the Airtel brand we have launched multiple products including fixed deposits where we partnered with small finance banks and NBFCs to offer attractive rates. Going ahead, we will be launching embedded insurance as well. We are building Airtel Finance as a strategic asset for the group and will keep investing in and growing this business, which has synergies with our core business.

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Finally, the Payments Bank, the monthly transacting users stood at just over 85 million, actually a shade under 86 million, with a strong growth of 20% sequentially. The annualized revenue run rate is now over 2,600 Crores, growing 58% year-on-year. Deposits remain robust at over 2,950 Crores growing by 43% year-on-year.

A quick update on our strategic pillars

First is really building a diversified portfolio to give us more resilience. Africa now accounts for 25% of revenues, India mobile is at 60% and India non-mobile is at 15%. Africa continues to deliver strong constant currency growth of 7.7% sequentially. Going ahead, we see strong growth potential in our non-mobile portfolio - homes, B2B, and digital.

Second is to really win quality customers and let me quickly give an update on the growth drivers in each of these segments - homes, postpaid, rural, and B2B. Broadband penetration in the country as you know is only 42 million but growing fast we believe this can grow to about 80 million in the medium term. Of these 30 to 40 million new homes, Airtel has a relationship that can be leveraged to drive more services. To capitalize on this opportunity we are focused on three areas, one is to expand our coverage through FTTH and fixed wireless access by entering newer markets and fiber dark areas to expand the addressable market. Two, to simplify the go-to-market with uniform pricing of our Wi-Fi offering across technologies, activating alternate channels for installation and servicing, strengthen store presence, and scaling delivery capacity. Having stitched the initial teething issues our focus is now to drive productivity across the channels. We are seeing strong traction in our customer addition momentum. I do want to reiterate that fiber will always offer a superior experience and our expansion plan is predicated upon eventually converting our fixed wireless access to fiber once fiber reaches the location. This is driving continued fiberization. We now have over 33.5 million home passes and continue to add over one-and-a-half million home passes every quarter. The third focus area is bundling entertainment along with convergence through Airtel Black. This is yielding positive results with about 50% of our broadband acquisitions on Black plans. We believe this has significant headroom for growth going ahead. To further strengthen our entertainment portfolio we announced a partnership with Apple on TV and music.

On postpaid, as I mentioned earlier, our focus is on 80 million potential customers who we believe could upgrade to postpaid. We want to seize this opportunity with continued efforts on simplifying our journey, deepening our retail footprint along with our flagship family proposition. We further deepened our retail footprint with our store count now at 1,650. We continue to enhance customer experience for international roaming with competitive plans and coverage across the world.

Our rural expansion over the last two years has contributed to revenue market share gains across surface. We have rolled out more than 39,000 sites with continued expansion underway to cover the gap in five key circles. Extensive use of digital tools and data science and our razor-sharp execution delivered desirable results. We believe that a bulk of the expansion is now done and our focus going forward is to sweat our deployment.

In B2B, the growth opportunity is large with 90% of incremental growth coming from adjacencies. We have three focus areas, first continue to strengthen our go-to-market approach and build sales capabilities. This is really driven by instilling rigor within our sales teams through comprehensive training programmes designed to equip them with the skills necessary to effectively sell solutions. Second, to build products and tailor solutions for industry-specific needs with accelerated investments in CPaaS, IoT, Cloud and Security. This will help us lock customers for long and enable us to win higher share of wallet. The third area of focus is on creating future ready infrastructure that delivers good customer experience. As I had mentioned earlier, we have a blueprint for our fiber expansion and the same is reflected in our fiber deployment, which is nearly 100,000 route kilometers in the last two years. We are investing in digital tools aimed at improving our delivery and assurance processes ensuring a brilliant experience for our customers.

The third pillar of our strategy is the obsession to deliver a brilliant customer experience. Over the years with significant increased use of data science and digital tools to deliver a superior experience, our framework and experience is founded on two principles the platform approach with four key platforms for our B2C business- buy bill, pay, and serve. These are now yielding strong results on customer journeys in an omni channel way. Second is our network experience, our digital mindset keeps us at the forefront of technological changes and enables us to use data science and digital tools across the network layers. The most recent one is the launch of India's first network-based AI-powered spam detection solution that will significantly solve the issue of spam calls and messages. This proactive approach not only safeguards our customers but also enhances their overall experience. We are using AI algorithms based on a real-time analysis of 1 trillion records a day to identify potential false spam calls and alert customers before they answer. The implementation of this spam call detection solution is already shown promising results and initial data indicates that it has significantly reduced the volume of spam calls. Our solution has been able to identify over 100 million potential spam calls and more than 3 million unique spammers in the network.

The fourth pillar of our strategy is to build and leverage our digital capabilities. Digital is deeply embedded in our operations and pivotal to our strategy. Our digital service offerings including Airtel IoT, IQ, Cloud, Security, SD-WAN, and Airtel Finance, all of which are getting significant attention and investment.

I will give you a quick texture on security and our strategy around it. India's security market has undergone a remarkable transformation marked by substantial growth, which underscores the escalating significance placed on fortifying digital defenses in face of evolving threats. We have now tied up with Zscaler to make sure that we have a very strong security proposition for our customers. We are also partnering with other managed services offers, so managed services become a very important area of focus. We are monitoring recovery services; this encompasses one stock with complete cyber defense and recovery services using NextGen analytics and breach assessment platforms. Our customer base in both these services has doubled with strong revenue growth in last year and expected to sustain the momentum going forward.

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The fifth and last pillar of our strategy is War on Waste. This is core to our operations. We take pride in fostering a frugal culture that prioritizes efficiency without compromising service quality. Despite an addition of over 75,000 network sites in the last two years, our diesel consumption on towers saw a reduction of over 2 million litres per month. Over 58% of our network sites are now tagged as green sites. Over the last two years we have saved over Rs50 billion on network opex. We continue to identify areas to drive cost efficiencies.

To sum up, overall it was a good performance with consistent share gains. In mobile the full benefit of tariff repair will accrue over the next two quarters. The postpaid opportunity is large, we have continued to get focused. Homes, our effort is to expand the addressable market with fixed wireless access, sustain our home pass expansion and drive convergence. B2B is expected to regain growth momentum going forward. Our financial prudence and sustained deleveraging continue to strengthen our balance sheet. We believe that the industry is still delivering sub 7% ROCE and this needs to substantially increase. Our investments are channelized towards building Airtel into a strong digital services player. Our focus will continue to be around winning quality customers, delivering a brilliant experience to them and putting digital at the core of all we do. All of this will be done with a frugal mindset and prudent capital allocation. With this let me hand over back to the moderator.

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**Vaidehi Sharma – Moderator**

Thank you very much Gopal. We will now begin the Bharti Airtel Q&A interactive session for all the participants. Please note that the Q&A session will be restricted to analyst and investor community only. Due to time constraints, we would request if you could limit the number of questions to two per participant to enable more participation. Interested participants may click on "Raise Hand option" on your Zoom application to join the Q&A queue. Upon announcement of name participants to kindly click on unmute myself in the popup screen and start asking the question post introduction. Participants are requested to limit their questions to Bharti Airtel till 03:30 pm as the management will start the Q&A discussion on Bharti Hexacom from 3:30 onwards. With this the first question comes from Mr. Piyush Choudhary. Mr. Choudhary you may please unmute your side, introduce yourself and ask your question now.

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**Mr. Piyush Choudhary – HSBC Capital**

Thanks a lot for the call. This is Piyush from HSBC, two questions. Firstly on homes, we saw acceleration in subscriber addition, right, partly led by FWA can you talk a little bit about how is the customer response on FWA, user experience and unit economics comparing FWA versus fiber broadband from Airtel perspective. Secondly on capex, capex has dropped substantially year-on-year to around 22% of revenue in 1H. Is there any seasonality or should we expect similar levels of capex intensity going forward?

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

On the acceleration I think there is a big job to be done on homes. We have stepped up our net addition as you know in this quarter and that is satisfactory, but still there is a long way to go because we are not as competitive as we need to be and you will see consistent work from us to improve this over the next two quarters. We are activating all of our channels across not just the broadband channels but our mass retail channels, our DTH channels, to make sure that all of this actually drives broadband. In terms of customer response, I would say that given the rather empty nature of the 5G network it is a good response and it is a good experience, we are able to deliver the speeds that we are promising both on uplink and downlink and we do not see an issue. We have done a lot of modeling to see at what point the capacities get a little bit more constrained, we are using that and have put in place algorithms to make sure that our roll out of fiber goes in on priority into those places where we believe in the next one year or 18 months we could see some challenge in terms of our fixed wireless capacities. As far as the unit economics is concerned, the unit economics are now comparable between both FTTH and FWA. We have been able to work with the OEMs and the chipset manufacturers to dramatically bring down the cost of the fixed wireless access- CPE. As you know the router is the same for both the technologies but now with the CPE cost having come down the cost per connected home pass whether it is fixed wireless access or fiber is more or less similar and we are determined to try and see how we can bring that down further. On capex, yes you did see a moderation largely in Q2; this is normally a seasonally poor quarter. I have always said that this year you will see a moderation in overall capex for the year and that we stand by. We have not given a specific guidance but we will certainly see capex going down from last year, which was elevated year of capex given the massive roll out of sites as well as services.

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**Vaidehi Sharma – Moderator**

The next question comes from Mr. Sanjesh Jain. Mr. Jain you may please unmute your side, introduce yourself and ask your question now.

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**Sanjesh Jain – ICICI Securities**

Hi Gopal, good afternoon. This is Sanjesh from ICICI Securities. Thanks for taking my questions. First is on your role where you said that you want to do more digital side of the business in your next role, what exactly are we looking at within the technology, which fits well with Airtel what we are doing and what is the expected path there in the digital journey?

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Yes, Sanjesh thank you for that question. My overall remit will be to provide oversight across our operations also to drive synergies across in terms of procurement, talent, network synergy, digital tooling. I think India is ahead of where Africa is and we need to make sure that Africa gets to the same level, so we have already begun that process. Over the last four quarters, we have a tech committee discussion every quarter with the Africa teams, so that is the second area. The third area that I was mentioning was broadly in terms of the incubation and growth of some of the new initiatives that we started. For example we have payments bank business which can be scaled. We have a financial services lending business and the financial services vertical by itself can scale. As you notice this is not a core to our business but this is a very close adjacency to our business. Similarly, you have other digital services, which are largely run in the B2B space for example Cloud we have talked about it last year. We have made an investment to develop our own Cloud. We are one of the largest Cloud players for our own private needs. We have now signed off an investment, which is underway, which we will take to market in the next few months where we will be able to solve the problems of workloads that may not need such elastic requirements as the public Cloud offers but to do it in a way that is more economical, so I think we will have a full proposition around Cloud. The combination of alliances with some of the hyperscalers coupled with our own Cloud and our managed services portfolio, which sort of sits on top of that so that is the second area of focus. Data centers is an area where we need to make sure that we step up and get some growth, so these are some of the areas that I will look at in addition to the oversight across our operations and the group and finally I continue to be on the GSMA board for the next two years and that always helps not just the travels to see all of these telcos but really to bring back some of the new developments that are happening and what could change and what it is that we need to do to keep an eye on what is going on. I think this was a role Sunil used to play many years ago. This is a part of the role that I am going to take on in this new capacity.

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**Sanjesh Jain – ICICI Securities**

That is very clear. Any revenue target for Airtel in your mind where you want to take digital as a proportion of revenue within the Airtel's ecosystem?

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

Sanjesh you know I would not be drawn into that answer right. You will hold me responsible and ask me every quarter.

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**Sanjesh Jain – ICICI Securities**

No but is there any target in your mind?

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

Sanjesh it has got to be meaningful. We have a large revenue pool in the business and if it is a revenue opportunity that is tiny then in the larger scheme of things this will not get enough attention so it is got to be meaningful over a period of time.

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**Sanjesh Jain – ICICI Securities**

Got it. My second question is on the 5G. We still had a 15 million addition on the customer side the prices for the 5G effectively has gone up from 1.5GB pack to a 2GB pack, how has been the adoption, has people hesitant to upgrade from 1.5GB plan to 2GB plan we know that we had a decent addition but just want to understand how is on the thing on the ground in terms of customer addition do you think this number will sustain beyond this quarter?

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

So Sanjesh broadly with the tariff repair that happened in the last few months we did not actually see any significant downgrades. We were able to hold on to the user base and sort of move them into the right plans. We have a lot of intelligence to identify who is the likely user who needs to be on the 2GB plan using the combination of the device that they have, their usage characteristics as well as their propensity to pay, so given that I think we have been surprised about the lack of downtrading, which we were expecting. We were expecting two things that will happen with the tariff repair, number one was a greater amount of sim consolidation than we saw and the second was a greater amount of down-trading, both those have not materialized so we are better than our action standards on both fronts.

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**Sanjesh Jain – ICICI Securities**

That is very clear. Thanks Gopal for all those answers and best of luck for the coming quarters.

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The next question comes from Mr. Kunal Vora. Mr. Vora you may please unmute your side, introduce yourself and ask your question now.

**Kunal Vora – BNP Paribas**

Continuing on the previous question I just wanted to understand regarding this 5G users, how many customers have taken the 2GB plan or are they topping up with the Rs.51 top up which you have, the 100 million plus 5G customers would you say that all of them are doing this?

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

No, I think it is never possible in a market like India where every single user who you're offered plan will take it. There is always that reality has to be tempered by what actually happens in any category it is not just our category. The only thing I would say is that we are consistently growing this because this is one of the drivers of our ARPU. As I have always mentioned the drivers of ARPU growth for us number one is prepaid to postpaid there we have seen consistent net adds over several quarters now with this 80 million pool of customers that is still to be tapped into. The second is data monetization which means that when the moment the allowance runs out you are able to upgrade them to maybe a data pack to be bought on impulse or, in effect, for constant breachers to upgrade them to the next nearby plan which is a 2GB plan in this particular case and that has been a very big driver of our ARPU growth outside of tariff repairs. If you keep tariff repair aside that has been a big driver of our ARPU growth. The third of course is international roaming where the penetration is still very low and again that is another driver of ARPU growth. So I think those drivers and then finally feature phone to smart phone upgrade, Kunal, which also is the driver of ARPU growth because the moment the user moves to smart phones you do see a jump in ARPU, so the combination of all this is what has led to ARPU increase over several quarters and I do not believe that, that changes in any way going forward because the upside or the headroom for a combination of penetration growth has also the user base of feature phones going to smart phones is still large and international roaming penetration on prepaid is very low, it is growing but it is still very low and the upside is massive I would say it is in the ballpark of 11-12% on prepaid international roaming but that has gone from 7 to 11 in the last few quarters, so the upside is very large and it is the same that would apply for data monetization whether it is the 2GB plans or whether indeed it is a user running out of data after having breached their allowance. The number of users who actually take these data packs, the tiny fraction of the overall breachers, so again the upside is large and it is consistently growing.

**Kunal Vora – BNP Paribas**

Understood and what are your thoughts on the next tariff hike, the demand currently seems to be generally weak across sectors do you see a possibility of raising tariff further in next one year?

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

Well I think time will tell. All I would say is that this is my favorite subject which is that if you take the two axis and plot the rate per GB and ARPU on two different axis and put all the countries of the world on that graph you will find India at the extreme left on both much lower than Sub Saharan Africa, much lower than Bangladesh, much lower than Indonesia and so on and so forth, so the opportunity to take up tariffs over a period of time is high. Equally I think the architecture of pricing as I mentioned before needs to change where you do have an ability for customers to upgrade from low, medium, high and super high in terms of plans and I think that is the part that also would change and then that will naturally play to our upgrades.

**Kunal Vora – BNP Paribas**

Understood and just lastly thoughts on the AGR dues after the curative petition was rejected are you pursuing the matter with government for any further relief or it's a done deal now?

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

No I think that was the last recourse on this particular matter. Soumen I do not know whether you want to add anything.

**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

No I think the curative petition has been denied on the grounds. I think there is a review petition pending and the morat period is yet to start, so there are things which can happen, but as of now the status is what you said that the curative has been rejected.

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Understood that is it from my side. Thank you.

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**Vaidehi Sharma – Moderator**

The next question comes from Mr. Arun Prasad. Mr. Prasad you may please unmute your side, introduce yourself and ask your question now.

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**Arun Prasath – Avendus Spark**

Good afternoon Gopal, thanks for the opportunity. My first question is on the unit economics you spoke in the earlier answer about the FTTH versus FWA, did you include the cost of spectrum utilized in FWA as part of the calculations when you say that it is more or less same?

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

No, because that spectrum has any way been used for consumers and it has been used for handheld devices, so to that extent it does not include the spectrum because that is a sunk cost, which anyway is serving the mobile business.

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**Arun Prasath – Avendus Spark**

Understood. Now if you look at the enterprise margins, my second question is on the enterprise margins it is gradually decreasing over the last six months what could be the reason towards this, is it a mix change or it is a competitive environment how should we read this?

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

I think the mix of our business today if you look at it, 50% of our business is the global business and again that has different parts to it. There is messaging and voice, there is also data, and each of those has different margin profiles. The second part generally the global side of it, which is the 50% business, is more profitable. Then there is a domestic business which is about 40% and 10% is data centers, which has a slightly different margin profile. Within the domestic business connectivity typically tends to have very high margins but remember here there is capex involved and then when you start looking at things like CPaaS, Cloud, Security, etc., these tend to have lower margins, but there are also places where growth is much faster, so I think the challenge for the business or the objective for the business is to really step up the growth in the business and not worry singularly about margin but really worry a lot more about absolute profit growth because that is where the market is going. That said there is a work to be done and again that is a second opportunity for the business is to look at every item of expense in the business and try and strip out as much of waste as possible, so I think you have to look at it, it is a portfolio of different businesses some of which we are facing headwinds particularly on the global side and equally there is a growth in this business where 90% of the growth is happening around adjacencies with different margin profile but with no capex and therefore the EBITDA actually more or less flows through to EBIT. So I think this is a business where the portfolio is being retooled as we step up the growth of this business.

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**Arun Prasath – Avendus Spark**

Alright understood so is it fair to assume that to deliver this kind of say 8 to 10 percentage of growth our margins will further reduce if you have to keep up with this growth?

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

No, I think we have to try and see what we can do to step up our growth I think that is really what we would need to do.

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**Arun Prasath – Avendus Spark**

And to deliver the growth without sacrificing margins which sub segments you would want to focus more?

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**Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar****Gopal Vittal – Managing Director & Chief Executive Officer, Bharti Airtel Limited**

For example let us say Cloud. If you were to have a roaring success in Cloud remember there is a large part of the growth in the industry that is happening on Cloud, you got to grow Cloud that will have a slightly lower margin profile but that is a very large growth driver so I think the question that you have got to ask is - are we able to grow and are we able to grow profitably.

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**Arun Prasath – Avendus Spark**

Finally, one last question on the earlier project of adding 25,000 rural sites, where we are in this project? is it a site addition still at 25,000 or are we revising or are we mostly done with this?

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

I think a lot of the rollout would be completed this year so most of the rollout would be completed. I think there will be some little bits and pieces left over in three or four circles where we are behind but outside of that a large part of that rollout will be completed.

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**Arun Prasath – Avendus Spark**

So the 25,000 more or less remain safe.

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

For this year most of it will be completed.

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**Arun Prasath – Avendus Spark**

Alright. Thanks Gopal. All the best.

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**Vaidehi Sharma – Moderator**

The next question comes from Mr. Manjeet Buaria. Mr. Buaria you may please unmute your side, introduce yourself and ask your question now.

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**Manjeet Buaria – Solidarity Investment Managers**

Thank you. This is Manjeet from Solidarity Investment Managers. Gopal I have two questions, the first one was to the immediate ARPU target of 300 which you have clearly mentioned. But if I see it longer term let us say 20 years, what is a fair base of ARPU growth from a management perspective is it like something which is slightly above inflation, what metrics do you guys think when you see really from a long-term ARPU growth, is it industry structure and the customer elasticity?

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

Look I think the first protocol is to really get to 300. This round of tariff repair has taken us partly towards that direction, but if you step back and look at it this is a category where people spend five to six hours on their phones and it pretty much runs a very large part of their lives whether it is entertainment, it is shopping, it is commerce, it is studying, it is working and to have the cost of subscription for a whole month being lower than going to a cinema to watch a movie right it seems a little paradoxical given how central this is to people's lives. So yes, I think at least if we have to aspire for continued investment in this critical infrastructure this is a heavy capex business we have to aspire for continued investment and really put the best technologies out there, which is what we are committed to doing then yes we will need to certainly be constantly looking at ways and means by which we can take up the ARPU so that the return on capital becomes respectable in this industry so I think that is really how I would frame.

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**Manjeet Buaria – Solidarity Investment Managers**

Is there any quantitative level where you say given all the requirements 7, 8, 10% long term is what makes it feasible or there is nothing like that we see today?

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**Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar****Gopal Vittal – Managing Director & Chief Executive Officer, Bharti Airtel Limited**

We have just gone through one round of tariff repair we should wait for it to fully settle, but clearly there is more to be done in this market. I think the current economics are still quite poor and really need to improve dramatically.

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**Manjeet Buaria – Solidarity Investment Managers**

The second question Gopal, you talked about a lot of new initiatives but the fact is mobile and broadband business will generate a lot of free cash flows over the next 5-10 years, right, is there any initiative which you think for the decade, can become at least 40-50% of the cash flow size of these two businesses because only then will we move the value creation else we are more like a mature business so you know I was just curious about how you are thinking on that? That is all from my side.

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

I think that is a good point. Today the mobile business got to a point where it is a big cash generator, the B2B business is also good cash generator, our broadband business is a rapidly growing business, but the assets that we have in terms of our digital infrastructure, the strength of our balance sheet as well as the data that we have of our users both B2C and B2B along with the relationships that we enjoy with our customers and the fact that we are able to serve 350 million users over 500 of the largest companies and half a million small and medium businesses really gives us a lot of confidence that using the strengths of our business we can actually look at having interesting businesses around it, which are pearls on the side now whether they actually deliver the same kind of cash flows of the telecom business, that is a different model and therefore time will tell, but I do believe that the opportunity to grow these new businesses is very, very massive and I think the company is more ready to commit investment both in terms of people, time, capacity, and money to make sure that these businesses grow.

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**Manjeet Buaria – Solidarity Investment Managers**

Thank you.

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**Vaidehi Sharma – Moderator**

The next question comes from Mr. Sanjesh Jain. Mr. Jain you may please unmute your side, introduce yourself and ask your question now.

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**Sanjesh Jain – ICICI Securities**

Thanks again for taking my question. Gopal one question on the FWA now that there is an acceleration we have seen a significant acceleration for Jio as well in the fixed broadband subscriber addition, do you think for you it will be more easy to transit to standalone 5G earlier than what we have anticipated earlier?

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

Sanjesh we are moving to standalone 5G on FWA by December we are in the midst of doing some trials and we want to just test whether we are able to get better uplink performance with SA for a fixed wireless access because it is a static network so those trials are underway and by December we should have fixed wireless access on SA, that is our current plan.

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**Sanjesh Jain – ICICI Securities**

Will it be absolutely required for us to transit to 5G standalone to add a meaningful number of customers or do you think FWA is just a stopgap and we will eventually move this customer to FTTH?

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**Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar****Gopal Vittal – Managing Director & Chief Executive Officer, Bharti Airtel Limited**

So hang on I am just saying that I think on our mobile side the decision or the choice to move from NSA to SA is a function of the load on the spectrum bands, so the moment spectrum bands get more released, you will be able to move more and more spectrum onto 5G and therefore move ultimately in at some point in time in the future move to an all standalone network that is the game plan and the roadmap that will happen over a period of time, take three years, four years or whatever it is. The second part is that there are use cases that we can deliver using standalone, not necessarily across the whole network, but on certain bands, certain areas or certain use cases. For example enterprises, we are already serving a few enterprises on standalone networks. Fixed wireless access is a good use case where a standalone network, the hypothesis is that if we use a standalone network we have a better uplink performance, that hypothesis needs to be proven and tested. It also will give you the capacity to slice the network for standalone as mobile traffic builds up, so those are some of the reasons that we are moving in that direction. If you look at all telcos around the world take the US telcos whether it is T-Mobile or whatever they have both hybrid networks. They have NSA and SA so this is just software. The radios are the same, the baseband units are the same, everything is the same, you need a standalone core and you need software to be able to steer a particular use case or a particular area on standalone.

**Sanjesh Jain – ICICI Securities**

So if I understand we will still work on non-standalone at least in the near term for the consumer side of the business and for the FWA fixed broadband side of the business and enterprise we may look at rolling out standalone wherever it is required, is that the way to think?

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

Yes that is the way to think but I think just one level above that Sanjesh, the way to think of is what is the best way to deliver the right experience for the user and there I think now if you look at open signal five out of five awards we have won, so what we are doing there seems to be something working. Wherever we need to deploy standalone we will and like I have always said at some point in the future all our NSA networks will move to SA the question is there is no need to hurry and do it because if you hurry into it you end up paying almost 30 - 40,000 Crores to buy a sub gigahertz band you do not need it because we already have sub gigahertz so we have a mid-band which is very powerful, which we are using as a combination with the 3.5 that gives us the geographical reach and coverage reach and allows us to operate on an NSA mode. Now at some point as those mid bands free up and 4G traffic begins to drop and more and more 5G traffic is carried on our network as devices come in those spectrum bands will get released and band-by-band you can move to SA so that is really how it works.

**Sanjesh Jain – ICICI Securities**

Got it just one last question on this. On the fiber side does it also means that we will need to lay out lot less fiber than what we anticipated at least from the home pass perspective in the Tier-2, Tier-3 city will it limit our capex on the fiber side of business?

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

No Sanjesh we are continuing to roll out one-and-a-half million home passes every quarter nothing has stopped there. Ultimately, fiber is the best way to deliver broadband experience. You have fiber straight to the home, it has better concurrency, and it has better uplink performance, better downlink performance. Mobile radio spectrum is always a shared resource so fiber will be the best way to deliver it but that does not mean that fixed wireless access does not have a role to play. It has a role to play where fiber is not there and that is really what we are after and at some stage we will move that to fiber as more and more rollout happens.

**Sanjesh Jain – ICICI Securities**

Very clear. Thanks Gopal for patiently answering all those questions thanks.

**Vaidehi Sharma – Moderator**

The next question comes from Mr. Aliasgar Shakir. Mr. Shakir you may please unmute your side, introduce yourself and ask your question now.

**Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar****Aliasgar Shakir**

Thanks for the opportunity here. Gopal you mentioned in your initial remarks that we have had a very strong free cash flow if not for spectrum acquisition in this quarter as well as the dividend payment, so if I add by both of them we should be doing somewhere close about 11 to 12,000 Crores plus obviously the tariff and other growth benefits, so should we expect in a way in the next one year give or take about 40 to 45,000 Crores of deleveraging in Airtel or do you think there are any other opportunities in terms of capex acquisition or standalone or anything that we are not building, in the ongoing capex?

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

Let me take the capex part and then Soumen can add more texture to the cash flow if need be. I think last year was a peak year of capex. We said that we will have a lower capex this year. Where is our capex going? Our capex is going on transport which is consistent over the years so that part will just keep going for the next 5 to 10 years. We will keep building our transport network both electronics as well as fiber. The core network has a small component of capex that will continue to get investment as traffic keeps growing. There is some B2B side, which is cables and things like that which will get investment. There are some investments in data centers, investment in broadband. These will all continue to get Investments. Radio capex which is wireless capex there was a big bump up that we saw in the last few years as we rolled out new spectrum bands where we acquired spectrum in sub gig band and some circles, you had a historic amount of rollout of 4G networks across the country that has seen capex and of course we have seen 5G rolling out across the country. All of this has taken substantial capex of overall capex so the rollout is more or less done that will come down, 4G capacities we are not investing anymore, then the only question is 5G and 5G we rollout as and when we see devices, as and when we see fixed wireless access demand, so combination of that is what we use as an algorithm to say this is a 5G rollout that is going to be modest and it will keep rolling out over the next three to five years, so the reduction in capex will come from reduction in wireless capex. One place which will get some investment is on the Cloud area which we have already invested this year and we will see how that shapes up over the coming years to continue investments there, but that is a new growth opportunity and like we discussed earlier that is a fast growing area and should give us more growth in the B2B segment should that investment materialize.

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**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

Just to add on the operating free cash flow. I think earlier the way you adjusted for spectrum prepayment and dividend payment and that is the way to look at it. We should be consistently delivering that kind of a cash flow except for some changes seasonality in capex, which will not be very large so you can consider that trend.

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**Aliasgar Shakir**

Understood. There are no new other investment opportunity that the free cash flow should be deployed right we should focus on this 40 - 45,000 Crores of deleveraging?

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**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

See it will be a combination of reduction. We still have some spectrum which is high cost so that will happen which will be a part of deleverage and driving the capex.

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**Aliasgar Shakir**

Understood very clear.

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**Vaidehi Sharma – Moderator**

Thank you everyone. I would like to remind participants to stay connected on the call for the next session on Bharti Hexacom. I would now like to invite Gopal for his closing remarks for Bharti Airtel.

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

Thank you very much. I think overall I would sum up by saying that has been an overall good quarter and the flow through of tariff increase has been in line with our expectations. We have seen a step up in broadband growth there is more to be done there. Our B2B needs to needs to step up, but competitively we are doing well on B2B and finally on the announcements we made yesterday on organization change I think we have a very solid and structured plan over the next 14 months and that really stands the company in very good stead and as I mentioned at the outset I will continue to be deeply involved not just for the next 14 months but well beyond it. I am totally committed to the Bharti group so thank you very much for joining this and over to you Soumen.

**Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar****Vaidehi Sharma – Moderator**

Thank you Gopal. With this I would now like to hand over to Mr. Soumen Ray for his opening remarks on Bharti Hexacom performance.

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**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

Good afternoon everyone. Welcome to the Bharti Hexacom Q2FY25 earnings call. Let me start with a business update before I move to the financial performance. During the quarter we turbocharged our network with deployment of additional 15 megahertz of spectrum that was purchased in the June 2024 auction, the deployment happened in this quarter. We also accelerated our expansion of our Wi-Fi offering both between wired and FWA across key cities in both circles. This expansion will enable us to cover close to about 3 million additional home passes or households. We have significantly increased our customer acquisition in homes segment over the last quarter on the back of this expansion.

Moving on to financial and operating performance. We have delivered revenue of close to 2,100 Crores growing sequentially by about 9.8%. Smartphone customer addition was about 143,000 as compared to about 703,000 in the previous quarter. Overall customer base was impacted by tariff repair, which is a normal trend whenever this happens and we expect this to get normalized. It has already started unwinding and we expect it to normalize in couple of quarters. We reported yet another quarter of Industry leading ARPU growth of 11.3% to Rs228. EBITDA stood at 1,046 Crores with an EBITDA margin of almost 50%. Net income for the quarter was at Rs.253 Crores. Cash generation for the quarter was robust with operating free cash flow, which is EBITDA minus capex at about 600 Crores. Consequently net debt-to-EBITDA improved to 2.03 despite addition of the spectrum debt of close to 1,000 Crores. With that I would hand over to Vaidehi and request it to be open for Q&A.

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**Vaidehi Sharma – Moderator**

Thank you Soumen. Due to time constraints we would request if you could limit questions to two per participants to enable more participation. Interested participants may click on "Raise hand option" on your Zoom application to join the Q&A queue. With this the first question comes from Mr. Sanjesh Jain. Mr. Jain you may please unmute your side, introduce yourself and ask your question now.

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**Sanjesh Jain – ICICI Securities**

Hi Soumen thanks again. Just one on the seasonality side of it, we had slightly lower growth when you compare to Bharti on the mobile business side, is it that the Hexacom has much stronger H2 because Rajasthan attracts lot of in roamers during the second half, so for us it is fair to believe that Hexacom will have a much better H2 and tariff flow through in the H2?

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**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

Thanks Sanjesh for the question. No I do not think that it will be drastically different from what you have seen in the parent company Airtel. See Rajasthan and Northeast is a little more price sensitive, more rural and because we are now talking of what about 0.5% or 0.4% growth, because I think Hexacom mobility has grown by about 9.9 whereas Bharti Airtel has grown by 10.3 so directionally they are both similar. I think if you look at the customer reduction, the revenue earning customer reduction in percentage terms that would be 40-50bps higher in case of Bharti Hexacom, which is the mathematical explanation, but business wise I think Rajasthan is behaving exactly like rest of the country, a little more accelerated by as I said 0.3 - 0.4 percentage points, which is nothing to read about, flow through would be similar. Your point on in-roamers, of course Rajasthan sees an influx from November onwards it continues till February so there is a possibility of a higher growth because of in-roamers because then Bharti Hexacom will be charging to Bharti Airtel for the services provided, but traditionally it has not been very large and hence I would just be a little tepid. Directionally you are correct, quantum wise may not be very large.

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**Sanjesh Jain – ICICI Securities**

Very clear. Second you did mention in your opening remark that you have put to use the 15 megahertz of spectrum, which was bought in the June auction, now there is no material CWIP left for Hexacom right?

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**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

I would correct that and I'd say there is no spectrum CWIP of Hexacom.

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**Sanjesh Jain – ICICI Securities**

Sorry spectrum CWIP I meant that.

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**Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q2 ended September 30, 2024 Earnings Webinar**

**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

Of course the millimeter wave continues to be there, but whatever we have purchased now, everything has got capitalized and put to use.

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**Sanjesh Jain – ICICI Securities**

So from here on our amortization should almost remain flattish right? barring next quarter where you will have a full quarter impact, I understand that but from there on do you think amortization should flatten out?

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**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

So yes the amortization should flatten off, subject to the millimeter growth. Other than that as I said there is no CWIP so whatever you see in Q3 should be the run rate of amortization for Bharti Hexacom going forward.

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**Sanjesh Jain – ICICI Securities**

Got it, that is it from my side. Thanks Soumen.

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**Vaidehi Sharma – Moderator**

Since there are no further questions I request Soumen to kindly give his closing remarks.

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**Soumen Ray – Chief Financial Officer - India & South Asia, Bharti Airtel Limited and Director, Bharti Hexacom Limited**

I think Bharti Hexacom has done very well compared to the market in terms of holding on to customers ensuring that the mobility business grows at almost double digits, what is heartening is a very strong jump in the homes business. Homes business is under leveraged compared to some of the other players in the industry and the organization will continue to work on driving homes even better. With that thank you for joining and wish you all a very happy Diwali.

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**Vaidehi Sharma – Moderator**

Thank you very much Soumen. Thank you everyone for joining us today. Recording of this webinar will be available on the company website. Wishing you all a very happy Diwali.