Vodafone Idea Limited Earnings Conference

February 07, 2019

Moderator: Good afternoon, ladies and gentlemen. This is Margreth, the moderator for your conference call. Welcome to the Vodafone Idea Limited Conference. For the duration of this presentation, all participant lines will be in the listen-only mode. After the presentation a question-and-answer session will be conducted. We have with us today Mr. Balesh Sharma – CEO of Vodafone Idea Limited and Mr. Akshaya Moondra – CFO of Vodafone Idea Limited, along with other key members of the senior management on this call. I want to thank the management team on behalf of all the participants for taking valuable time to be with us.

Given that the senior management is on this conference call, participants are requested to focus on the key strategic and important questions to make sure that we make good use of the senior management's time. I must remind you that the discussions on today's call may include certain forward-looking statements and must be viewed, therefore, in conjunction with the risk that the company faces. With this, I will hand the conference call over to Mr. Balesh Sharma. Thank you, and over to you, sir.

Balesh Sharma: Thank you, Margreth. On behalf of Vodafone Idea, I welcome all the participants to the first earnings call, post completion of the merger of Vodafone India and Idea Cellular. I thank you all for taking the time to join us today.

While I have met many of you over the last five months, I assume there would be some on the call that I have not met, so a minor introduction. I am Balesh, I have been working in telecoms now for about 23 years, of which about 15 years-plus are with Vodafone. I worked with Vodafone in India and then in Malta and the Czech Republic. I came back to India in March 2017 as the COO of Vodafone India and have been the CEO since the day of inception, since 31st August, of this new company, the youngest telecom company in the country. I am loving every bit of this new, exciting opportunity in front of us.

Moving on to the results. Yesterday, on 6th of February, 2019, our Board of Directors adopted the audited results for the third quarter of financial year 2018-19. These were first full quarter results for Vodafone Idea. The detailed press release, the quarterly report and audited results have been uploaded on our website, and I assume you had a chance to go through the same.

In my part, I would like to share, first of all, an update on the various strategic initiatives we talked about when I met many of you in November at the Analyst and Investors' Meet in Mumbai. I will then talk about the operational highlights of the quarter. After that I will hand over to Akshaya for sharing the details on the company's financial performance for third quarter.

A bit about the market. The operating environment continues to be challenging. However, the industry has now consolidated into three private players and BSNL/MTNL. The offerings of all the three private players are now towards enabling more and more data for all the subscribers. Massive investments are therefore going in, ensuring that these offerings we are making on data are well supported in the marketplace.

Vodafone Idea has the largest spectrum portfolio, large network investments in the form of network sites and optical fiber, wide distribution reach and customer affinity for its two strong brands - Vodafone and Idea. And thus, is very well positioned to be successful in the new operating paradigm in the marketplace.

We have embarked upon this new challenging phase with a very clearly defined strategy, having no dependencies on external factors. The time between the merger announcement and the merger completion allowed us to meticulously plan and create a blueprint to improve our revenue, profitability and competitive position in the marketplace. The outcome of this exhaustive planning is a well-defined five-pillar strategy:

1. Accelerating the integration
2. Prioritize investments
3. Drive ARPU through simplification
4. Focus on fast-growing revenue streams and partnership approach to drive value
5. To strengthen the balance sheet.

This is the blueprint I shared with you in November in the Analyst Meet. Let us see how we are doing on each of these.

First of all on the integration, before we started our integration, most of the industry experts and our peers highlighted that executing network integration will be a massive challenge. Yes, it is difficult and complicated. But with planning and with the execution efficiencies the team has brought in, we are happy to share that we are in line with our stated mantra of ‘radical acceleration of integration’. We have moved much faster than expected and seamlessly. We have already integrated eight service areas of West Bengal, Andhra Pradesh (except Hyderabad), Haryana, Madhya Pradesh, Himachal

Pradesh, Assam, North East and J&K. In these service areas, we successfully completed the consolidation of our spectrum and radio access network. Customers, therefore, of both the brands in these areas can now enjoy a unified network experience across 2G, 3G and 4G. They get the benefit of the enhanced capacity and therefore improved speeds. It also improves, the coverage for the smaller of the two brands, because customers can now get the coverage of the larger network brand in each of these service areas.

In addition to these eight service areas, we are now offering unified 4G experience in Bangalore city, which means 2G in Bangalore is still not unified, but 4G layer is completely unified. And therefore, both Idea and Vodafone brand customers get an access to the same 4G network. In other circles as well the network integration is taking place on a fast pace, but on a cluster-by-cluster approach, and subscribers of both the brands are therefore gradually moving to a much larger and better network.

While the network integration is underway, ICR arrangements between the two brands, Vodafone and Idea, allow us to offer a better coverage to our customers in the interim. Furthermore, the process of spectrum consolidation across the country has resulted in enhanced network capacity and improved customer experience, wherever there was an opportunity.

We have also enhanced the capabilities of some of our 900 MHz sites through dynamic spectrum re-farming, and re-farmed 2100 MHz spectrum from the 3G to 4G on selected sites. In Mumbai, for instance, we have consolidated the liberalized 1800 MHz of Vodafone and Idea and carved out one additional carrier for 4G. This has improved the user experience of subscribers on Vodafone network in Mumbai.

Moving from network towards operational integration. We have completed pretty much the people integration for all managerial layers, right up to the level six. On the offices side, we moved the zonal and circle offices of Vodafone and Idea to a single location across the 22 circles. People no longer sit in Vodafone or Idea formations, they sit either in the same office or split in two offices, but split function-wise rather than brand-wise. For instance, technology guys sit in one place and finance guys in another and so on.

We have also initiated the integration process of our distributors, retailers, service stores and service centers. The integration process on this front had its own challenges because redefining geography means for each of the distributor, we need to realign the retailers under them and their accounts and full and final settlements of each part is to be completed. But happy to report that we are almost done for the distribution integration countrywide by the end of January. On the branded stores footprint, we are progressing very well, and we expect to complete the operational integration, which is both distribution and retail outlets, by March 2019.

Moving to the second pillar, which is about prioritizing investments in profitable areas. We have segregated districts in India based on their growth potential and revenue & EBITDA contribution to our company, as I shared in the last meeting. Instead of following the conventional approach of circle-level prioritization, we are now at district-level of granularity. On the basis of such analysis, we have identified certain high-potential districts where we are targeting to have full coverage, large capacities and best-in-class customer experience, and gain more than just the fair share of the market, which means basically creating fortresses or moats around our customers in these areas. If you remember my last presentation, these areas which we call the quad A and B actually amount to about 140% of our overall EBITDA.

In the non-profitable districts which is the quad C and D, where we have challenge in terms of our EBITDA, we are working towards optimizing the capacity utilization by bringing the network load of both the brands on to a single network, and therefore optimize the cost of running the two networks. This means getting two revenue streams from riding on one single network, and therefore move towards an EBITDA improvement in these markets as well on overall basis.

During the quarter, we have already exited 5,400 low-utilization sites in these geographies. We have also de-loaded our equipment from around 21,000 co-located sites. If you recall, before day 0 we gave notices to the infrastructure providers for around 66,000 co-located sites, to convert tenancies into a single tenancy, with the additional equipment of the second brand being converted into a loading rather than additional tenancy. From those 66,000, we have managed to remove equipment from 21,000 sites.

We have added 11,123 4G sites during the quarter, of which 9,066 were TDD sites, boosting our capacity. And as a result, we are progressing very well on the capacity creation front and intend to increase the capacity to 1.5x by March 2019 and 2.5x by March 2020, compared to September 2018. This is in line with the guidance we had given in the November event. This basically means, in this quarter we carried 29.4 billion MB of data every day. Further, we continue to augment our data capacity, and that reflects an incremental 2 billion MB/day capacity that we have added already by January. We are well on track on capacity creation.

Moving on to coverage. As we redeploy overlapping 4G sites and integrate the network, our coverage continues to improve. During the quarter, we have improved our 4G coverage from ~40% of the population that Vodafone brand was servicing with 4G to ~62%, and from ~49% that the Idea brand was servicing, to ~60%. This basically means incremental 265 million population covered for the Vodafone brand and about 125 million for the Idea brand, and therefore opens up a lot more opportunity for us to sell our 4G to new customers, as well as to our existing 2G base in those geographies. We are thus well on track to achieve the 4G coverage of more than 95% of population in high-potential districts by March 2020, as guided.

I would also like to reiterate that post-merger the overall 2G coverage for both the brands has improved to greater than 90% of population of the country. This used to be ~82%-85% of the two brands, which has already jumped up to a 90%-plus. This is significant, and both the brands now cover a much larger population for selling the basic telephony services.

The third pillar we talked about was ARPU improvement via simplification, rationalization and up-selling. With our strategy to simplify customer offerings, we have discontinued multiple recharge vouchers and have launched recharge vouchers at the price points of Rs. 35, Rs. 65 and Rs. 95, offering bundled voice and data to the customer for a period of 28 days. These service validity vouchers are designed to incentivize the subscribers to opt for higher-value recharges. There's a laddering, and therefore, we can take the customers up from Rs. 35, to Rs. 65, to Rs. 95 and ultimately to unlimited usage vouchers of various denominations.

Also, instead of having multiple offerings across 22 circles, for new SIM cards to be procured, we have created a common acquisition plan across the circles at Rs. 76. This basically means that existing customers get a better deal than the new customers. If a new customer wants to get a similar deal, he must then buy a SIM card at a price point of Rs. 76, therefore creates better loyalty with the existing base and stops the proliferation of low-quality acquisitions which leads to higher churn. We are thus arresting the high-gross high-churn model to bring it down to a better base management, and also a better management of the cost of acquisitions. During the quarter, we have aligned our postpaid and prepaid plans across the offerings by both the brands. That is on the ARPU improvement part.

The fourth pillar we had talked about was focusing on fast-growing revenue streams and partnerships to drive value. And on that, happy to report that Vodafone Idea is the leader of the enterprise mobility space, and we have been focusing on growing segments of IoT solutions, cloud offerings, carrier services, etc. by leveraging Vodafone Group's global enterprise relationships. We are focusing on trying to do all the non-mobility stuff as well. In fact, you may have noticed in the media three days ago, we have now announced NB-IoT commercial trials of proof of concepts in four Indian cities with a clear plan that as the availability of devices and ecosystem develops, we will be rolling out NB-IoT across the country.

We continue to add customers on the enterprise side, including government contracts through our wide range of mobility and non-mobility services. During the quarter, we have added significant number of smart meter connections on IoT. We provided connectivity to the contact center for one of the largest private banks. We have also delivered large capacities to the digital and e-commerce companies. Enterprise business thus continues to do well, both on mobility and on non-mobility or new businesses side.

Moving on to the partnerships that we talked about. Very clearly, we have stated the agenda of this new company, is not to try to own the entire value chain, but to focus on what our strength areas are. As described then, our strengths we consider are the subscriber base that we have, the deep analytics of that subscriber base, our physical and digital reach, our capability to collect money from these customers in prepaid/postpaid model, where we can charge customers through per minute/per second/per viewing/per episode in whatever way possible, thus our billing capabilities. All these strengths is what we bring, and of course, the enterprise relationships. We stick to and improvise on these strengths. However, we act as a branch to the rest of the world and connect our customer base to the best-in-class products by partnering with the best in the world.

We are continuing with that agenda. Happy to announce, further to the fact that we were the first ones to bring in Netflix and Amazon Prime to provide premium content to our base, we have now tied up this quarter with Hoi Choi and with Sun TV to provide large bouquet of digital content to our subscribers. The best of south content from Sun NXT is now streaming on Vodafone Play and on Idea Movies & TV. Sun NXT app contains 50,000 hours of content, 30-plus live channels and 4,000-plus movies and unlimited shows in all four major south languages - Tamil, Telugu, Malayalam and Kannada. In addition to the above, we have more than 10,000 movies and 300 live TV channels on Vodafone Play and more than 8,500 movies and 400 live TV channels on Idea Movies & TV. We are moving well on content.

Moving on to the music part. We are sun-setting the Idea Music app, and we will come up very soon with an offering which will provide best-in-class music streaming services, again through a partnership that we are in the final stages to close. We will keep you posted more on the same. Music is a big priority for us, but we will work on that as well through partnerships.

Again, through partnerships, we are also focusing on leveraging the assets we have, we are looking for partnerships in financial services areas, e-commerce areas, practically anything that could be of value to my base as well as creating value that can then be shared with the partners in the value chain. We similarly also partnered with the handset manufacturers to provide better value proposition to various customer segments, as per their needs.

Moving on to the last part of the strategies that we talked about, strengthening our balance sheet. The company continues to look for various fundraising and asset monetization initiatives to strengthen the balance sheet. Our board has approved rights issue of Rs. 250 billion on January 23, 2019. Both the promoters, Vodafone and Aditya Birla Group have reiterated their support and indicated their willingness to contribute up to Rs. 182.5 billion. We expect to initiate this exercise as soon as the regulatory approvals come through.

The merger of Bharti Infratel and Indus Towers has already received the CCI and SEBI approval, and therefore is expected to close in Q1FY20. This is the second monetization opportunity we are looking at. And the third is the fiber monetization, the company continues to pursue its plan to monetize 158,000 kilometers of intra-city and inter-city fiber. We continue to work on the asset separation and then will look at partnerships and monetization opportunities over a period of time.

This is about the strategic priorities. Moving then to what is the result of this priorities; the operational highlights for the quarter. The results of all these initiatives in line with our strategy, has already started to reflect in the numbers. The introduction of service validity vouchers on a national basis during the quarter, which required customer to make a minimum recharge of Rs. 35 for 28 days validity, had a positive impact on our revenues and on ARPU, which you may have noted yesterday. The rate of quarterly revenue decline has therefore been restricted to 2.2% compared to 7.1% percent decline in the previous quarter. The daily revenue has also improved in these two consecutive months, which means December over November and January over December, the daily run rate of revenues has improved, which is a clear indication of the positive impact of this minimum recharge threshold that has been implemented.

With the introduction of these vouchers, as expected, we have lost some zero users or incoming-only customers or the minimal ARPU customers. They consolidated their spending from multiple to a single

SIM, leading to a reduction of 35.1 million customers in our reported base, which has also been announced yesterday in line with the expectations that we set.

Moving on to the market. Post withdrawal of Aadhar e-KYC activation process by the honorable Supreme Court, Vodafone Idea has successfully introduced digital activation process to bring customers on board instantly. The new customer acquisition process is paperless and is absolutely hassle-free and therefore has been well-received by the market.

On the 4G front, we continue to witness strong traction with 9.5 million 4G subscriber addition last quarter as compared to 8.4 million in Q2, there is an improvement of run rate. This was possible because of improved network coverage and capacity and tariff simplification. In fact, in the last 12 months, we have almost doubled our 4G subscriber base from 38 million in December 2017 to 75.3 million in December 2018. As we continue to now improve our 4G coverage and capacity through the integration of our networks and through injection of fresh capex, we expect to maintain positive momentum and gain higher share of the 4G subscribers.

To sum up, our strategy is being followed to the core and is producing good results, whether you look at the acceleration of integration, and the results which I have already talked, about network improvement in capacity and coverage. Akshaya will talk about the cost improvements and the synergies. Prioritization of investment is also clearly visible with the low utilization site exits. ARPU simplification with new tariff sets in the market are producing good results. We have been focusing on the enterprise business and our partnership strategy seems to show good results and good improvement in our content strategy already. And we stand on our way to strengthen the balance sheet.

Over to Akshaya, our CFO.

Akshaya Moondra: Thanks, Balesh. A very good afternoon to participants from India and a good morning or evening as applicable to overseas participants. Let me first clarify that all the qoq comparisons that I will talk about are based on pro-forma figures for Q1 or Q2.

The revenue for the quarter declined to Rs. 117.6 billion in Q3FY19 as against Rs. 120.2 billion in Q2FY19, mainly on account of customer migration to lower ARPU. As explained by Balesh, we have started seeing month-on-month daily revenue improvement from the month of December, which in turn has also arrested the overall qoq rate of revenue decline in this quarter to 2.2%. During the quarter we have achieved significant benefits on cost reductions. Our overall operating costs, excluding license fee & spectrum usage charges and roaming & access charges, have come down by Rs. 7.5 billion as compared to Q1FY19 on a pro-forma basis. This is equivalent to annualized cost reduction of Rs. 30 billion. EBITDA for the quarter improved by 16.3% over previous quarter to Rs. 11.4 billion, primarily due to cost reduction. We had earlier given a guidance of Rs. 84 billion annualized cost reduction by FY2021, and we are progressing well to achieve this plan.

The 'Depreciation & Amortization' charge for the quarter stands at Rs. 47.7 billion and 'Interest & Financing cost (net)' stands at Rs. 26.1 billion, which includes credit of Rs. 870 million on account of Forex gains.

Exceptional items during the quarter are Rs. 8 billion. These primarily include integration and merger related costs of Rs. 7.5 billion and provision for impairment of assets of Rs. 350 million. Out of Rs. 7.5 billion, site exit costs are Rs. 7.3 billion. This includes additional provision of Rs. 3.8 billion over earlier provision of Rs. 10 billion made in the previous quarter on exits of co-located tenancies, based on discussions with key infrastructure vendors and the effects of further exits during the quarter of Rs. 3.5 billion. The total amount of Rs. 13.8 billion provision with respect to co-located tenancies includes recognition of Rs. 1 billion as an upfront cost on account of staggered tenancy exits on towers sold by us, representing the difference between higher cost of two tenancies and the cost which should have applied had the exit happened on the date of merger.

Capex for Q3FY19 was Rs. 11.7 billion. We have finalized all our major supply contracts post the merger, which has resulted in slower capex deployment in this quarter. However, we are accelerating our deployment now with focus on reuse of equipment. And our combined capex guidance for FY19 and FY20 remains unchanged at Rs. 270 billion.

Net debt as of December 2018 stands at Rs. 1,147.6 billion as against Rs. 1,125.1 billion in September 2018. The cash and cash equivalents balance as of December 2018 is Rs. 89 billion.

We have initiated a process of rationalization of our subsidiaries. During the quarter, we have completed merger of Aditya Birla Telecom with VIL. Further rationalization is in progress.

With this, I hand over the call back to Margreth and open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: I have a few questions. Number one, when we look at the subscriber numbers, those continue to decline. Is it entirely driven by the minimum Rs. 35 pack or something else is driving it? When do we see this subscriber base stabilizing? In case of Bharti, we saw a good ARPU uptake. Should we expect, as now some of these subscribers move, the ARPU uplift should happen? And second question, is it possible to quantify the general synergy benefit impact in this quarter and what was the net interconnect? And directionally, how should we look at the EBITDA margin going forward?

Balesh Sharma: Thank you, Sachin. Let me take the subscriber numbers question first and then I will hand over to Akshaya for the synergies and EBITDA part. On subscriber numbers, most of the impact is coming from the Rs. 35 or the minimum recharge voucher implementation we have done. On this, more than 80%-85% of these customers are coming from ARPU base below Rs. 25, and more than half of that is coming from people who were 0 users or incoming-only. Now, therefore, the average revenues of customers that are exiting are in low single-digits. When will it stabilize, maybe around the end of this quarter (Q4FY19), maybe a little bit into the following quarter (Q1FY20), let's see how it unfolds. In fact, for some set of customers the implementation is still happening due to regulatory requirements. Therefore, you will see a little bit of a tail probably flowing in later. But most of it should probably be completed in this quarter (Q4FY19).

Sachin Salgaonkar: One small follow-up here. If 80%-85% of the subscribers really are low-ARPU, below Rs. 20, once they are removed, why has the ARPU only improved by Rs. 1? Is that noncustomer ARPU like interconnect and others, which is going down and having an impact or anything else which is playing out here?

Akshaya Moondra: Sachin, let me address that. The denominator of number of subscribers which goes into the ARPU calculation is not entirely known externally because it is an average of three months. If we have seen a certain reduction in number of subscribers, only half of that is reflecting in the ARPU calculation. It is not that the reduction of 35 million subscribers is fully reflected in the ARPU impact. This will reflect going forward. From our point of view, the most important thing is that we have seen on an exit basis, an improvement in revenue despite a decline in the number of subscribers, which is a positive news.

Sachin Salgaonkar: Akshaya, can I actually put it the other way around. Will it be possible to give the pro-forma ARPU numbers, or an exit ARPU, just the way Bharti had given for December?

Akshaya Moondra: We will not be able to give it to you right away, but you can take it off-line and we will be able to share that number. You had 2 more questions, one was on synergy and second is what is the net interconnect. Let me answer the last question first. The net interconnect figure is roughly Rs. 4.6 billion for the quarter for us. On the synergy, could you repeat your question as to what exactly do you want to know?

Sachin Salgaonkar: Yes. You did mention that in this quarter a lot of the margin improvement was predominantly on the back of cost savings. How much of that is the synergy which is driven because of the integration? I am trying to figure out how much more room for margin improvement is there going forward, led by synergies.

Akshaya Moondra: It is difficult to say what is on account of merger and what is not on account of merger. At the time of merger announcement, we used the definition of synergies. When we made the analyst and investor presentation in the month of November, we had said that this is the cost reduction we will achieve, whether you call it cost reduction or synergies from the current base. For that figure, we had given a guidance of Rs. 84 billion. Because we don't want to get into the process of normalization, we have just simply compared Q1 vs Q3, because Q1 did not have any merger impact. That cost reduction is Rs. 30 billion qoq, which can be compared with the overall target of Rs. 84 billion, to be achieved in FY21.

Sachin Salgaonkar: Is it annualized?

Akshaya Moondra: Yes, Rs. 30 billion is annualized. Quarterly, it is Rs. 7.5 billion.

Sachin Salgaonkar: One last question. This net interconnect of Rs. 4.6 billion roughly implies 40% of this quarter's EBITDA. On a relative basis, from Jan 1st 2020, the entire impact of zero interconnect is going to hit. Do you see an EBITDA improvement on the back of synergies going forward to completely offset this Rs. 4.6 billion impact?

Akshaya Moondra: Yes. We expect that to happen. Also, I think we have seen this trend declining quarter-on-quarter because of the change in mix of minutes.

Moderator: Thank you. The next question it from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: My first question is regarding the traction in the data usage. If you look at the data volume growth for the peers is significantly higher, whereas Vodafone Idea is below that. Is it because of network integration and related issues impacting the volume? Or is it more of a sales issue that you have not been able to push significantly?

Balesh Sharma: Thanks, Pranav and thank you also for putting it in your analyst notes, so we have the questions already from you. Our data volume has grown by 11%, which is good. Our 4G base has grown by 9.5 million customers, which is good. But in comparative terms you find us lesser, and that is primarily because of all the integration stuff that I am talking about still has to bear fruits. For example, of the eight service areas of integration, of consolidation of network that I talked about, all have happened pretty much in the last week of January. In December, we only had West Bengal Circle integrated. We need to wait to see the benefits of incremental uptake on subscriber base and data users and data usage as because of enhanced capacities, more customers are coming, on the unlimited side. Therefore, the opportunity is actually opening up and becoming much, much larger. As I already shared, the Vodafone brand, for instance, growing from 40% to 62% of covered population, which opens up a huge opportunity for us to take even larger numbers of 4G from our existing base or from new customers coming in.

Pranav Kshatriya: Do you expect, going forward, you will accelerate your 4G sub addition, because that is where the numbers are clearly lacking? And as the network quality increase, can you see even the volume growth, to accelerate further from the current level?

Balesh Sharma: Most certainly, yes. With so much more covered population, and more capacity coming in, we should be able to extract a bigger share of the 4G market.

Moderator: Thank you. The next question is from the line of Manish Adukia from Goldman Sachs. Please go ahead.

Manish Adukia: Two questions from my end. You alluded that you saw an increase in month-on-month daily revenues in the month of December and also in January. Can you talk a bit more about it in terms of what is the magnitude of increase that you are seeing? And how sustainable is this growth; without any change in tariff, do you see this growth trend continuing? Second question is on your balance sheet, if you can give us an update on the deleveraging initiatives and what are the timelines you are looking at for the rights issue, fiber sale and the tower sale?

Balesh Sharma: Thank you, Manish. On the first question, about revenue increase, very clear green shoots or even leaves coming in now. We therefore have chosen to share that the monthly run rate in December is better than November, and January versus December. We will not be able to quantify at this stage. Is this sustainable or can we expect this to continue? This initiative itself is obviously not going to continue to lead to more and more increase in revenue because the table goes up once and then stays there. However, with everything else that we are doing, as I had talked about already, which is coverage improvement and capacity enhancement, we look at opportunities for keeping revenue going up.

Akshaya Moondra: On the balance sheet, you asked about the timelines for monetization initiatives. As far as the Indus merger is concerned, the monetization is linked to the completion of Indus merger with Bharti Infratel. As we mentioned earlier, we are expecting this to be completed in early Q1FY20. And so as soon as the completion happens, we have the option to monetize this asset.

As far as the rights issues is concerned, the Board of Directors had approved the rights issue on 23rd of January. We have been working on the various processes to be completed to launch the rights issue. Our expectation is that this will be completed more likely in the early part of the coming quarter. On the fiber divestment, we have been working on this. This is a significantly distributed asset, so over the last 1-1.5 months, we have collated all data of the fiber assets across the country for both the erstwhile entities. We are more or less ready to initiate the process, along with our bankers, to approach investors and take the process forward.

Manish Adukia: I just had one more question. In terms of your network capacity and the spectrum bands, you obviously have a significant chunk of the 2500 MHz band. Have you already started deploying network in a meaningful way on that particular band? If you can just comment on that.

Balesh Sharma: Yes, for sure. We have been using the 2500 MHz TDD band for creating capacity as and where needed. Pretty much everywhere in the company, we have got the 2500 MHz spectrum and in multiple circles, we have started lighting up the spectrum. I don't have the exact numbers to share with you right now on TDD sites, but this capacity is demand based, and we are increasing the capacity as and when required.

Akshaya Moondra: Just to add to that, we have given you guidance in our investor presentation in terms of the extent of capacity increase that we are looking at, and a large part of that is going to come - 1) by consolidation of spectrum; 2) by deployment of TDD on our sites. The utilization of 2500 MHz band is an integral part of our capacity increase.

Moderator: Thank you. The next question is from the line of Srini Rao from Deutsche Bank. Please go ahead.

Srinivas Rao: Three questions. First, if you can throw some light on the distributor integration which Balesh indicated in the opening comments. Do you see any potential RMS impact on account of the integration? How have you thought of going about on that? Second, on the eight circles, it looks like at least one of the brands was the laggard. Should we expect, as we have seen in some other markets, the network which is weaker tends to get a pretty big leg up? Do you expect some sort of a market share gain for the weaker brand on those eight, nine circles? And third, you have indicated a 2.5x increase in data capacity from the current levels. That actually would still be lower than Jio's current data throughput. Would you still think that the potential capacity gain which you intend to achieve will continue to remain competitive in the market? These are the questions from my side.

Balesh Sharma: Thank you, Srini. First one on distributor integration, we have spent 17 long months planning every bit of the integration, including distribution and thinking through the whole process of the mapping. We have gone about, in the first three months, identifying and selecting the best distributors. Between the two brands, we have chosen the strongest distributor in each territory. Already, in most cases, the distributors have started billing for both the brands across all retailers that existed for both the brands.

The service at the market is good or higher than before. We have stronger distributors than before because we have gone through the process of selection and elimination. Therefore, to your question if I see RMS impact, way forward I see a positive RMS impact coming through a stronger distribution network than otherwise.

Second question, on the eight circles integration, in cases where one of the brands was not as strong, and thus the traffic of that brand was lesser, and therefore the complexity of the integration was lesser which enabled us to move quickly. In these eight circles, opportunities for the lesser of the two brands to grow stronger, is very high. This consolidation also leads to spectrum consolidation, which means capacity creation and therefore the opportunity for the larger brand to grow even larger is also there. A simple answer is yes, I see a market gain opportunity in case of these markets coming both from the market share of the weaker as well as the market share of the stronger brand.

Third question was of 2x -2.5x capacity and versus competition. Is it enough or will it make us competitive enough? We are very cognizant of this subject. In our strategy that we have already talked to all of you about and I repeated today earlier, we are very focused in where we are creating this capacity. Coverage, I create practically everywhere by retaining the larger of the two networks and only taking cost out in the districts of C and D quads. But in A and B quads, which is where our biggest revenue and traffic is, therefore also monetization opportunities are, there we are investing heavily into capacity. This means a big chunk of the capacity creation is happening where 140% of my EBITDA and 90% of my revenue is. I am creating as much capacity as required in key areas and therefore we will remain very, very competitive there.

In the others, we are not exiting the coverage and access to technology only improves for the lesser of the two brands and, thus competitiveness even in those markets improves. However, the capacity creation there will only be demand based and over a period of time.

Akshaya Moondra: If I may add, there is some difference in the business model and if you look at our current capacity, we have roughly 100 million broadband subscribers. As we grow our capacity to 2.5x, some of that capacity will be taken up by the existing subscribers using more within the same ARPU level, but a large part of it will enable us to get more subscribers on the unlimited plans, on the broadband network and they will generate additional revenue. We definitely believe that this increase in capacity will create opportunity for increasing our revenues.

Moderator: Thank you. The next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: I have got two questions. First one is on the impact of the minimum ARPU plans that you launched last quarter. You have reported 35.1 million net subscriber reduction. What is the corresponding reduction in the number of smartphone devices on your network, which corresponds to this subscriber reduction of 35.1 million?

Balesh Sharma: Is there another question? Or Sanjay, should I start?

Sanjay Chawla: Related question to this is you have reported 9.5 million 4G subscriber additions, the data user additions this quarter. How many of them are result of some of the customers being compelled to do a minimum recharge for service validity to retain the connection? That's the first question. And second question is on network opex, which seems to be still on the higher side. If I just look at your Rs. 57 billion network opex this quarter on a per unique site basis, this is Rs. 94,000 per site, per month. What explains this high level of opex per site? And on a normalized basis, what should it be like once you have extracted all the synergies, when there is one full tenancy and 2 loadings on each unique site?

Balesh Sharma: Let me take the first question and then Akshaya can talk about the network opex. On the first question, which is the impact of minimum ARPU plans. Your question was of the 35 million that we have lost, how many were smartphone phones from the network. Smartphones from the network continue to grow in line with the growth earlier. And we do not see any impact of the exodus of these customers, it is not from the smartphone users. On the contrary, the 4G users on the base is only increasing. Very clearly the low ARPU, marginal users with the minimal revenue that have gone out.

Also, I forgot to highlight last when I was commenting upon a very similar question in the beginning, that we also have to remember that there are now practically very few brands in the marketplace and two of them are in the Vodafone Ideas table. When I report 35 million subscribers going out, many of these could actually be consolidating their usage within my two brands. They haven't left Vodafone Idea Limited, but they might have left Vodafone and consolidated their usage in Idea or vice versa. We need to also keep that factor in mind while comparing.

Akshaya Moondra: On the network cost, let me make a few comments. First, at this point of time, the cost per site calculation will give misleading results because while we have saved on the rental on all the co-located sites, the energy cost on the co-located sites will start reducing only once the equipment is removed. Last quarter, we had given you a guidance that the savings on account of rentals on co-located sites is ~Rs. 1.5 billion per month and that benefit is ~Rs. 4.5 billion over the quarter, which has been realized. However, on the 200,000 sites it does not reflect total saving because the energy cost is currently not reducing on the co-located site. That is point number one.

Also, if you are trying to compare the cost per site before merger for Idea as reported and now, there are some differences in the operating models. The Vodafone model was more outsourced and those costs are reflected in network cost. In case of Idea, it was more in-house, so those costs were reflecting in manpower costs. They are not entirely comparable.

Last point, as far as the energy costs are concerned, we are in a process of migration from fixed energy models to pass-through models in this period. As a result of which, billing process is happening with a little lag. Also, wherever we have actually switched off the sites, to assess the extent of actual cost reduction will take some time. Most of the energy cost provisions currently are happening based on historical costs, till the actualization happens based on the latest billing. The benefits of energy cost will start reflecting a little later. Even the energy savings which may have been achieved in this quarter, they are not fully reflected because of the fact that the actualization will happen in the future.

Sanjay Chawla: Akshaya, a related question to this. Again, thank you so much in explaining this point on the energy cost site. But you also physically removed around 21,000 sites, which were there. Did we not see any impact of this removal with regard to the energy cost reduction?

Akshaya Moondra: These are mostly back ended, towards the end of the quarter. The benefit, as far as the rental is concerned, maybe some of it is reflecting in December. In this quarter (Q4FY19), we will see a full quarter benefit. As far as the energy is concerned, as I said, it is not reflecting in any benefit right now because it is not possible to assess as to what should be the reduction. Probably, in the Q4FY19 results, we will have better clarity on the energy costs.

Sanjay Chawla: If I could just do a follow-up on the first part which I asked about the impact of minimum ARPU plan. Basically what I am trying to understand is you have reported 9.5 million 4G/data user additions? Could it also be a result of the fact that maybe there were some dormant users, using Vodafone Idea as a secondary SIM card and having primary 4G slot being used with another SIM card? But this minimum ARPU or minimum recharge compelled these customers to do a recharge and they also start using a bit of data and then they get recognized on your network as a 4G data user and add to this 9.5 million number. This is what I am trying to understand. Is there any impact of the actions on account of minimum ARPU plan on the 4G customer addition that you reported?

Akshaya Moondra: Sanjay, what is to be noted there is that the 4G data usage per sub is also going up. There would always be some cases where somebody who was not using data has gotten added due to the minimum recharge. That could happen, but nothing of significance. The 4G subs have genuinely increased and the consumption of 4G subs is going up.

Balesh Sharma: A related thing, while Akshaya clarified the opex part of it, I was reading some analysis this morning and the impact of this on capex also has to be understood. Increasingly, you will have to view my capex investments very differently, because as I have already shared in the analyst meet, the equipment I already have on 4G FDD, which is the coverage layer of 4G, is enough to create a nationwide coverage of 4G. The enhancement of 4G coverage is all going to come from capex already deployed and reusable, which means it will not reflect in new capex or in the number of sites going up in terms of 4G. However the real sites that are beaming for either of the two networks is constantly going up.

For example, while we said 11,123 4G sites and 9,066 TDD, there was a backward calculation by someone to say ~2,000 4G FDD sites. While that's correct, however, that is what we have done through new equipment purchase in capex. But when I talk of 4G coverage going up to 62% for Vodafone brand and 60% for the Idea brand that comes by being able to fire 4G for both, or through ICR share for both. For instance, Vodafone brand at the time of day 0 was beaming 4G from 85,000 sites. End of December, we were beaming Vodafone's 4G through 114,000 sites, which means we added 29,000 sites not 2,700 sites for Vodafone brand. The Idea brand has gone from ~80,000 to ~104,000, so 24,000 more sites. The capex and the new site rollout, should be seen from that perspective. What we really have to see for this new company is very clearly the opportunity I have in terms of reuse, in terms of redeploying the existing equipment on ground and this synergy hypothesis on which the whole merger is based. This will mean a much larger return on the capex being invested and which will reflect in increased coverage and increased capacity, despite number of sites not showing up.

Moderator: Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: There are two questions. First, is you mentioned that in December and January, you have experienced some revenue increase, but also what we see is some aggressive plans were launched in last few weeks, which includes the 1499 annual plan, which now is 1699, and also recently 119 for 28 days 1GB plan. What's the thought process? Because these plans seems to be cheaper compared to the competition as well, and may be ARPU dilutive. We could also see some decline in postpaid ARPU to continue. In that context, should we expect the revenue month-on-month improvement progression to continue? That's first question. Second question on the integration which you completed in eight circles. Can you share the experience how is it been? Did service disruption or loss of customers happen in those circles? And when do you expect to complete it in all the 22 circles?

Balesh Sharma: Can I start with second one first?

Kunal Vora: Sure.

Balesh Sharma: In the eight service areas and other places as well, we are going cluster by cluster. Everywhere, where we consolidate, we have got great learnings from earlier consolidations or swap exercise of ours. We go well planned and we go cluster by cluster. We create capacities first, so make before you break. We create capacity first on network A, before shutting down network B. Tried and tested principles patiently being executed and therefore, the customer impacts have been minimal, and very short-lived, on the downside effect. On the upside effect, the customer impact because of increased capacity in coverage is obviously forever because we have created the capacity and coverage enhancement for one of the two brands for the long term. We are seeing very good improvement in terms of capacities, which is reflected in the speeds that we are being able to offer to the customers there. Clear positive impact is what we are seeing.

We have learnings every day as we go along this exercise and in reality, anywhere in the world, this kind of an exercise would have taken very long time. We are saying that we are going to do it in 18 months, which is by June 2020. And this will be in phases, so every passing day you would see more and more improvement to the customer account. While we move with very good speeds, very quickly and rapidly, we do not do it such that the customers have to feel the pain of the network integration.

Kunal Vora: Sure. That's very clear. And the first question?

Balesh Sharma: On the first question, I am handing over to Akshaya.

Akshaya Moondra: Kunal, actually the plans which you have talked about, they are meant for very specific customers who have that specific requirement. It is meant to address their needs. The off-take of these plans is very low, so it is unlikely to have any noticeable impact on us.

Kunal Vora: Should we expect the positive momentum to continue month-on-month? Any indications?

Balesh Sharma: While we don't give short-term guidance as you know, we have got all the reasons to believe. We talked about 4G coverage, we talked about capacity, and thus opportunity to gain market share in those areas, both on 4G and overall. We talked of 2G footprint for the two brands increasing. Therefore, we are very optimistic of growing share and growing revenue from the subscribers.

Kunal Vora: Just one last question. The 9,000 TDD base stations which you added during the quarter, are most of those on 2500 MHz spectrum? How many 4G devices support 2500 MHz band? And what are you trying to do to increase the same?

Balesh Sharma: Yes, most of it will be in 2500 MHz because we have 2300 MHz only in three circles. But we have sufficient spectrum of 2500 MHz. In the areas where we have capacity required, which is basically the metros, the penetration of band 41 handsets, which supports 2500 MHz, is between 45%-50%, depending on location and increasing, as most of the smartphones that are coming in have band 41 capability. Again, this is a capacity layer and 45%-50% is more than enough to offload a big chunk of traffic in these geographies on 2500 MHz, which will decongest my base layer of 4G. Therefore there is improvement for both the band 41 guys and also those who do not have the band 41. What we are trying to do is work with handset vendors to ensure more and more devices come in with band 41 capability.

Akshaya Moondra: In fact, wherever we have rolled out 2500 MHz, the traffic uptake on this band is already very good. The handset penetration is not going to be any limitation because this is not the base layer. They would generally be higher usage consumers.

Balesh Sharma: The handset penetration is not an issue any longer. It was a year ago, but it is been building up very, very quickly. So no longer it is an issue.

Moderator: Thank you. The next question is from the line of GV Giri from IIFL. Please go ahead.

GV Giri: I have three questions. One is on Jio Phone, is that a worry for you that a product like the Jio Phone, which is a band G and is available at only Rs. 500 and promises 4G. Is it beginning to increase penetration and distribution spread? Your customer base has a substantial rural proportion also, so what would be your strategy to defend yourselves against this? That's question number one. Question number two, is that you just mentioned in this quarter, Idea's 4G base stations went up from 80,000 to 104,000 and for Vodafone went up from 84,000 to 114,000. So all that has been done with only Rs. 1,100 crores capex in this quarter?

And the third question is that you have given your broadband unique location count as 157,000. I would assume that because of the earlier 3G base stations, quite a number of them are also 4G upgradable, and in recent times, you must have been putting more of 4G. Then 157,000 is quite substantially 4G. In which case, it seems to me that even before you have started your Rs. 33,000 crore capex, you have already done quite a lot. Then why do you have such high capex? Can you give some color on why you need to spend that much because one of your competitors, Bharti, is already talking about bringing their capex down, and they don't have too many more 4G locations than you or 4G customers than you. Why would you need to do so much more? Is it to do with a mix of capex or fiber? Or what is the need for you to do that much capex if you have already covered so much ground?

Balesh Sharma: Let's start with the first one, because these are very varied questions. First one on Jio Phone, we do not plan to get into phone subsidy game at all. We have seen that the Jio Phone traction, overall, has started slowing down. But again, our strategy to counter this is four pronged. The first one to create the 4G coverage and capacity. Right now, as you rightly said, a big chunk of their off-take is happening from rural areas, where I may not even have my 4G coverage now. Therefore, if my customers want to go to smartphone, I don’t even have the consideration yet.

Second, we have broken the set of customers that are going into those devices into three kinds. First set of people go there for want of a device, they want a cheap device. And for that, what we are doing is working with the 2G feature phone vendors to bundle feature phones at as low effective price as possible giving them a great option to get a new phone if they need one. Second set of people are going there because they needed a tariff. And that is where somebody rightly pointed out are the new tariffs for one year validity, six months validity, etc. These tariff plans have been launched so that people don't have to go buying handsets because they want a particular tariff. We have competitive similar tariffs to counter that. Third set of people go there because they want infotainment. They want entertainment. They want video, TV. And for this set of people, our strategy is to go, work with the handset vendors for creating newer and newer levels of effective price for full-blown smartphones and therefore, give a much better experience to those customers at a slightly higher price. We are working with those strategies to counter Jio handsets.

Moving on to the second question of capex of only Rs. 1,100 crore. That is very clearly because of being able to utilize the investments made by one brand on to creating coverage and capacity for the other. That is beginning to bear fruits; we will, therefore, need minimal investment in the coverage layer. We will be able to reuse the equipment from one of the two brands to create coverage for the other one. Akshaya, you want to answer the other one?

Akshaya Moondra: Yes, most of the investments will go in capacity. As we said the coverage layer is largely provided for. But we also said that we are planning to get the capacity to 2.5x by March 2020. And this would require investments in TDD, in MIMO, in small cells. We will need to make investments in fiber, and whatever is required to supplement these sites. In the end, we also want to migrate some 900 MHz to LTE to provide better in-wall coverage and better penetration, which is quite important from a VoLTE perspective in the long run. As we have merged, we have got more 900 MHz spectrum than required for GSM, and so we have a good opportunity to utilize that without the need for additional sub-GHz spectrum. Those are the things which will take up the investment. But the basic coverage layer is done on a very minimal investment.

Moderator: Thank you. Next question is from the line of the Viju George from JPMorgan. Please go ahead.

Viju George: Just wanted to understand anecdotally, when a subscriber migrates or upgrades to 4G, what is typically the kind of ARPU improvement either in absolute terms or percentage terms that you observe on the network?

Balesh Sharma: Viju, that is very interesting and that is why we are all chasing and making more and more customers to come to 4G and ultimately to unlimited 4G. Very simply put, ARPU of an unlimited data user is about 4x that of those who use non-unlimited products. I am oversimplifying because it is not that those who have non-unlimited, do not use data, especially with the new bundles that we have launched where there is some amount of data. But most people with the 4G handsets are going for the unlimited data proposition. And therefore, the ARPU is 4x more. This is averages versus averages, there could be a customer who was sitting on the higher end, but still is able to give 35% to 40% ARPU increase when one moves from non-4G to 4G.

Akshaya Moondra: That's one way to look at it and another way is that if you are at a minimum recharge level with a plan of Rs. 35 and the normal unlimited plan is about Rs. 199, that delta adjusted for GST differential is the potential for ARPU improvement from a minimum recharge value to an unlimited plan value.

Viju George: Sure. The other question I had was, are you establishing a brand? I didn't quite get the comment made at the early part of the call. Did you say that in some of the circles or some of the districts where one particular operator is not strong, you are extinguishing that brand altogether?

Balesh Sharma: No, Viju. That's not we have planned. On the contrary, we are strengthening the brand that is weaker by being able to provide coverage and capacity to that brand as well. We are planning to keep both the brands running in the marketplace because these brands are very complementary in nature. In areas where one of the two brands is weaker, typically, it is because we did not have coverage of 2G, 3G, 4G or all for that particular brand. Now that you are riding on the other brand's network, the opportunity to strengthen that brand is even higher.

Viju George: Sure. One last question on this minimum ARPU recharge plans. That is going to reflect in your ARPU improvement as well. I think you said, you had probably a much better exit than your overall ARPU for the quarter. How long will this process go on? Will this go on for one more quarter? Or do you think this can happen for a few more quarters because it is getting rolled nationwide as we speak?

Balesh Sharma: Viju, as I said in my response to the first question, in the beginning, the implementation has been in phases. First eight circles, it was implemented. In fact, first one circle about eight months ago with Idea brand alone, then three circles, then nationally. Again, even while we say nationally, there are some segments which still have to be put onto this for regulatory or other reasons. There will be some tail of this that will continue for a slightly longer time. But most of it should go by the end of this quarter and then the base should start stabilizing from there.

Moderator: Thank you. The next question is from the line of Rajiv Sharma from SBI Capital Markets. Please go ahead.

Rajiv Sharma: Just a couple of questions from my side. I know you just clarified about the brand thing but when you were explaining your network and 4G upgrade, you are talking about both the brands separately and the progress. From a 2-year perspective and also from your synergy perspective of Rs. 84 billion of savings, one should be looking at Vodafone Idea continuing as two brands for the next couple of years? Or sometime earlier we may see one brand replacing the other?

Balesh Sharma: Rajiv, as I have said before, the two brands are very complementary in nature, very strong, and both have very loyal basis. The current outlook that we have on this is for foreseeable future, we are continuing with both the brands. As market place is dynamic, I have to continuously keep evaluating the market situations then seeing the cost benefit of not fructifying the synergies on the brand side against the incremental gains I get by having two brands rather than a single brand.

Rajiv Sharma: I know you are not providing any quantitative color on the capex, but just trying to understand that on one end you mentioned that this quarter, the capex was low because vendor contracts were getting formalized. But the other end, you are also talking about various things which are in place, which will limit your capex. What would be that number, for a next fiscal year that one should be looking at? Is it fair to assume that your entire EBITDA at least gets invested in CAPEX next year?

Akshaya Moondra: We do not link it to EBITDA, but just to repeat, we have given a capex guidance of Rs. 270 billion for FY19 and FY20 combined together. Out of that ~Rs. 70 billion has been spent in the first nine months and for the remaining 15 months, we are looking at the capex deployment of another Rs. 200 billion. That is the extent of capex deployment that we are planning going forward.

Rajiv Sharma: Two small last questions. Firstly, what is the progress in the metro market? What you have covered in terms of network integration is the non-metro markets largely. What's the progress in the metro markets like Bombay, Delhi, Bangalore, Hyderabad? When can we expect unification of spectrum and network there? And lastly, Akshaya, on Rs. 84 billion synergy, you explained that comparing first quarter to this quarter, it is Rs. 30 billion. How should one look at the Rs. 84 billion number in FY20?

Akshaya Moondra: Firstly, on the capex, let me also make another point that when we give the guidance of Rs. 270 billion, this is on new deployment. This does not include the capacity, which will be created by way of reuse of equipment. We had in our investors' presentation given a guidance that equipment reuse is worth about additional ~Rs. 62 billion. Our capex guidance should be seen in that light. There is a lot of capacity creation in addition to all this, which will happen because our spectrum is getting consolidated. Where a single equipment was only using spectrum of one of the parties earlier, now the same equipment which is capable of handling up to 4 carriers of FDD spectrum, we will be able to use much more spectrum and create capacities by just some marginal increase in the licensing costs.

On the overall synergy of Rs. 84 billion, we are saying Rs. 30 billion is achieved on an annualized basis in this quarter. At this point of time, I will not be able to give you a break up of how this will happen over the next 15 months, but for the time being, a good assumption will be more or less equally staggered over the remaining period. The final guidance, we will only be able to give you by the end of next quarter.

Balesh Sharma: Moving to first question of yours on metro markets. I don't want to bore you with details of it, but when we say consolidation or integration, there are various layers and various types. The simplest form is, for example, ICR. The network of Vodafone continues to run in Delhi as it was but you take Idea customers and put them adding capacity on the Vodafone networks. We have not consolidated, but we have given an ICR capacity to Idea customers. We could be firing spectrum of both brands on one network in the areas where there is only brand. It may not be full circle, but the areas where there was one present and not the other, and the interference issues will not be there if we fire spectrum. And then there is integration, where we are creating capacities of independent networks.

Various kinds of integration and various kinds of solutions are being used across the country. Effort is on everywhere, which leads to increased capacity and coverage for either or both the brands across the country in phases.

For the metro markets specifically, these are typically loaded networks and thus it is going to be complex for us to integrate them to ensure no impact on the customer experience. Therefore, we will take our time doing this. However, in the meanwhile, we are capacitizing those networks. I do not consolidate does not mean my customer experience will not improve. We put capacities through the TDD or the Massive MIMO route in these metro markets first. We create a lot more capacity in backhaul and when we have created sufficient capacity cluster by cluster, we start doing integration even in metros like Mumbai or in Delhi starting less loaded areas, and then in the main hubs.

You will see improvements coming in these markets through more and more capacity, a lot of which has been ordered in the end of last quarter because we finished our negotiations with the vendor partners only in end of November. The orders have been placed now and some delivered, but a lot of the delivery would be coming in now. In capacity, as I stated in my opening remarks, we had already reached 2 bn MB/day more by end of January. In February and March, more of it is coming, which comes through the capacitization of the metros route, not through the reuse of equipment and capacity coverage creation. Capacity creation in metro markets is thus a priority.

Rajiv Sharma: Is there any timelines you can share on two, say four quarters, eight quarters?

Balesh Sharma: On consolidation of metro markets, there is a whole calendar behind it. Hyderabad should happen much sooner. Bangalore is already done, it is the third largest metro. Other metros, other than Delhi and Bombay, should happen a lot sooner. Delhi and Bombay in ~Q1 of the coming fiscal, which is by June 2020. However, this means end of that exercise and not the beginning of this exercise, which means a big chunk of Bombay would have already happened before you get these dates. Across circles, activity of consolidation has started anyways. In phases you will get even in Bombay now. But themost congested parts of Bombay would probably be either by March 2020 or June 2020.

Rajiv Sharma: That's very helpful. There is one last question if I can chip in. What would be the fiberization of your sites? How much percentage of your sites would be fiberized, particularly, in metro markets? Any color if you can provide there?

Balesh Sharma: The first color I would want to provide here, I forgot to talk about it, is just like my sites have increased from 84,000 to 114,000 for Vodafone brand by riding the Idea brand near me. Similarly, fiberization has certainly gone up because my fiber networks have been integrated already in the top 153 cities and on the longhauls. Which means there is a single fiber network now in the top 153 cities, which is about 80%-85% of the fiber, the integration is already done. This means we have doubled our fiber PoP numbers to the networks and therefore, the capacity on traffic is improving very quickly.

Fiberization remains thereafter, on need basis as the usage goes up. However, with the fiberization currently held and the plans that we have, we are well placed to take all the 4G traffic we are creating or envisaging in the coming years. As we head towards 5G, we will need a lot more fiberization and that is why, strategically we are moving fiber assets into the separate company and then we are looking at being able to pace up the fiberization a lot more with more investments coming into fiber networks. As of now, for foreseeable future, enough fiberization is already on ground. We obviously keep looking for more and more sharing opportunities to get more fiber. Since the two brands fiber network is being integrated and with the advanced microwave technologies with the single hops and two hops, the network is robust enough to carry all the 4G traffic.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Balesh Sharma for closing comments. Please go ahead.

Balesh Sharma: Thank you, Margreth. Thanks, everyone, once again for participating. I really appreciate your valuable time, and I know it is a difficult hour from various parts of geographies that people have probably dialed in. Thank you so much for that. As closing comments, I would want to reiterate that this was the first full quarter for my new company. First real quarter of execution for the new company because until the last quarter, we were only busy planning. We have executed very well on our strategy, ahead of our own expectations on all fronts, whether it is integration of people, integration of infra, integration of offices, integration of sales distribution and retail channels and online, and even more so on the network integration. We see, therefore, great opportunities coming our way with more 4G and data customers and therefore, revenues way forward. As also more synergies are coming in leading to improvement on the overall EBITDA front. Thank you for joining in and see you next quarter.

Moderator: Thank you. On behalf of Vodafone Idea Limited that concludes this conference. Thank you for joining us. And you may now disconnect your lines.