

Media Release – July 26, 2019

Integration continues at pace with 66% of districts consolidated 4G speeds improved by more than 50% in consolidated circles

Highlights for the Quarter

- Q1 Revenue declined by 4.3% QoQ primarily due to churn of customers who recharged with ‘service validity vouchers’ in Q4 as well as ARPU down-trading.
- Synergy realization on track with **~70% of the synergy target achieved** by Q1FY20.
- Network integration continues at a fast pace; **66% of districts consolidated**.
- In addition to the rollout of TDD sites, **Massive MIMO deployed** in key areas to enhance capacity.
- **Fastest 4G network** in Delhi, West Bengal and Chennai according to Ookla. 4G speeds improved by more than 50% in consolidated circles compared to December, 2018.
- **LTE 900 initiated** in the service areas of Delhi, Mumbai, Kerala, Gujarat and Haryana through dynamic spectrum refarming.
- Successfully **closed India’s largest rights issue**, raising Rs. 250 billion.

Financial Highlights

<i>Consolidated (Rs Mn)</i>	Q4FY19	Q1FY20
Revenue	117,750	112,699
EBITDA	17,853	36,500
EBITDA%	15.2%	32.4%
Depreciation & Amortisation	46,639	61,308
EBIT	(28,786)	(24,808)
Interest and Financing Cost (Net)	27,894	34,441
Exceptional Items		
- Impairment (non-cash)	(5,061)	(5,808)
- Others	(6,397)	(2,262)
Share of Profit/(Loss) from Indus & ABIPBL	549	581
PBT	(67,589)	(66,738)
PAT	(48,819)	(48,739)
Other Comprehensive Income (net of Tax)	36	(344)
Total Comprehensive Income (Consolidated)	(48,783)	(49,083)

Balesh Sharma, CEO Vodafone Idea limited, said *“We are delivering on our stated strategy although the benefits are not yet visible in our top line. As we continue to integrate our networks, our customers’ data experience is significantly improving in most services areas and we now lead the league tables on data download speeds in Delhi, West Bengal and Chennai. We remain focused on expanding our 4G coverage to over a billion Indians as well as expanding our data capacities by adding more sites on TDD and deploying Massive MIMO. We are well on track to deliver our synergy targets by Q1FY21. We expect these factors to increasingly contribute to our financial performance going forward.”*

Financial highlights

Headline tariffs have remained stable during the quarter. However the customer base on 'service validity vouchers' is yet to stabilize on a regular recharge cycle. As a result, revenue in the current quarter was impacted by the churn of customers who had recharged on service validity plans in Q4. This, coupled with the impact of continued down trading of high ARPU customers, led to revenue of Rs. 112.7 billion, a QoQ decline of 4.3% compared to Rs. 117.8 billion in Q4FY19

EBITDA for the quarter increased to Rs. 36.5 billion versus Rs. 17.9 billion in Q4FY19 (Rs. 15.9 billion adjusted for one-offs), as the adoption of Ind AS 116 positively benefited EBITDA. On an underlying basis the impact of lower revenues was partially offset by further cost synergy realisation, with Q1FY20 underlying operating expenses (excluding licence fees & spectrum usage charges and roaming & access charges) lower by Rs. 14.8 billion compared to Q1FY19, after adjusting for inflation driven cost increases and incremental network rollout. On an annualised basis, this represents ~70% of our target opex synergy of Rs. 84 billion. We are therefore well on track to realize our full opex synergy targets by Q1FY21.

The adoption of Ind AS 116 'Leases' effective April 01, 2019 resulted in higher Depreciation & Amortisation and Finance cost for the quarter. Adoption of this standard resulted in a positive impact of Rs. 1.2 billion at PAT for the quarter.

Vodafone M-Pesa Limited (a wholly owned subsidiary) has intimated RBI the surrender of its Prepaid Payment Instrument (PPI) licenses as we plan to close the PPI and Business Correspondence (BC) business. Further, our associate, ABIPBL has decided to voluntarily wind up its payments bank business. These actions resulted in an impairment loss of Rs. 2.1 billion during the quarter.

Capex spend for Q1FY20 was Rs. 28.4 billion. Gross debt as at June 30, 2019 was Rs. 1,204.4 billion, including deferred spectrum payment obligations due to the Government of Rs. 891.8 billion but excluding lease liabilities. Cash & cash equivalents were Rs. 211.8 billion resulting in net debt of Rs. 992.6 billion (vs Rs. 1,183.9 billion in Q4FY19).

Integration update

Since the merger of Vodafone India and Idea Cellular on August 31, 2018, we have accelerated the integration of the two businesses. Opex synergy of Rs. 84 billion is targeted by Q1FY21, two years earlier than the initial plan set at the time of the merger announcement in March 2017.

Integration continues to progress well. Following the completion of the network integration in 10 service areas in the prior quarters, our integration continues to move at a rapid pace on a cluster-by-cluster approach in the remaining circles and subscribers of both the brands are gradually moving to a network with greater coverage and capacity. This coupled with the deployment of TDD sites, Massive MIMO and L900 MHz on select sites has resulted in improved data speeds in all circles. The data capacity in the integrated circles has increased by ~55% since December, 2018. We offer the fastest 4G network in circles of Delhi and West Bengal as well as in Chennai, based

on Ookla data. We believe the improved data speeds will lead to superior customer experience and perception, which should benefit our subscriber additions over time.

We have completed network integration in major cities including Bangalore, Jaipur, Agra, Lucknow, Hyderabad and Trivandrum. As part of our network integration exercise, we removed surplus equipment from ~38,000 sites out of the total ~73,000 co-located sites by the end of June, 2019, further benefiting our cost base. In addition, we exited ~14,000 low utilization sites by the end of June 30, 2019.

Operational highlights

Our subscriber base declined to 320.0 million from 334.1 million in Q4FY19 primarily due to customer churn following the introduction of 'service validity vouchers' in the prior quarters. However, our high ARPU subscriber base remained broadly stable. We have taken certain market initiatives to offer a better value proposition to low ARPU customers and to reduce low-end churn. We have also introduced bigger data bundles at Rs. 229/255 offering Unlimited Voice and 2/2.5 GB data per day, to upgrade heavy data users from Rs.169/199 plans, which should improve ARPU over time.

Churn reduced to 3.7% during Q1, compared to 7.2% in Q4, and ARPU now stands at Rs. 108, up 3.8% QoQ vs Rs. 104 in Q4FY19. The sequential trend in both metrics reflects the low-end customer disconnections that occurred during Q4 and Q1 following the introduction of 'service validity vouchers'.

We added ~6,500 FDD sites to increase our 4G coverage and deployed ~15,000 TDD sites and ~4,400 Massive MIMO sites in select key locations to increase our data capacity during the quarter. We have also initiated 4G on 900 MHz in certain locations such as Delhi, Mumbai, Kerala, Gujarat and Haryana through dynamic spectrum refarming. These initiatives have delivered a significant capacity uplift and enhanced our customers' experience. Our 4G population coverage continues to improve and stands at ~68.6% (~830 million Indians) as of June 30, 2019, compared to less than 50% for each of the brands in August 2018.

During the quarter, we added 4.1 million 4G customers, taking the overall 4G subscriber base to 84.8 million. The broadband subscriber base for the quarter stands at 110.5 million. Total data volumes grew by 9.3% to 3,222 billion MB compared to the last quarter. Total minutes on the network declined by 3.8% during the quarter, mainly due to a reduction in incoming minutes following the disconnection of 'Incoming only' or 'Low ARPU' customers.

Fund raising / Asset monetisation

This quarter, we received Rs. 250 billion in proceeds from the successful completion of the rights issue. The merger of Bharti Infratel and Indus Towers is expected to close by H1FY20. Vodafone Idea's 11.15% stake in Indus has an implied value of ~Rs. 56.3 billion (based on the VWAP for Bharti Infratel's shares during the last 60 trading days as at June 30, 2019) which we plan to monetize on completion. We are also exploring options to monetize over 159,000 Kilometers of intra-city and inter-city fibre which will provide further financial flexibility.

About Vodafone Idea Ltd. (formerly Idea Cellular Ltd)

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. It is India's leading telecom service provider. The company provides pan India Voice and Data services across 2G, 3G and 4G platform. 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 is listed on National Stock Exchange (NSE) and the BSE in India.