

Media Release – August 06, 2020

Q1 impacted by nationwide lockdown; Seamless services to customers reflected in data volume growth

Highlights for the Quarter

- Offered uninterrupted services to both retail and enterprise customers, despite operational headwinds during these unprecedented times,
- Revenue for the quarter declined by 9.3% to Rs. 106.6 billion, impacted by the nationwide lockdown
- **Strong data volume growth of 10.6%**, highest in the last 6 quarters; Data usage per broadband subscriber increased to 13 GB per month
- Significant network capacity expansion post integration, supporting the surge in data volumes
- **Fastest 4G download speeds** in the metros – Delhi and Mumbai, along with West Bengal, Uttar Pradesh, Madhya Pradesh, and Assam in Q1FY21
- New cost optimization initiatives to drive further organizational efficiency; target to achieve **Rs. 40 billion annualized opex savings** over next 18 months
- **AGR update:** in line with the Hon’ble Supreme Court’s order, recorded liability in financials as per DoT’s preliminary assessments filed in the Supreme Court

Financial Highlights

Consolidated (Rs Mn)	Q4FY20	Q1FY21
Revenue	117,542	106,593
EBITDA	43,801	40,984
EBITDA%	37.3%	38.4%
Depreciation & Amortisation	60,388	59,757
EBIT	(16,587)	(18,773)
Interest and Financing Cost (Net)	40,108	37,486
Exceptional Items		
- Impairment (non-cash)	(1,871)	(263)
- Others	(59,538)	(198,969)
Share of Profit/(Loss) from Indus & ABIPBL	678	889
PBT	(117,426)	(254,602)
PAT	(116,435)	(254,600)
Other Comprehensive Income (net of Tax)	158	(70)
Total Comprehensive Income (Consolidated)	(116,277)	(254,670)

Ravinder Takkar, MD & CEO, Vodafone Idea Limited, said “During the nationwide lockdown due to COVID-19 pandemic, our teams did a phenomenal job of providing seamless high quality services, keeping people and businesses connected during these unprecedented times. Q1FY21 was a challenging quarter as availability of recharges due to store closure and ability of customers to recharge on account of economic slowdown were impacted. 4G coverage and capacity expansion remains a priority for us to further improve our customers’ experience and we continue to lead the league tables on 4G data download speeds across several states, metros and large cities. We continued to make progress on our strategy with integration largely complete, enabling us to realise cost synergies well ahead of our initial targets. We have launched a new cost optimization initiative that will drive further cost savings. We also continue to actively engage with the government seeking a comprehensive relief package for the industry, which faces critical challenges.”

Operational highlights

The outbreak of Coronavirus (COVID-19) pandemic globally and in India is causing significant disturbance and a slowdown of economic activities. Through these difficult and challenging times, we are playing a critical role in providing connectivity to millions of Indians. Our high quality mobile network has formed the backbone to the digital infrastructure of the country, as overnight businesses shifted to virtual workspaces and friends and families connected and comforted each other online. We remain committed to helping our customers and society during these challenging times. We extended the validity as well as provided free talk time to nearly 100 million bottom of pyramid customers, who were the most severely affected. As a socially responsible corporate, we will continue to extend our support to the country during these extremely challenging times.

Subscriber churn reduced to an all-time low of 2.0% (3.3% in Q4FY20), as net disconnections were lower during the quarter. However, the gross additions were severely impacted by closure of retail stores during the nationwide lockdown resulting in subscriber base decline to 279.8 million in Q1FY21 from 291.1 million in Q4FY20. ARPU for Q1FY21 was Rs. 114 vs Rs. 121 in Q4FY20.

We continue to invest in 4G to increase coverage and capacity, however the hardware deployment during the quarter was impacted by the lockdown. However, we added ~13,000 4G FDD sites primarily through refarming of 2G/3G spectrum to expand our 4G capacity. Our 4G population coverage is now around 1 billion compared to 916 million a year ago. We also made progress in implementing LTE 900 in select locations, including through dynamic spectrum refarming, to improve customer experience. We have deployed ~59,800 TDD sites in addition to deployment of ~12,100 Massive MIMO sites and ~11,700 small cells till date. Our overall broadband site count stood at 446,131 as of Q1FY21 compared to 436,006 in Q4FY20.

These network investment initiatives have delivered a significant capacity uplift and enabled us to offer superior customer experience. We have the fastest 4G download speeds across the circles of Delhi and Mumbai, along with West Bengal, Uttar Pradesh, Madhya Pradesh and Assam, based on Speedtest Intelligence® data from Ookla®. We also have the fastest 4G download speeds in several major cities like Jaipur, Indore, Nagpur, Bhopal and Guwahati.

At the end of the quarter, the 4G subscriber base was 104.6 million. Total data volumes grew by 10.6% (40.4% YoY), to 4,523 billion MB compared to the last quarter, being the highest growth in the last 6 quarters. Total minutes on the network declined by 6.0% during the quarter.

Financial highlights

The services to our customers continued without any material disruption during the lockdown as our teams across the country worked tirelessly to ensure uninterrupted connectivity. However, the customer's ability to recharge, availability of physical recharge, acquisition of new customers as well as physical network rollout were significantly impacted during the quarter.

Revenue for the quarter was Rs. 106.6 billion, a decline of 9.3% QoQ on account of large scale lockdown and disruption of economic activities. On Reported basis, EBITDA for the quarter declined to Rs. 41.0 billion, a QoQ decline of 6.4%. Despite a sharp revenue decline, EBITDA excluding IndAS 116 impact declined by Rs. 1.8 billion to

Rs. 15.4 billion, after adjusting for one-off of Rs. 3 billion, vs Rs. 17.1 billion in Q4FY20 (after adjusting for one-off of Rs. 4 billion) as impact of lower revenue was largely offset by reduction in subscriber acquisition costs due to lower gross additions during the quarter, marketing costs and other expenses as well as other cost optimisation initiatives. The EBITDA margin, excluding IndAS 116 impact and adjusted for one-offs, stands at 14.4% vs 14.6% in Q4FY20.

Gross debt (excluding lease liabilities) as of June 30, 2020 was Rs. 1,189.4 billion, including deferred spectrum payment obligations due to the Government of Rs. 922.7 billion. Cash & cash equivalents were Rs. 34.5 billion and net debt stood at Rs. 1,155.0 billion (vs Rs. 1,125.2 billion in Q4FY20).

Capex spend in Q1FY21 of Rs. 6.0 billion was lower compared to Rs. 18.2 billion in Q4FY20, as the rollout in Q1 was impacted by COVID-19 with disruptions to equipment supply and logistics following the nationwide lockdown.

Cost optimization initiative launched

The integration of erstwhile Vodafone India and Idea Cellular is now nearly complete, with Vodafone Idea realizing its targeted annualized opex synergies of Rs. 84 billion well ahead of the original timeline. Having successfully achieved these synergies, we have rolled out a further cost optimization plan across the company in line with the evolving industry structure and business model. Through this exercise, we plan to achieve Rs. 40 billion of annualized cost savings over next 18 months. As a step in that direction, we are in the process of organization wide restructuring, which will transform the company into a lean and agile 'fit for future' workplace.

Indus-Bharti Infratel merger update

The merger of Indus Towers and Bharti Infratel has received FDI approval. The long stop date on the original agreement has been extended to August 31, 2020. We have option to monetize our 11.15% stake in Indus on completion of the Indus-Infratel merger.

AGR by Hon'ble Supreme Court

The Hon'ble Supreme Court on October 24, 2019 delivered its judgment on the issue relating to the definition of Adjusted Gross Revenue (AGR Judgment). The order upheld the principal demands, levy of interest, penalty and interest on penalty. The Hon'ble Supreme Court in its supplementary order had directed the Telecom Service Providers (TSPs) to make the payments of the dues within 3 months from the date of the judgement. Subsequently, TSPs and the DoT moved applications seeking modification of the supplementary order of the Hon'ble Supreme Court. In its modification application, DoT proposed the mode of recovery of AGR dues for the consideration of the Hon'ble Supreme Court and submitted a statement of preliminary assessed dues for various TSPs, which for VIL, aggregated to Rs. 582.5 billion up to FY 2016-17.

On July 20, 2020 vide its order on the modification applications filed by the TSPs and the DoT, the Hon'ble Supreme Court confirmed the aforesaid preliminary assessed dues submitted by the DoT. On the aspects of the time frame for the mode of recovery of the AGR dues and how to secure the dues, the Hon'ble Supreme Court has reserved its order.

Consequent to the above, during this quarter, on prudence, we have recognized a charge of Rs. 194.4 billion as an exceptional item towards the total estimated AGR liability, in addition to estimated recognized liability of Rs. 460.0 billion as on March 31, 2020.

We have also classified Rs. 142.8 billion from 'non-current' to 'current maturities of long term debt' for not meeting certain covenant clauses under the financial agreements for specified financial ratios as at March 31, 2020. We have exchanged correspondences/been in discussions with these lenders for the next steps/waivers. Of the above, during the quarter, we have received waivers for borrowings amounting to Rs. 45.0 billion.

It is to be noted that our ability to continue as going concern is essentially dependent on a positive outcome with regard to the timeframe for the payment of AGR dues to be made in instalments and successful negotiations with lenders. Pending the outcome of the above matters, these consolidated financial results have been prepared on a going concern basis.

Meanwhile, we continue to actively engage with the Government to provide relief on various industry related concerns. Separately, the Telecom Regulatory Authority of India (TRAI) has initiated a consultation on floor pricing at the request of all the operators, through COAI.

About Vodafone Idea Ltd. (formerly Idea Cellular Ltd)

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. It is amongst India's leading telecom service provider. The company provides pan India Voice and Data services across 2G, 3G and 4G platforms. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The company's equity share are listed on National Stock Exchange (NSE) and the BSE in India.

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