May 07, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block – G, Bandra Kurla
Complex, Bandra (E), Mumbai - 400051

Ref.: <u>Indus Towers Limited (534816/ INDUSTOWER)</u>

Sub.: <u>Transcripts of the Earnings Call on the Company's performance for the fourth quarter (Q4) and financial year ended March 31, 2025</u>

Dear Sir/ Ma'am,

Please find attached the transcripts of Earnings Call conducted on May 01, 2025 on the Company's performance for the fourth quarter (Q4) and financial year ended March 31, 2025.

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **Indus Towers Limited**

SAMRIDHI RODHE
Digitally signed by SAMRIDHI RODHE
Date: 2025.05.07 17:45:35 +05'30'

Samridhi Rodhe
Company Secretary & Compliance Officer

Encl.: As above

“Indus Towers Limited

Q4 and full year ended March 31, 2025, Earnings Conference Call”

May 01, 2025

MANAGEMENT: **Mr. Prachur Sah – Managing Director and Chief Executive Officer**
Mr. Vikas Poddar – Chief Financial Officer
Mr. Tejinder Kalra – Chief Operating Officer
Mr. Dheeraj Agarwal – Head of Investor Relations

Moderator: Good afternoon, ladies and gentlemen. I'm Michele, the moderator for this conference. Welcome to Indus Towers Limited fourth Quarter and full Year ended March 31, 2025, earnings call. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for all the participants on this call.

In case of a natural disaster, the conference call will be terminated post an announcement. Present with us on the call today is the senior leadership team of Indus Towers. Before I hand over the call, I must remind you that the overview and discussions today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face.

I now hand the conference over to the MD and CEO of Indus Towers, Mr. Prachur Sah. Thank you, and over to you, Mr. Sah.

Prachur Sah: Thank you, Michele and a very warm welcome to all participants. Joining me today are my colleagues, Mr. Vikas Poddar, CFO; Mr. Tejinder Kalra, COO and Mr. Dheeraj Agarwal, Head of Investor Relations on the call. I'm pleased to present our business performance for the quarter and year ended on March 31, 2025. We're proud to have delivered another stellar year with our tower and tenancy additions being one of the highest in our history, after having a record-breaking performance in FY24.

Our inherent strengths including superior execution capabilities have helped us maintain a major share in our customers rollouts. This in turn has led to a significant tenancy accretion from our customers. In addition to the operational performance, we were also satisfied to see our persistent engagement reap rewards, resulting in our customer clearing the entire overdue amount with Rs. 51 billion in this financial year alone. Additionally, in line with our strategy of expanding our portfolio, we executed a transaction to acquire about 12,600 towers from Bharti Airtel during the year.

Before moving on to the key aspects of our business, I would like to applaud the exceptional commitment of our field teams who worked tirelessly amidst the backdrop of tough environmental and logistical challenges to ensure seamless connectivity. The quarter gone by saw a historic 45-day long Maha Kumbh event bringing together more than 616 million devotees and we are proud to have contributed to the grand spectacle by deploying 177 towers in collaboration with the Government. This not only showcases the capabilities of Indus Towers to manage the connectivity need of such a large congregation, but also reflects the greater agility of its people on the ground. The field teams also braved adverse weather conditions to install the towers in Northeastern District of Tawang ensuring connectivity.

On the regulatory front, the Government continues to push reforms to support the swift development of telecom infrastructure, keeping sustainability in mind. To this end, the central Government made it mandatory for states to follow the Right of Way Rules 2024 since the start of the calendar year. These are aimed at resolving interpretational issues within the industry and ensuring efficient deployment of telecommunication infrastructure. Furthermore, the

Green Energy Open Access policy has been adopted by nearly 24 states, serving as an important catalyst for accelerating the shift towards renewable energy and enhancing overall energy efficiency. Separately, the composite billing scheme, which was rolled out a few quarters ago has now been operationalized in 11 states including Rajasthan, Madhya Pradesh and Maharashtra. By consolidating multiple connections bills into a single invoice, the scheme simplifies billing operations and streamlines the management of large volume accounts.

When it comes to 5G, close to 40,000 5G base stations were rolled out in the industry in the last financial year, with a total base now standing at close to 475,000. While the pace of deployment has moderated, 5G-related loading continues to contribute meaningfully to our overall loading revenues. We anticipate that once 5G penetration deepens further, there will be a natural uptick in the demand for new sites to support network de-congestion. Given our expertise in passive infrastructure, we are well positioned to capture these emerging opportunities.

Statistics mentioned in the Ericsson Mobility Report reiterate the rapid adoption of 5G by the customers. As per the report, global 5G subscriptions grew by 162 million in the December quarter to a total of 2.3 billion with 4G subscriptions falling by 54 million. Global 5G subscriptions are expected to reach over 6.3 billion by 2030, accounting for around 67% of the total subscriptions. In India, 5G subscriptions are expected to reach around 970 million by the end of 2030. As per the latest TRAI report, the total 5G subscription base in India grew to 243 million at the end of Q3 FY25, increasing by 25 million during the quarter.

The data consumption story in the country continues to play out strongly, underpinned by the continuous migration of users from 2G to 4G and the swift adoption of 5G. The average data consumed per user per month across the top three operators grew 15% year-on-year to 27.5 GB for the quarter ended September 2024, with the total data consumed growing by 20% year-on-year. Additionally, as per TRAI, 5G data consumption grew 18% quarter-on-quarter and contributed 26.5% of total data usage in Q3 FY25 compared to 22.7% in Q2 FY25. As data consumption continues to soar and 5G technology becomes more ubiquitous the requirement for passive infrastructure is expected to increase consistently to handle additional capacity and we believe that we have the expertise to meet this rising demand efficiently.

Our operational performance continues to be strong as we recorded one of our highest new tenancy additions during the quarter. Additionally, we also acquired 12,600 towers, including lean from Airtel to strengthen our tower portfolio further. In Q4, we added 14,662 macro towers and 18,606 corresponding co-locations including this acquisition. Our total macro towers and co-locations base stood at 249,305 and 405,435 growing by 13.5% and 10% year-on-year, respectively. On a full year basis, tower and co-location additions were at 29,500 and 36,800, respectively. Our industry-leading tenancy ratio stands at 1.63. In terms of lean towers, co-location additions were at 2,386 in Q4 including acquisition of about 2,200 towers from Airtel. This resulted in the overall base increasing to 13,870. Including leaner towers our net co-location additions were at 21,000 in Q4 compared to 7,700 in Q3.

Following on from our operational performance, I would now like to provide an update on the progress we have made on each of our four key strategic pillars, namely market share, cost efficiency, network uptime and sustainability.

On market share, we are pleased to have consistently maintained the majority of the market share in the business of our major customers. Our inherent strengths, focus on automation, speed of acquisition and construction while ensuring quality and safety remain the key reasons for us being our customers' preferred pick. We also improved our market share through the consolidation as we've acquired about 12,600 towers from Airtel. The asset base is a single operator portfolio and offers the potential of sharing these towers with other operators.

During the year, we continued to make digital interventions across the value chain, strengthened our partner ecosystems and worked towards improving operational turnaround times. We also leveraged the Government's Right of Way policy to expand our reach across Government lands. As witnessed in FY25, we remain focused on gaining a significant share of tenancies from all our customers, which bodes well for our growth prospects.

Our In-Building Solution (IBS) portfolio continues to show strong growth as we maintain leadership position in new rollouts for our customers. We are pleased to see that our deployments in Q4 surpassed those in Q3, which were the highest in our history. We are confident of expanding this portfolio further.

Looking at cost efficiency, we continue to focus on optimizing both operating and capital expenditure through multiple initiatives. Energy remains a major opex driver, particularly diesel cost. Through electrification of non-electrified sites, deployment of energy storage solutions and a continued expansion of our renewable energy portfolio, we further reduced the diesel consumption by 6% year-on-year in FY25. We also added more than 15,000 solar sites during the year, taking the total base close to 30,000.

We are optimizing rental costs through targeted site prioritization, benchmarking, landlord segmentation and leveraging the Gati Shakti portal. Furthermore, our continued efforts on technological interventions and resource efficiency is driving productivity improvement, which can be seen in our network costs.

On the capex front, we are transitioning our battery portfolio to cost-efficient lithium-ion batteries offering faster charging and longer life. In parallel, our tower portfolio is pivoting towards lighter tower variants helping lower civil and material costs. We also implemented remote monitoring technologies to enable real-time site oversight and data collection, supporting infrastructure rationalization and resource optimization to achieve cost savings.

Collectively, these initiatives are enabling sustained improvements in both our operating and capital cost structures.

On network uptime, an important metric of customer satisfaction and quality of service. We continue to maintain a very high uptime and delivered an industry-leading uptime of 99.98% in Q4 FY25, similar to Q3. We were able to deliver these numbers despite heavy rains and thunderstorms witnessed in areas of Karnataka, which is a testament to the dedication and perseverance of our teams on the ground.

Moving on to ESG, which remains central to our organizational priorities.

On the Environmental front, we are steadily advancing our efforts to curb greenhouse gas emissions. Our key focus area has been minimizing our reliance on fossil fuels by progressively shifting our energy consumption towards cleaner renewable sources. To that end, we added more than 15,000 solar sites during the year, taking the base close to 30,000 at the end of March. Supplementing this was a strategic investment in captive solar projects under the Green Open Access initiative, as we entered into agreements with JSW Green Energy and Amplus for the procurement of solar power to fuel our energy needs. I would like to highlight that 2 years ago, we committed to net-zero GHG emissions by 2050 in line with SBTi, i.e. Science Based Targets initiatives. We are pleased to see that our near term and net-zero targets have now been validated and approved by SBTi.

To drive responsible practices across our value chain, we conducted ESG training sessions for more than 100 key partners to bring greater awareness and alignment to sustainability standards. We continue to take initiatives to encourage the transition to electric vehicles for the business travel needs for both our employees and partners. During the year, we launched our FutureEarth program in partnership with 1t.org for which we aim to plant 1 million trees by 2027 in order to create a sizable carbon sink for our country. We were happy to see our efforts towards the environment being recognized as Transformance bestowed Indus with the Great Indian Sustainable Performance in Energy Efficiency Award.

We are pleased to see our gender diversity increase from close to 12% at the beginning of the year to 16.2% by March 2025. Our efforts are geared towards enabling equal opportunities for women across the board from on-ground field roles to leadership positions. To that end, we launched our women leadership development program, Shakti, in collaboration with IIM Indore to equip our women employees with the requisite skills and behavior needed to take up leadership roles in the future.

Gender diversity across the value chain is also important to us. And to this end, we launched "HerSuccess" program focusing on mutual sharing of proven strategies, best practices and success stories with partners to drive progress. On the CSR front, we carried out relief activities relating to the floods in Bihar supporting over 2,000 lives. We are pleased to see our 'Digital Transformation Van' initiative aimed at educating and upscaling disadvantaged individuals, expanding to 9 states over the year.

We were pleased to see our social initiatives being recognized by multiple bodies. During the year, we won the Mahatma Award 2024 for CSR excellence and Gold Award under social initiative category at Bharti Changemaker Awards 2024.

Now as part of the Company strategy, I, along with the Board discussed the path forward for Indus given that now we have the backlog issue behind us. The strategy includes aggressively pursuing market share through both organic and inorganic routes as demonstrated by our acquisition of Bharti Airtel's towers. In addition, given the scale of Indus, we are working on transforming our site infrastructure and leveraging digital solutions and AI to create new benchmarks of performance. This will further encourage all our customers to move tenancies to Indus.

Furthermore, I'm committed to distributing the cash to shareholders and considering the discussion, the Board has decided to appoint a subcommittee to comprehensively assess the modalities of distribution.

I would now request Vikas to take you through our financial performance for the quarter and year ended March 31, 2025, and I look forward to your questions. Over to you, Vikas. Thank you.

Vikas Poddar: Thank you, Prachur and good afternoon, everyone. I'm pleased to present our financial results for the quarter and full year ended 31st March 2025. FY25 was another strong year for us. We achieved substantial tower and tenancy additions, driven by our ability to capture a significant share of our customers rollout plans. A key highlight of the year was the clearance of large portion of overdue receivables from a major customer, which positively impacted our cash flows and overall financial health.

Turning to the financial performance for Q4 FY25. We reported gross revenues of Rs. 77.3 billion, a year-on-year growth of 7.4%. The core revenues from rental grew by 10% year-on-year to Rs. 50.4 billion, supported by robust tower and co-location additions. On a sequential basis, our reported gross revenues and core revenues grew by 2.4% and 4.6%, respectively.

In terms of profitability, reported EBITDA for the quarter stood at Rs. 44.0 billion, representing a 7.1% increase year-on-year, but a 37.2% decline quarter-on-quarter. The EBITDA margin was largely flat year-on-year at 56.9%, but declined by 35.8 percentage points sequentially. It is important to note that Q3 FY25 included a onetime write-back of approximately Rs. 30 billion related to the collection of overdue receivables which significantly boosted EBITDA for that quarter. In Q4, we recorded a further write-back of Rs. 2.3 billion as the customer cleared additional dues.

On the Airtel Tower acquisition, as you know, we completed the acquisition of approximately 12,600 towers with the asset transfer occurring in the last week of March. The acquisition is accounted as a common control transaction as per Indian Accounting Standards, which requires assets and liabilities to be recorded at carrying value. Accordingly, the difference of

Rs. 18 billion between purchase consideration and carrying value is recognized as common control reserves. Further, the common control business combination requires restatement of financial results from the date of common control, which is 19th November, 2024. Accordingly, the Q4 financials include net loss of Rs. 1.7 billion being operating expenses and depreciation from 19th November 2024 to 31st March 2025. This impact is largely noncash in nature as the towers were operated by Airtel during this period. Adjusted for the write-back and the accounting impact of the acquisition, our EBITDA grew 12.8% year-on-year and 7.6% quarter-on-quarter.

Our reported energy margins were -5.2% in Q4, which includes accounting impact of common control transaction as explained earlier. Adjusted for this, energy margins improved to -2%, driven by seasonality and reduction in diesel consumption. We undertook initiatives such as deployment of solar sites and storage solutions to help us reduce our use of diesel.

Profit after tax for Q4 stood at Rs. 17.8 billion, down by 4% year-on-year and 55.6% quarter-on-quarter. Excluding the aforementioned one-offs, the normalized profit after tax grew 19% year-on-year and 15.3% sequentially.

Now on to the full year performance for FY25. Our reported gross revenues grew 5.3% year-on-year to Rs. 301 billion and core revenues were up 8.3% year-on-year to Rs. 192 billion. Reported EBITDA was Rs. 208.4 billion, up 41.9% year-on-year and profit after tax stood at Rs. 99.3 billion, an increase of 64.5% year-on-year. On a normalized basis, excluding one-offs, EBITDA and PAT grew 8.5% and 10.1%, respectively.

We delivered strong returns with a reported pretax return on capital employed of 29.1% and a post-tax return on equity of 33.4% over the past 12 months. Our free cash flow generation remained robust at Rs. 38.7 billion for Q4 and Rs. 98.5 billion for the full year. Improvement in cash flow was driven by the continued business momentum and the collection of overdue receivables which also led to a Rs. 25.5 billion reduction in trade receivables during the quarter.

In summary, FY25 was a year of strong operational and financial performance. We achieved significant tower and tenancy growth, driven by our customers' network expansion and strengthened by the full clearance of our overdues. Looking ahead, we are well positioned to benefit from ongoing 5G rollouts, the rising data consumption and industry consolidation opportunities.

So with that, I'll now hand it back to the moderator to open the floor for questions.

Moderator: Thank you very much, sir. We will now begin the question and answer interactive session for all the participants who are connected to audio conference service from Chorus Call. The first question comes from Mr. Sachin from Bank of America.

Sachin: Thank you for the opportunity. I have two questions. First question is on dividend. There was a general expectation that once backlog from Vodafone Idea is cleared, your Company will start giving dividends. Wanted to know the reasons for dividend being not declared and a committee being constituted. And any general thoughts that what would be a timeline when we could see a decision either on dividend or buyback coming?

Related question to that is, we are acquiring Bharti's 12,600 towers. So the amount, roughly Rs. 20-odd billion what you're paying to acquire these towers, will that also be constituted when you guys consider paying dividends? So that's question number one.

Prachur Sah: So for both the questions, I'll take the first one, and maybe you can take the second one, Vikas. So as I explained in my opening remarks, I think -- the Company has generated a significant amount of FCF for the year, which was also aided by the clearance of the past dues. This enabled us to return a part of it to the shareholders through the buyback during the year. And as I discussed, the Company's strategy with the Board was to pursue growth, both organic and inorganic, some of that you saw in the results as well. And also to see how we can drive transformation on our sizable infrastructure and leverage digital solutions. And as I said earlier, I remain committed to rewarding the shareholders in implementing our strategy. Considering this, the Board has formed a committee to comprehensively assess various viable options and place it before the Board for its final approval. Now as far as the timeline is concerned, I think since the committee has been announced yesterday, I don't believe it's going to be a long-drawn process. And we'll make a suitable disclosure once we have an update on this one. As far as the Airtel towers question..

Vikas Poddar: Yes. So Sachin, on the question about the amount, which was paid to Bharti Airtel for the purchase of towers, that will obviously be factored in by the Committee in deciding whatever distribution is decided later on.

Sachin: Okay. And sorry, just to be clear that the committee is not going to take too much time. So within 3 months, a decision should be then by the time you end up reporting your 1Q numbers before that we should get a visibility on dividend or buyback, right?

Prachur Sah: Sachin, as I said, I'm not giving you timeline in months or weeks and what I'm expecting is it's not going to be a long-drawn process, and we'll keep you informed.

Sachin: My second question is I just wanted to understand when should we start seeing tenancy improvement? Now I understand the incremental towers which have been acquired, these towers have dipped a bit of a tenancy, but from the business which is coming from Vodafone Idea ideally should lead to a tenancy improvement, which we are not seeing in the numbers. So wanted to understand, should tenancy remain range-bound in the range of 1.63 to 1.65 or we should directly see that moving up going ahead?

Prachur Sah: I mean, Sachin, I'm not sure what you mean by that because if you remove the Tower acquisition, in Q4, we have deployed 4,200 towers or 4,300 new towers and the total tenancy has increased by more than 8,800. So I think there's a significant tenancy addition that we have seen in Q4 and like we saw in Q3 as well. So maybe because of the addition of Airtel towers, you're not seeing the tenancy impact, but I believe the tenancy growth has been, in fact, a record growth in this quarter compared to what has happened in the last many years.

Sachin: And that momentum should continue going ahead. Prachur?

Prachur Sah: I think we'll work with the customers to make sure that if based on their network expansion plans, we'll continue to grab the maximum share.

Sachin: Okay, alright. Thanks

Moderator: Thank you. The next question comes from Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thanks for taking my questions. I have a couple of them. First, starting with the dividend. The dividend policy remains intact, right? 85% of the free cash flow will be distributed to the investors. Does the method of repaying the cash is to be decided or even the dividend policy is being rethought by the committee?

Prachur Sah: No. I think what the committee is going to focus on is the modalities of distribution of the cash, right. And if there is any discussion that is going to come up on the policy as well, they will look at it. But the primary aim of the subcommittee is to look at the modalities of distribution of the cash to shareholders.

Sanjesh Jain: And number two, we still have some debt on the book. What will be the priority in terms of cash distribution from the capital allocation perspective? Is it to first go net debt free and distribute the remaining cash to the investor or we are okay with the small leverage on the balance sheet?

Prachur Sah: Again, Sanjesh, I don't want to pre-empt what the committee would decide. But what I know for a fact that, as I told you earlier, I think there are multiple elements here. You said that in addition, what we have to look at is the growth ahead of us in terms of what is the capex requirements for the growth in the times to come. And this is that the committee will make a call on how the cash has to be distributed or allocated.

Sanjesh Jain: Clear. My next question is on the growth. Again, Prachur, you mentioned in your opening remarks that we will look at both organic and inorganic options to drive the acceleration in the growth. What are we really looking at in the next 2 years in terms of an acquisition, if we have anything in the mind? And from an organic perspective, anything in the mind apart from the normal business of passive infrastructure?

Prachur Sah: No. When I'm talking about the growth, I'm talking about towers. Towers and IBS is growth. When I said inorganic, I meant if there is any opportunity available to do the consolidation we will do like we did for the Airtel towers in this quarter as far as the inorganic growth is concerned. While all our customers continue to rollout tower tenancies at different speeds, different quantities, and our idea is to make sure that we capture every single opportunity that is out there, whether it's a new tower or whether if there's an opportunity to bring more tenancies from other Companies to our site.

So when I'm talking about growth, I'm focusing on the tower growth, which we have seen substantial growth over the last 2 years, and we want to keep the momentum going in the coming year as well.

Sanjesh Jain: Thanks for allowing me. Best of luck.

Moderator: Thank you. We'll take the next question from Mr. Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand S: Thank you for the opportunity. At the time of announcing the purchase of towers from Airtel, you had mentioned that you will take loans to fund this transaction. Just to understand this better, in your balance sheet, I see that the borrowings are flat on a sequential basis. Does this mean that the transaction has not been funded with debt? That is question one.

And secondly, I think to Sachin's question on dividends, I think Vikas, you said that the Airtel transaction will also be a consideration for payment of dividend. Why is that the case? Because it seems to contradict what you said in the press release when you announced the purchase of towers.

Vikas Poddar: So Vivekanand to answer that, broadly, the intent is to fund the tower acquisition through borrowing. But because we have substantial collection in this year, we used that to basically purchase the towers, but it should be seen more as a timing issue. So as and when the distribution decision is made, whatever is required will be done at that point of time in terms of borrowing.

Vivekanand S: Okay. And on my second question, which pertains to dividends. Will the amount that was paid out to Airtel, will it be available? Or has it already been earmarked for that purchase, so now it is not available for distribution? Just to clarify that. I know the committee is still evaluating it, but because you had specifically called out that this transaction will be debt funded, we thought that this money is available for dividend distribution?

Prachur Sah: As Vikas mentioned earlier, I think it's purely a timing issue. The intent is to fund the transaction through borrowing. So it's only a cash management that was done.

Moderator: We'll take the next question from the line of Mr. Aditya Suresh from Macquarie.

Aditya Suresh: Two questions. First is, can you give us an update on the industry structure, in particular, kind of I will be curious to see what you're seeing on the ground with Summit and ATC combining operations?

Prachur Sah: I mean, to be honest, I've answered this question earlier in the previous calls as well. I mean, I don't think it impacts as much because the structure remains the same with the entity that has changed. So modus operandi I don't see much change and I can speak for Indus, our focus remains to make sure that we remain the market leader in terms of having the market share that is out there. But from an industry structure point of view, we don't feel any change per se with this particular change.

Aditya Suresh: There's no migration which you're seeing, is that a fair understanding?

Prachur Sah: Yes, we only see positive migration towards us.

Aditya Suresh: Okay. The second question is on the tower rentals per operator, which you're collecting right? So despite the increased 5G loading, despite the inflation is embedded in the contracts, we've seen that moderate, right? So in the context of kind of what you said about this aggressive market share capture plans, plus noting that kind of I appreciate that if a second operator kind of comes into these towers, all operators get a discount. How should we directionally think about your rental revenues per operator trending?

Vikas Poddar: I'll take that, Aditya, so see, as far as the ARPT is concerned, like we have -- while we report this as a KPI but we have always maintained that there are several variables that impact this KPI. I just, maybe as a reminder, talk about some variables. First of all, there is a product mix, there are towers which are -- traditional towers, which are more expensive in terms of rental, there are towers which are less costly. Then there is also the other thing, other variable, which is the standard escalation that kicks in every year. There are loading like 5G, 4G, etcetera, which are different on each tower. There's a renewal discount. There's also sharing discount. So as and when, let's say, you will see the co-location increasing or the sharing increasing, which was the case in Q4 with a lot of the VIL rollouts. There's obviously a sharing discount that kicks in, right, in the infra business that we are. So all that basically impacts the ARPT.

The other technical point that you need to keep in mind is the acquisition that happened was pretty much towards the end of the year, right, in the last week of March. So while that sits in the tower numbers and the tenancy numbers, but when it comes to ARPT, obviously, that has a bearing in terms of the mathematical calculation, right? So that dilutes the ARPT simply by virtue of being there in the denominator. I think broadly, I mean, while this metric does indicate the trend, but with several moving parts, it's very difficult to really try to reconcile this with the revenue growth. Does that help, Aditya?

Aditya Suresh: Thank you for the clarification.

Moderator: The next question comes from Mr. Arun Prasath from Avendus Spark.

Arun Prasath: Prachur, in your opening remarks, you mentioned that there is roughly 40,000 5G towers added during the year in the industry. Can you talk about more qualitatively on these, where this was done and what kind of towers was done and similar kind of attributes in these 5G towers?

Prachur Sah: See when I talked about the 40,000 number, it was not tower, it was base stations. So I think it's not tower, 5G comes in form of loading at our towers as additional technology. So the addition is actually more on the technology side on an existing tower, not a separate tower.

Arun Prasath: Okay. So as such, there is the infill towers for 5G, it's not yet started on a broad basis?

Prachur Sah: No, I don't think.

Tejinder Kalra: It's not started yet. So first, the operators still need to have a full 5G coverage and then depending upon the data capacity needs we'll see. I mean, it happened in the 4G times, probably we'll see in the 5G times as well.

Arun Prasath: Okay, understood. Is there any instance where operators have felt congested in certain clusters and adding infill towers? Is that started in certain clusters or it's largely they are having lower utilization in the cluster level?

Tejinder Kalra: See, we would not be able to comment on the utilization of per cluster for the operators. We certainly see data growing and obviously, that's the reason why coverage and capacity infills, sites are continuing to grow. But of course, as the operators feel congested in any clusters, they certainly would come back and ask us to put up either new towers or they'll roll out more capacity on the same site but that's a continuous thing that is yet happening.

Arun Prasath: Okay. Actually, I'll just rephrase the question. So as and when the certain clusters grids get congested, is it the tendency to put more, say, equipments in the existing towers? Or have they reached a situation where they are thinking about the new infill towers?

Prachur Sah: I think it's a combination. I think we can't comment from an overall strategy for each operator. But I think it's a combination, wherever possible, they would add on the same tower. And wherever there is -- like last year or the year before last, there was a significant additions of lean towers. And that probably served the purpose of infill to an extent.

Moderator: The next question comes from Mr. Saurabh Handa from Citigroup.

Saurabh Handa: I had 2 questions. Firstly, again, just to clarify on the dividend bit, so your free cash flow in the fourth quarter was Rs. 39 billion. This obviously does not include the consideration for the tower acquisition, which was Rs. 18 billion. So if I take -- I mean what would be the number you would consider for dividend payout? Would you take Rs. 39 billion? Or would you take Rs. 39 billion minus Rs. 18 billion, which is Rs. 20 billion. So I assume your policy remains to pay out 100% of free cash flow? Just wanted some clarification because I think I've been a bit confused because previously, you had said that the acquisition would be completely debt funded and therefore, not have a bearing on shareholder returns?

Vikas Poddar: Saurabh, if I take that question, I think this pretty much we tried to address and explain in the first round itself when Sachin had raised a very similar point. So while from a cash management perspective and because we have generated a very healthy cash in Q4 as well as on a full year basis, we have used that cash to fund the acquisition which obviously will lead to long-term growth and all that.

And like I said, obviously, the committee will take into consideration all these things, they will obviously look at the free cash flow generation and then decide the distribution modalities and the amount, etcetera.

And like I said, the fact that any acquisition, etcetera, or any inorganic growth needs to be funded through debt or leverage is basically more like a timing thing because there was surplus available, we used that, but we are open to sort of leverage in future depending on whatever decision gets taken.

Saurabh Handa: Okay. Sure. And just my second question, you spoke about the ARPT being impacted by the denominator, which makes sense. So in fiscal 2025, the ARPT, which was 40,856 what would be the number if you hadn't adjusted for the acquisition? I'm just trying to get a sense of, say, compared to the previous financial year, I think the number you've declared was 41,198. So what would that number be now?

Vikas Poddar: See, the number that you see is roughly a 1.1% growth sequentially that probably without the acquisition would have been something like a 2.5% growth sequentially.

Saurabh Handa: Okay. So even the ARPT of that 41,893 includes the acquisition?

Vikas Poddar: Yes, that includes the acquisition because, like I said, we included those sites in our overall portfolio in the last week of March. So as on 31st March, that was sitting in the portfolio and hence, the calculation.

Saurabh Handa: I'm sorry, you said that would be how much without it, 2 point...

Vikas Poddar: Roughly 2.5%, Saurabh.

Moderator: We'll take the next question from Vivekanand Subbaraman from Ambit Capital.

Vivekanand Subbaraman: Yes, I have a couple of follow-ups. So, number one is on the new composite billing scheme that you have rolled out. Earlier, you were mentioning about a very different kind of energy contract model, fixed energy model versus reimbursement. Is this composite billing in the nature of the fixed energy model. Can you please elaborate on how this could potentially influence your energy margins in the long term? That is question one. Secondly, based on your conversations with telcos, how is the fiscal 2026 capex outlook looking like for you?

Prachur Sah: So, on the first question, I would like to clarify when I was talking about composite billing, it was not composite billing for billing to our customers. It was a composite billing from DISCOMs for our sites because we have distributed assets, we get bills for individual towers. So, what we had been trying with the Government to see if we can get a composite bill in a given state that make the transactions a bit easier and much simpler to manage.

So the composite billing was not from our customer point of view. It is a Government initiative to provide composite billing to large users so that they can have the billing settlements and things easier to do. So that's the clarification of the composite billing. What's the second question?

Vikas Poddar: Capex outlook for FY26.

Prachur Sah: See, I think we remain confident that FY26 will also connect to a strong year of growth. While I can't comment specifically on what the operator plans are. But I believe our order book is quite strong that I'm seeing currently.

Vivekanand Subbaraman: Yes. Just on that, one small follow-up. We saw that the capex has declined by around 24% in fiscal 25 versus 24. And this trend has been pretty much intact through the quarters. So should we take fiscal 25 as a new normal for capex? Or will it further go down from here?

Prachur Sah: Again, I don't specifically talk about any numbers. This year, we had a significant tower rollout and tenancy rollouts as well. Obviously, higher the tenancy is lower the -- tenancy is not the same cost as putting a new tower. So, I don't want to say what specific trend you will see. But all I can say, the tower and tenancy growth will remain strong in the coming year.

Moderator: The next question comes from Mr. Kunal Vora from BNP Paribas.

Kunal Vora: First is maintenance capex seems a little higher this quarter. Any reason for that?

Prachur Sah: Yes. I mean, if I can answer. So typically, if you see Q4 is the time where we are setting ourselves for monsoon as well. So, I think typically, the maintenance capex every year Q4 sees a little bit of a jump because this is the time post monsoon. In fact, Q3 and both Q4 and Q1 typically see a higher number than the middle two quarters because post rain is when you can start thinking to go to the site and start deploying the infrastructure to get ready for monsoon or do whatever replacements you have to do. So it's not Q4 specifically. It's generally how the maintenance happens.

Kunal Vora: Understood. And on Energy margins, what I understood is there is a one-off impact because of which it looks higher, but otherwise normalized it's 2%. How are you looking at it going forward around 2% range or...

Vikas Poddar: Well, Kunal, I mean, if you look at our energy cost, the energy cost is being managed pretty well. We have been running various initiatives like solar deployment, reducing diesel consumption, etcetera, even batteries, as we mentioned earlier in the discussion today, replacing our old batteries with new lithium-ion batteries, which are more energy efficient and so on. So, you see a lot of control on the cost. However, there are basically reconciliation issues and recovery issues, which is something that we are trying to sort out.

And hopefully -- and the other thing is, of course, the Q4 number should not be seen as a benchmark simply because there is always a lot of seasonality in the energy business, right. So somewhere we will try to improve this going forward, but it's very difficult to put a number to this.

Kunal Bora: And on rental revenue on the way forward, how do we look at it? Like fourth quarter the new tower rental revenue did not come in, right? Or at least like it came a very small proportion of that would have come. So in 1Q, we should see a full reflection of the new tower?

Vikas Poddar: Yes, you're right. So that's how it works. I mean typically, whatever rollouts happen in the quarter, the full quarterly impact of that is visible only in the following quarters. So just bear in mind that...

Kunal Bora: I was talking about acquired towers and not the...

Vikas Poddar: Yes, acquired towers has a few days of revenue in this quarter, but of course, the next quarter will reflect the full quarter revenue.

Kunal Vora: Understood. But in that piece, what was the driver of rental revenue this quarter, 4.5% quarter-on-quarter in the recent number?

Vikas Poddar: So broadly, I would say two drivers, Kunal. One is, of course, the healthy tower and tenancy or co-location additions that we have done. So that, of course, will keep driving. The other important driver is also whatever loading growth we get through 5G, etcetera, plus the annual escalations. So all these are basically driving.

And then, of course, Q4 being end of the year, there are also some reconciliation benefits that are there sitting in the quarterly numbers. So all this has basically driven the roughly 4%, 4.5% top line or the core revenue growth that you see.

Kunal Bora: Any part of that would have been one-off? Then how do we think about that?

Vikas Poddar: There is a one-off, which is roughly, let's say, 2.1 percentage points sequentially. So that is basically, like I said, the year-end reconciliation benefits that are reflected in this quarter.

Moderator: The next question comes from Mr. Kishan Mundhra from DAM Capital.

Kishan Mundhra: I just have one question. So, in the previous quarter, you had announced your foray into EV charging infrastructure. So just wanted to understand if you have firmed up any plans on that front? And what is your capex that you expect to put into this business over the next 2 years?

Prachur Sah: Kishan, I think as I explained in the last earnings call as well, what we started to look at is the commercial pilot for the EV business. And based on the pilot results and if it gives us scale, then we would consider whether we want to expand or it's something that we'll hold back. So, I think currently, we're evaluating that pilot. And if it offers some scale, then we'll have a discussion. But if not, I think our focus will remain on the towers. So we'll keep you posted on any decision on that front.

Moderator: The next question comes from Chetan Sharma from Systematix Shares and Stock Limited.

Chetan Sharma: Sir my question regarding the potential partnership between the Starlink and the telecom giants like, Airtel, Jio, and Vodafone. The question is that what is the role of the future of the traditional towers? Would this collaboration render the towers redundant?

Prachur Sah: To be honest, I think it's a good question. But however, as of now, based on our discussions with the telecom operators and in general, I think there are limitations and commercial constraints as far as the satellite technology is concerned. So we don't see that risk for a terrestrial network in the foreseeable future, right. And I don't expect that impacting us anytime soon.

Moderator: The next question comes from Mr. Varatharajan Sivasankaran from Antique Limited.

Varatharajan S.: At one point in time, you discussed about the possibility of entering into infrastructure like data centers. Is there any kind of a discussion on that? Do you see something like that happening in the future?

Prachur Sah: Honestly speaking, Varharajan, I don't think we ever discussed. I don't think we discussed data center from our side. There was some speculation in media. So I think that was a very speculative article that came out. So I don't think we have discussed that as an option currently because our focus remains on the tower growth primarily. So as of now, data center is not under consideration.

Moderator: We'll take the next question from Mr. Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Yes, Vikas, I got just one clarification. There is a line item in the cash flow which talks about the consideration paid for the acquisition of passive infrastructure of 1,800 crores. This, I thought is a payment for the Airtel, for the towers we bought, correct?

Vikas Poddar: That's right, Sanjesh.

Sanjesh Jain: Because in many instances, we told that we haven't paid this consideration. I saw that it's been paid, right? There's nothing pending to be paid to Airtel from this perspective, right? Only Hexacom deal is yet to be consummated. Is that understanding right?

Vikas Poddar: That's right. Yes.

Sanjesh Jain: Got it. That's one. Second, Prachur, I was just asking a question before I got disconnected. So if you look at the growth on the data side, it has materially decelerated despite FWA, one of the largest operator has reported under 20% growth on the data, the data consumption really showing pattern of saturating?

And mind it, this is despite 5G being unlimited today. Once it cap, I think things may get only lower on the growth side. Do you think the demand for tower itself see a material decline and now that we have created so much of capacity on 5G? Do you think that the growth -- because again, if you look at industry wide, the tenancy addition has materially slowed down in last 1 year, any reason to believe that the growth will continue on the tenancy addition, apart from Vodafone helping to up their coverage on 4G and 5G?

Prachur Sah: Obviously, see I mean towers business is not infinite. But if you see for the last 2 years, last year, we added what 25,000-odd tenancies. This year, we added another 35,000 odd tenancies or somewhere around that number. So from a year-on-year basis, our tenancy has remained elevated for the last 2 years.

Now of course, this cannot be a permanent status. But as the urban periphery expands as the rural areas get more penetration of new technology for us, also our opportunity is to create lower cost solutions for the customer so that some of the towers, which may not be viable in the past can now become viable.

So I think growth is for us to see how we can push the boundaries in terms of what we can offer to the customer. So some of the towers can become more viable for them at a lower revenue as well. So I think, while the organic growth may see limitations, but I still believe the next year or so will remain strong given the fact that the other customers are catching up to the network expansion.

But at the same time, we'll continue to push the boundaries in terms of how we can create better solutions for the customers to come create more towers and tenancies which were earlier not possible.

Sanjesh Jain: Clear. One data keeping last question. Vikas. you said that we have consolidated or restated the numbers from 19th of November. That means the acquisition should have ideally reflected the full quarter impact, right?

Vikas Poddar: Not so, it reflects the full quarter impact as far as the cost, opex and depreciation is concerned, Sanjesh. It is not a billable quarter because the operation handing over happened in the last week of March. So from a revenue perspective, it will be reflecting in the next quarter.

Sanjesh Jain: So we have booked all the costs not the revenue? Got it. So the cost and depreciation have been accounted for, but not the revenue?

Vikas Poddar: Yes. This is as per the Indian Accounting Standards between group entities, if there is a common control business combination, then the reinstatement of financial needs to happen from the date of common control.

Sanjesh Jain: That's very clear. Thanks for answering all those questions and again best of luck for the coming quarters.

Vikas Poddar: Thank you.

Moderator: We'll take the next question from Mr. Aditya Bansal from Motilal Oswal.

Aditya Bansal: So just wanted to understand the ARPT profile currently for the towers acquired from Airtel, like what would it be in the next year? What should we take?

Vikas Poddar: See, the towers acquired from Airtel as of the acquisition date or the year-end date are largely single tenancy towers, right? So they will have the ARPT or the revenue in line with the MSA for single tenancy. So as and when we get more tenancy, then obviously, there will be some growth in terms of overall revenue for the tower and so on. But for the time being, they are reflecting largely the single tenancy revenues.

Aditya Bansal: And like which circles, would this be pertaining to? And is there an opportunity to have an incremental tenant here?

Vikas Poddar: Yes. So they are across the country pretty much in all circles. And of course, there is an opportunity which we will be working on.

Moderator: Ladies and gentlemen, we will now conclude the question-and-answer session. I would now like to hand the conference back to Mr. Prachur Sah, MD and CEO, for closing comments. Thank you, and over to you.

Prachur Sah: Thanks, Michele. In summary, FY25 marked another strong year for Indus Towers driven by robust tower and tenancy additions as we retained a significant share of our customers' network expansion. Equally important, a major customer cleared its large overdue payments during the year, aiding the generation of strong cash flows.

Notably, our customers are continuing with their rollout activities, providing us with an opportunity to secure a substantial share of their rollouts. We will continue to work towards strengthening our market leadership position through participation in customer rollouts and investing in strategic opportunities. Thank you, and have a good day.

Moderator: Thank you, members of the Management. Ladies and gentlemen, this conclude call. You may now disconnect your lines. Thank you for connecting to audio conference service from Chorus Call, and have a pleasant evening. Thank you so much.