Sequential improvement in Q2 as lockdown started to ease; VIL’s GIGAnet now the fastest 4G network in the country

Highlights for the Quarter

- Revenue up 1.2% QoQ to Rs. 107.9 billion, as impact of nationwide COVID-19 lockdown has gradually started to ease
- Launch of our new unified brand “Vi”, combining the legacy of two powerful brands
- VIL’s GIGAnet is now the fastest 4G network in India and also the most consistent, as per Ookla
- Cost optimization underway with target to achieve Rs. 40 billion annualized opex savings over next 18 months; achieved ~25% of targeted annualized opex efficiency as of Q2FY21
- Significant network capacity expansion supported by spectrum refarming and TDD rollout
- AGR update: Hon’ble Supreme Court, in its final judgement, allowed payment to be made in 10 annual instalments commencing from April 01, 2021 to March 31, 2031
- Fund raising - Board has approved fund raise of upto Rs. 250 billion through a mix of debt and equity

Financial Highlights

<table>
<thead>
<tr>
<th>Consolidated (Rs Mn)</th>
<th>Q1FY21</th>
<th>Q2FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>106,593</td>
<td>107,912</td>
</tr>
<tr>
<td>EBITDA</td>
<td>40,984</td>
<td>41,524</td>
</tr>
<tr>
<td>EBITDA%</td>
<td>38.4%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>59,757</td>
<td>60,286</td>
</tr>
<tr>
<td>EBIT</td>
<td>(18,773)</td>
<td>(18,762)</td>
</tr>
<tr>
<td>Interest and Financing Cost (Net)</td>
<td>37,486</td>
<td>46,609</td>
</tr>
<tr>
<td>Exceptional Items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Impairment (non-cash)</td>
<td>(263)</td>
<td>(2,937)</td>
</tr>
<tr>
<td>- Others</td>
<td>(198,969)</td>
<td>(4,734)</td>
</tr>
<tr>
<td>Share of Profit/(Loss) from Indus &amp; ABIPBL</td>
<td>889</td>
<td>857</td>
</tr>
<tr>
<td>PBT</td>
<td>(254,602)</td>
<td>(72,185)</td>
</tr>
<tr>
<td>PAT</td>
<td>(254,600)</td>
<td>(72,182)</td>
</tr>
<tr>
<td>Other Comprehensive Income (net of Tax)</td>
<td>(70)</td>
<td>148</td>
</tr>
<tr>
<td>Total Comprehensive Income (Consolidated)</td>
<td>(254,670)</td>
<td>(72,034)</td>
</tr>
</tbody>
</table>

Ravinder Takkar, MD & CEO, Vodafone Idea Limited, said “As we reach the end of our integration journey, we have become the fastest and most consistent 4G network of India, as validated by Ookla, a testimony to our superior and improved 4G GIGAnet network covering 1 billion Indians. We have launched our new unified brand “Vi”, built on the legacy of two of the most loved brands of the country, and are all set to regain customer mind share. While we continue to face COVID-19 induced challenges, Q2FY21 showed signs of recovery with a gradual improvement in economic activities. We are executing on our strategy and our cost optimization exercise has already started to yield incremental savings. We have also initiated a fund raising exercise to support our strategic intent. Further, we continue to interact with the government seeking long term solutions to the critical challenges, which the industry faces.”
Operational highlights

The impact of outbreak of Coronavirus (COVID-19) pandemic and the subsequent slowdown of economic activities continued during Q2FY21. However, we witnessed some recovery with partial easing of lockdown at state levels, and gradual resumption of economic activities. As a telecom service provider, Vodafone Idea continues to offer uninterrupted connectivity to millions of Indians. We, as a socially responsible corporate, remain committed to help our customers and society during these challenging times.

The subscriber base declined to 271.8 million in Q2FY21 from 279.8 million in Q1FY21. However, the gross additions improved with gradual reopening of retail stores. The subscriber churn increased to 2.6% (vs 2.0% in Q1FY21), as the market activity increased during the quarter with lifting up of restrictions. ARPU for Q2FY21 improved to Rs. 119 compared to Rs. 114 in Q1FY21.

We continue to invest in 4G to increase coverage and capacity. We added ~10,000 4G FDD sites primarily through refarming of 2G/3G spectrum to expand our 4G capacity. We also made progress in implementing LTE 900 in select locations, including through dynamic spectrum refarming, to improve customer experience. We have deployed ~61,300 TDD sites in addition to deployment of ~12,400 Massive MIMO sites and ~11,800 small cells till date. Our overall broadband site count stood at 457,386 as of Q2FY21 compared to 446,131 in Q1FY21, with 4G coverage to ~1 billion Indians.

These network investment initiatives have delivered a significant capacity uplift and enabled us to offer superior customer experience. Our relentless pursuit to drive network improvement, through integration and incremental network investments post-merger, are clearly visible through our improved rankings in various third party reports. As per Ookla, the global leader in Internet Performance Testing, we are now the fastest 4G network in the country, a significant improvement compared to having fastest speed in 3 circles (Delhi, Madhya Pradesh and West Bengal) a year ago, thus reflecting our journey of becoming the superior and improved 4G network. We are also the most consistent 4G network of the country, offering 4G download and upload speeds above the minimum threshold, as defined by Ookla*.

At the end of the quarter, the 4G subscriber base stands at 106.1 million (vs 104.6 million in Q1). The data volumes declined by 4.0% QoQ, as data usage normalised compared to the significantly higher volumes witnessed during the early months of lockdown. Total minutes on the network declined by 4.0% during the quarter.

Launch of unified brand “Vi”

After successful completion of our network and IT consolidation, as the last leg of our integration journey, we launched our new unified brand “Vi”, on September 07, 2020. The new brand leverages on the legacy of two of the most loved brands of the country - Vodafone and Idea, which have brand saliency established over decades. Vi™ is built to be strong, ever-dependable, agile, intuitive, and a brand in tune with the needs of the customers, in these

*Based on analysis by Ookla® of Speedtest Intelligence® data of average 4G download speeds on 4G LTE devices in India for Q3 2020. Ookla trademarks used under license and reprinted with permission. Visit myvi.in for more details.
ever-changing times. We also recently launched **GIGAnet** - an integrated 4G network for its users. GIGAnet is the result of the largest network integration completed in record time and the world's largest DSR (Dynamic Spectrum Refarming) exercise. It has India’s largest AI-powered Massive MIMO sites along with largest deployment of universal cloud.

**Financial highlights**
Revenue for the quarter was Rs. 107.9 billion, a growth of 1.2% QoQ, as economic activities have gradually started to resume. On reported basis, EBITDA for the quarter was Rs. 41.5 billion. EBITDA excluding IndAS 116 impact was up 5.9% QoQ at Rs. 16.3 billion, (after adjusting for one-off of Rs. 3 billion) on account of higher revenue and cost savings, but partially offset by higher subscriber acquisition costs as gross additions, which were impacted by closure of outlets during peak of lockdown, improved this quarter. The EBITDA margin, excluding IndAS 116 impact and adjusted for one-offs, improved to 15.1% vs 14.4% in Q1FY21.

Capex spend in Q2FY21 of Rs. 10.4 billion, improved compared to Rs. 6.0 billion in Q1FY21. Gross debt (excluding lease liabilities) as of September 30, 2020 was Rs. 1,159.4 billion, including deferred spectrum payment obligations due to the Government of Rs. 923.1 billion. Cash & cash equivalents were Rs. 14.3 billion and net debt stood at Rs. 1,145.1 billion (vs Rs. 1,155.0 billion in Q1FY21).

**Cost optimization initiative launched**
After successfully achieving targeted merger opex synergies of Rs. 84 billion, we embarked on a cost optimization exercise 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 18 months. As of Q2FY21, we have already achieved ~25% of the targeted annualised cost savings.

**Fund Raising Initiatives**
On September 04, 2020, the Board of Directors approved the raising of funds through (1) issue of equity shares or securities convertible into equity shares, Global Depository Receipts, American Depository Receipts, foreign currency convertible bonds, convertible debentures, warrants, composite issue of non-convertible debentures and warrants entitling the warrant holder(s) to apply for equity shares or a combination thereof up to an aggregate amount of Rs. 150 billion by way a public issue, preferential allotment, private placement, qualified institutions placement or through any other permissible mode in one or more tranches; and (2) issuance of unsecured and / or secured, non-convertible debentures up to an aggregate amount of Rs. 150 billion, by way of public offering or private placement basis or otherwise, in one or more tranches. However the total raising of funds shall not exceed Rs. 250 billion. We are currently evaluating various fund raising options.

**Indus-Bharti Infratel merger update**
On August 31, 2020, Vodafone Idea, along with other parties (Vodafone Group, Bharti Airtel, Indus Towers and Bharti Infratel) have agreed to proceed with the completion of the Indus-Infratel merger. On October 22, 2020, National Company Law Tribunal (NLCT) has given its approval for the aforesaid merger and the filing with Registrar
of Companies (ROC) post final closing based on agreed closing adjustments is likely to be done within 30 days. VIL will monetize its 11.15% stake in Indus on completion of the merger. The value of VIL’s 11.15% stake equates to a cash consideration of approximately Rs. 38 billion (~US$ 520 million) currently. The final determination will take place shortly before closing of the merger.

VIL has agreed to make a prepayment of Rs. 24 billion to the merged tower entity from the cash consideration to be received from Infratel at the time of closing. The prepayment amount will be adjusted to the extent of 50% of all undisputed and due amounts payable by VIL to the merged tower entity post-closing and VIL will be required to pay only the balance 50% of undisputed dues. The prepayment amount will accrue interest at 6% p.a. This will continue until the entire prepayment amount with accrued interest is fully adjusted.

**AGR judgment by Hon’ble Supreme Court**

The Hon’ble Supreme Court on October 24, 2019 delivered its judgment on the cross appeals against the Hon’ble TDSAT judgment dated April 23, 2015, relating to the definition of Adjusted Gross Revenue (AGR Judgment). The order upheld the principal demand, levy of interest, penalty and interest on penalty. On September 01, 2020, Hon’ble Supreme Court has directed that for the demand raised by DoT in respect of the AGR dues based on the judgement of this court, there shall not be any dispute raised by any of the Telecom Operators and that there shall not be any re-assessment; the Telecom Operators shall at the first instance, make the payment of 10% of the total dues as demanded by DoT by March 31, 2021 and thereafter shall make payments in yearly instalments commencing from April 01, 2021 to March 31, 2031 payable by March 31 of every succeeding financial year.

We, till the previous quarter, without prejudice and on prudence, had recognized total estimated liability of Rs. 654.4 billion including the amount of Rs. 582.5 billion as per preliminary assessments up to FY 2016-17 filed by DoT in the Hon’ble Supreme Court and estimates made by us for the periods thereafter computed based on the terms of the License Agreement, AGR Judgment, etc. together with interest, penalty and interest on penalty up to June 30, 2020. Against the above, we have made payments of Rs. 68.5 billion in three instalments up to March 31, 2020 and have made a further payment of Rs. 10 billion during the quarter. The cumulative amount paid by us till date exceeds 10% of the total liability and accordingly, we believe, the next instalment would be payable only by March 31, 2022.

Accordingly, during the quarter, we continued to recognize its AGR obligations based on the judgment of the Hon’ble Supreme Court, License Agreement, etc. As the next instalment payable by the Company is due by March 31, 2022, we have reclassified the requisite amount to other non-current liabilities.

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 had exchanged correspondences/been in discussions with these lenders for the next steps/waivers. Of the above, during the previous 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 successful negotiations with lenders and its ability to generate the cash flow that it needs to settle / refinance its liabilities and guarantees as they fall due. The Board of Directors of the Company, at its meeting held on September 04, 2020 has approved the fund-raising plan of up to Rs. 250 billion. 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.

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.