Media Release – June 30, 2020

Strong Revenue growth of 6.0% supported by prepaid tariff hike; Integration near completion and merger synergies fully delivered

Highlights for the Quarter

- Revenue witnessed strong growth of 6.0% QoQ, driven by prepaid tariff hike effective December 2019.
- Rs. 84 billion of guided annual opex merger synergy fully realized by Q4FY20.
- **UP (E), UP (W), Gujarat and Delhi circles consolidated in Q4FY20** taking count of integrated circles to 18.
- **92% of districts consolidated** till date driving significant network performance improvement including higher data speeds, leading to enhanced customer experience.
- **Fastest 4G download speeds** in the three metros - Delhi, Mumbai and Kolkata, along with West Bengal, Uttar Pradesh, Madhya Pradesh and Rajasthan in Q4FY20.
- ~21,000 4G FDD sites deployed in Q4, the highest quarterly addition since the merger.
- Launched **LTE 900** in UP (E) and Rajasthan during Q4; LTE 900 expanded to all 11 circles as planned.
- On the AGR matter, the DoT has proposed to stagger the balance of AGR payments over 20 years. The next SC hearing is scheduled for the third week of July.

Financial Highlights

Consolidated (Rs Mn)	**Q3FY20**	**Q4FY20**
Revenue	110,894	117,542
EBITDA	34,205	43,801
EBITDA%	*30.8%*	*37.3%*
Depreciation & Amortisation	58,774	60,388
EBIT	(24,569)	(16,587)
Interest and Financing Cost (Net)	34,311	40,108
Exceptional Items		
- Impairment (non-cash)	(1,637)	(1,871)
- Others	(4,696)	(59,538)
Share of Profit/(Loss) from Indus & ABIPBL	999	678
PBT	(64,214)	(117,426)
PAT	**(64,388)**	**(116,435)**
Other Comprehensive Income (net of Tax)	(144)	158
Total Comprehensive Income (Consolidated)	**(64,532)**	**(116,277)**

Ravinder Takkar, MD & CEO, Vodafone Idea Limited, said "*Our focus on rapid network integration, as well as 4G coverage and capacity expansion, has further improved customer experience. We thus continue to lead the league tables on 4G data download speeds across several states, metros and large cities. We have achieved our full opex merger synergy target. Despite the nationwide lockdown since March due to COVID-19, our teams across all circles continue to work effectively in these difficult times with support of the local authorities, to ensure seamless connectivity for our customers. On the AGR matter, the next hearing is scheduled with the Hon'ble SC in the third week of July. Meanwhile, we continue to actively engage with the government seeking a comprehensive relief package for the industry, which faces critical challenges.*"

Financial highlights

After several years of hyper competition which led to unsustainable pricing, we increased prepaid tariffs at the start of December 2019 across all price points for both unlimited plans as well as combo vouchers. As a result, revenue for the quarter improved to Rs. 117.5 billion, an increase of 6.0% QoQ.

EBITDA for the quarter increased to Rs. 43.8 billion, (Rs. 21.1 billion excluding IndAS 116 impact vs Rs. 12.8 billion in Q3) a QoQ increase of 28.1% driven by higher revenue and incremental synergy realisation. The EBITDA margin (excluding IndAS 116 impact) improved to 18.0% vs 11.6% in Q3FY20. The underlying operating expenses for the quarter (excluding License fees & Spectrum Usage Charges and Roaming & Access charges) were approx. Rs. 21 billion lower compared to Q1FY19, after adjusting for inflation driven cost increases and incremental network rollout. On an annualised basis, this reduction in operating expenses represents the full realisation of our target merger opex synergies of Rs. 84 billion.

For FY20, Revenue and EBITDA was Rs. 449.6 billion and Rs. 149.1 billion respectively. Excluding IndAS 116 impact, EBITDA was Rs. 58.1 billion with the EBITDA margin at 12.9% for FY20.

Gross debt (excluding lease liabilities) as of March 31, 2020 was Rs. 1,150.0 billion, including deferred spectrum payment obligations due to the Government of Rs. 876.5 billion. Cash & cash equivalents were Rs. 24.8 billion and net debt stood at Rs. 1,125.2 billion (vs Rs. 1,033.1 billion in Q3FY20).

Capex spend in Q4FY20 of Rs. 18.2 billion was lower compared to Rs. 33.3 billion in Q3FY20, as the rollout in Q4 was impacted by COVID-19 with disruptions to equipment supply and the nationwide lockdown. Capex for FY20 was Rs. 101.3 billion.

Integration update

The network integration is in final stages of completion but has been impacted by the nationwide lockdown due to COVID-19. As of date, we have completed network integration in 92% of total districts. Integration of Uttar Pradesh (E), Gujarat and Delhi circles was completed in January, 2020 and Uttar Pradesh (W) was completed in March, 2020, taking the integrated circles count to 18. In the remaining 4 circles – Maharashtra & Goa, Mumbai, Kerala and Tamil Nadu, integration continues on a cluster-by-cluster basis, with subscribers of both brands benefitting from the integrated network, which has significantly greater coverage and capacity. Due to the continuation of nationwide lockdown, the remaining consolidation is expected to take longer than initially expected.

The improved coverage and capacity following integration, coupled with the deployment of TDD sites, Massive MIMO and LTE 900 on select sites has increased our overall data capacity, which has now more than doubled compared to September, 2018. This has driven a significant improvement in data speeds and customer experience across all circles. We now have the fastest 4G download speeds across the three metros of Delhi, Mumbai and Kolkata, along with West Bengal, Uttar Pradesh, Madhya Pradesh and Rajasthan, based on Ookla data, consistently for the last 2 quarters (Q3FY20 and Q4FY20).

As part of our network integration, we had removed surplus equipment from ~64,000 sites out of the total of ~73,000 co-located sites by the end of March, 2020, further reducing costs. In addition, we had exited ~18,000 low utilization sites by the end of March, 2020.

Post completion of de-duplication exercise for synergy realization, we have initiated a further cost optimization plan across the company in line with the evolving industry structure and business model to achieve next level of efficiency, details of which will be shared in due course.

Operational highlights

The subscriber base declined to 291 million in Q4FY20 from 304 million in Q3FY20. Subscriber churn remained stable in Q4FY20 at 3.3%. ARPU for Q4 improved to Rs. 121 vs Rs. 109 in Q3FY20, driven by the prepaid tariff hike effective from December 2019.

We continue to invest in 4G to increase coverage and capacity. During the quarter we added ~21,000 4G FDD sites, our highest addition in a single quarter since merger. During the year, we added more than ~53,000 4G FDD sites which helped drive significant improvement in 4G population coverage, which now stands at 992 million compared to 871 million over a year ago. We have deployed ~58,800 TDD sites in addition to deployment of ~11,900 Massive MIMO sites till date, of which ~25,000 TDD sites and ~9,500 Massive MIMO sites were deployed in FY20. Our overall broadband site count stood at 436,006 as of March 31, 2020 compared to 371,922, a year ago.

These network investment initiatives have delivered a significant capacity uplift and enhanced our customers' experience. We also continue to make progress in implementing LTE 900 in select locations, including through dynamic spectrum refarming, to improve customer experience.

At the end of the quarter, the 4G subscriber base was 105.6 million. Total data volumes grew by 7.9% to 4,090 billion MB compared to the last quarter. Total minutes on the network declined by 1.4% during the quarter, due to a reduction in incoming minutes while outgoing minutes continue to grow.

Indus-Bharti Infratel merger update

The merger of Indus Towers and Bharti Infratel has received FDI approval for FDI. The long stop date on the original agreement has been extended to August 31, 2020. Vodafone Idea plans to monetize its 11.15% stake in Indus on completion of the Indus-Infratel merger.

COVID-19 Impact

The outbreak of Coronavirus (COVID-19) pandemic globally and in India is causing significant disturbance and slow down of economic activity. The telecommunication services are classified amongst the essential services which continued to operate during the lockdown period. While in the initial period of lockdown, the customer's ability to recharge, availability of physical recharge, acquisition of new customers as well as network rollout were somewhat adversely impacted, the services to our customers continued without any material disruption. Based on the internal and external information available and the current indicators, we believe there is no material impact of the pandemic on our overall performance, except as mentioned hereinbefore. However, given the uncertainties associated with the nature and duration of COVID-19, we continue to monitor the situation closely and shall take appropriate actions based on material changes, if any.

AGR and OTSC Judgement 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. Further, the Hon'ble Supreme Court directed vide the supplementary order of the same date, the payment of the entire AGR dues to be made within 3 months from the date of the order. Thereafter, the company filed an application for modification of the supplementary order before the Hon'ble Supreme Court of India on January 20, 2020, seeking permission to submit an application to Department of Telecom (DoT) to decide upon the schedule of payment of AGR dues.

The matter came up for hearing on February 14, 2020 when the Hon'ble Supreme Court issued notices to the Managing Director / Directors of all Telecom Service Providers (TSPs) in view of the non-payment of AGR dues pursuant to the AGR Judgement. The company has filed a detailed affidavit placing on record the financial position of the company as also a detailed reply to place on record as to why the Company was unable to make the payments.

On March 16, 2020, the DoT also filed a modification application with respect to inter alia giving reasonable time to the TSPs, considering staggered payments with interest to duly protect the net present value, and to cease the currently applicable interest after a particular date. On March 18, 2020 the Hon'ble Supreme Court heard the matters and inter alia ordered that no exercise of self-assessment/re-assessment is to be done and the AGR dues which were placed before the Hon'ble Supreme Court have to be paid including interest and penalty. At the same hearing, the Hon'ble Supreme Court directed that the DoT's modification application would be considered on the next date of hearing.

On June 11, 2020, the modification application filed by DoT came up for hearing. The Hon'ble Supreme Court directed the TSPs to file their proposals, within 5 days, as to the time frame required by the TSPs to make the payment and what kind of securities, undertakings and guarantees should be furnished to ensure that the AGR dues are paid. On June 16 2020, the company filed an affidavit before the Hon'ble Supreme Court inter alia supporting the DoT's proposal that 20 years' timeframe be granted to make the payments of AGR dues. On June 18, 2020, Hon'ble Supreme Court inter alia considered the affidavit filed by the company and other TSPs and directed all the TSPs to: (i) file audited Balance Sheets for the last 10 years including for the year ending March 31, 2020; (ii) Income Tax Returns and the particulars of AGR deposited during the last 10 years; and (iii) to make payments of reasonable amount also to show bonafide, before the next date of hearing. The company has already made payments of Rs. 68.5 billion in three instalments during the quarter ended March 31, 2020 towards AGR dues. The matter was directed to be listed in the 3rd week of July.

The company has recognized a total estimated liability of Rs. 460.0 billion as at March 31, 2020 based on the DoT demands (mainly up to the period FY17 and some beyond) after adjustment for certain computational errors and payments made in the past not considered in DoT demands and estimates made by the company for the periods thereafter for which demands have not been received together with interest, penalty and interest on penalty up to March 31, 2020. The total estimated liability is offset by consequential adjustments on satisfaction of contractual conditions under a mechanism as per the Implementation Agreement dated March 20, 2017 entered on merger of erstwhile Vodafone and ICL in relation to the crystallization of certain contingent liabilities which existed at the time of merger in the books. Accordingly, the net impact of these effects amounting to Rs. 275.1 billion and Rs. 17.8 billion has been recognized as Exceptional items during the year and quarter, respectively. The total estimated liability stands reduced as at March 31, 2020 to the extent of payment made (Rs. 68.5 billion) as mentioned above.

In a separate matter, on March 16, 2020, Hon'ble Supreme Court dismissed the petition filed by the company challenging the levy of OTSC beyond 6.2 MHz. While we are yet to receive any demand from DoT in line with the TDSAT order, on prudence basis, we have recognized a charge for spectrum holding beyond 6.2 MHz in line with the TDSAT order. The amount has been calculated basis the demand computation that was raised by DoT in July 2018 for Bank Guarantees to be given for OTSC in line with the M&A guidelines at the time of merger. Accordingly, an amount of Rs. 38.9 billion has been recognised as Exceptional item during the quarter.

We have also classified certain borrowings 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.

It is to be noted that our ability to continue as going concern is essentially dependent on a positive outcome of the application before the Hon'ble Supreme Court for the payment in installments and successful negotiations with lenders. Pending the outcome of the above matters, the 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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