

Conference Call Transcript

Event: Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q1 ended June 30, 2025 Earnings Webinar

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Vaidehi Sharma – Moderator

Good afternoon, ladies and gentlemen. I am Vaidehi Sharma, the moderator for this webinar. Welcome to Bharti Airtel Limited and Bharti Hexacom Limited first quarter ended June 30, 2025 Earnings Webinar. Present with us today, is the senior leadership team of Bharti Airtel and Bharti Hexacom Limited. 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. Post the management opening remarks, we will open up for an interactive Q&A session. Interested participants may click on raise hand option on Zoom application to join the Q&A queue. The participants may click this option during the management opening remarks itself to ensure that they find a place in the queue. Upon announcement of name, participants to kindly click on unmute myself in the pop-up screen and start asking the question post introduction. With this, now, I would like to hand over to Mr. Gopal Vittal for his opening remarks.

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Thank you, Vaidehi. A very warm welcome to everyone for our earnings call for the first quarter ended FY2026. With me, I also have Shashwat, Soumen, Harjeet, Naval, and Akhil. Today's call will focus on our first quarter performance along with an update on some of our key strategic priorities.

We are making good progress on our ESG commitments by embedding technology and digital innovation at the heart of our operations through very targeted initiatives, 64% of our sites are now green and nearly half the electricity consumed at our data centers comes from renewable sources. Our diversity agenda continues to advance. Women represent just under 19% of our total workforce up from 11% two years ago. Our remote work programme has also enabled qualified women in smaller towns to take on tech roles. The Airtel Foundation has amplified its impact through the introduction of the Airtel Scholarship. This is a fully funded nationwide initiative designed to empower talented students from diverse backgrounds to pursue undergraduate technology courses. Women make up 51% of the Airtel Scholars supported thus far, reflecting generally our commitment to foster gender equality in education and providing equal opportunities for all.

A quick word on our financial performance. We delivered another quarter of consistent performance. Consolidated revenue came in at 49,463 Crores just under 49,500 Crores. This was impacted by a decline in the B2B segment. As I had mentioned earlier, this is in line with our guidance, which I gave earlier to peel off our low margin revenue in B2B. India revenues excluding Indus, came in at about 33,820 Crores and EBITDAaL, which is stripped off the lease obligations, margins came in at 51.4%, improving by 65 basis points sequentially. The operating free cash flow, which is EBITDAaL minus capex, was at 11,928 Crores. We continue to deleverage our balance sheet. During the quarter, we redeemed senior notes worth a billion dollars. Disciplined capex spending and operational excellence underpins our solid balance sheet. India net debt to EBITDAaL now stands at 1.3. Our approach to financial prudence and the consequent strong balance sheet is recognized by leading agencies, most recent being the credit rating upgrade that came in from Crisil.

Our clear and simple strategy of portfolio premiumization and razor-sharp execution is driving strong performance across our businesses. Mobile saw yet another quarter of industry-leading revenue growth. Broadband is seeing strong growth momentum with FWA expanding the addressable market for us. Our IPTV ramp up is progressing as planned, with encouraging response from our customers.

Network expansion is happening as planned, with about 1830 network sites and over 8300 kilometers of fiber deployed during the quarter. We are future proofing our network with accelerated fiber deployment reflected in over 1,30,000 kilometers fiber rollout in the last three years. We continue to expand fiber home passes for our broadband businesses along with FWA rollout across 2500 cities.

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Let me share a quick update on each of our segments.

In mobile, we added 1.2 million customers through our overall base and 3.9 million smartphone data customers. Postpaid net adds remain steady at 0.7 million accounting for 57% of total net additions. You will recall that the base of postpaid is only 7% of our customer base. ARPU at Rs.250 had the benefit of one day extra in the quarter and continued underlying mix improvement. We have further strengthened our entertainment experience for our prepaid customers by launching an industry first all-in-one OTT entertainment pack, with access to over 25 OTT platforms. I do want to reiterate that feature phone to smartphone upgrades; prepaid to postpaid upgrades, data monetization, and international roaming continue to be central to our ARPU growth in the absence of any tariff repair.

Our 5G expansion continues as planned. We ended the quarter with 152 million 5G customers. We continue to believe that 5G handset adoption at the bottom end of the market will accelerate with the launch of more affordable options. 5G shipments continue to grow and now account for 86% of total smartphone shipments. Our share in the 5G shipment is constantly growing. 5G sites already cater to 36% of the total network traffic enabling some traffic offload from the existing 4G sites as well.

In the broadband business, we delivered a solid quarter, with the highest ever quarterly net adds of 939,000. We are seeing strong momentum in FWA net adds of 5.4 lakh. I believe this momentum on the overall broadband business should continue to see acceleration.

In Digital TV, we lost around 2 lakh customers during the quarter, but the decline was somewhat compensated by the step up in IPTV net adds. DTH net adds were impacted by structural changes that we initiated to eliminate subsidies on the set top box. We believe this move will pay off well with very strong cash generation. Our competition has also followed us and reduced the box subsidies. Our IPTV is seeing strong acceptance from customers, as it delivers a better experience and convenience combined with a very, very solid and expensive content slate.

In the Airtel Business segment, we reported revenues of about 5060 Crores. Discontinuation of the commoditized low margin business is now fully reflected on the base and what you see going forward is really underlying growth, but if you look at the underlying revenue growth stripped off the discontinued commoditized business, we grew at 2% sequentially and the business outlook continues to be strong, with a strong visibility on funnel and the order book. We are seeing some early signs of green shoots in our global business. During the quarter, we won multiple deals in our IoT and security business.

On the digital businesses, we are strengthening our digital portfolio across Cloud, Cybersecurity, Financial Services, IoT, and CPaaS, with continued strategic investments.

Airtel Finance is shaping up well, with acceleration in loan disbursements and credit card issue. Our partnership with several NBFCs is going as planned with increased supply, all of it now integrated into Airtel Thanks. We are seeing continued improvement in offtake.

Our payments bank monthly transacting users stood at 98 million. Annualized revenue run rate is now over 3,100 Crores, growing over 27% year-on-year. Deposits remain strong at about 3,750 Crores, growing 29% year-on-year.

A quick update on Africa. Constant currency revenue growth continues to remain strong at 6.7% sequentially and this was also helped by a favorable currency movement, which led to a solid reported revenue growth of 6.2% sequentially. EBITDAaL was 4,456 Crores, with a margin just under 37%. The balance sheet remains solid with net-debt to EBITDAaL of under one.

Let me now briefly comment on each of our areas of focus.

The first area is really the continued focus on building a diverse and resilient portfolio. The underlying performance now across the portfolio was strong. Africa accounts for 24% of revenues, India mobile at 55, and India non-mobile at 13%, Indus now at 8%. Our investments are channelized towards building future ready digital networks and digital services to accelerate growth across our portfolio.

Second area of focus is to win quality customers.

Let me start with broadband. As I mentioned earlier, we see a large penetration opportunity in homes. Our investments are now prioritized to capitalize on this growth. We will continue to focus on three areas: deepening our network and market footprint and therefore, we are accelerating rollout of fiber home passes. I want to get to a quarterly run rate of 2.5 million home passes up from 1.6 million. FWA will drive the addressable market further by expanding our footprint where we are unable to get fiber. Second, we are focused on providing exceptional value to our customers through bundling content and driving convergence. We have partnered with Google to bring a compelling Google One cloud storage subscription service to our customers. This will help them address the mounting challenges of limited device storage. All our postpaid and Wi-Fi customers will get access of six months of 100GB Google One cloud storage at no extra cost. The third area of focus is expanding our channel footprint, which I spoke to you about a few quarters ago. This is now in place and is allowing us to drive cross-selling at an accelerated pace. We now intend to leverage our data driven precision targeting, enhance our persuasion, and strengthen analytics to scale the impact of our expanded channel strategy.

A quick word on the mobile business. Our focus to drive ARPU improvement continues to be underpinned by sustained postpaid upgrades, smartphone upgrades, and penetration of international roaming. We further simplified our IR plans to deliver greater value and convenience to our customers. Our rural expansion, over 43,500 sites deployed in the last three years is delivering on all action

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standards. We have now intensified our efforts to sweat our deployment in areas that are not fully utilized to drive sustained share gains.

Let me now spend some time on B2B. We believe our network investments need to be geared to building gold standard, flapless and reliable fiber networks. Our infrastructure, comprising of low latency fiber, submarine cables, OPGW fiber and advanced data centers is the backbone of our superior service quality and assurance. As a result, we are now stepping up our investments to drive growth in core connectivity. We made substantial investments in OPGW capacities, connecting all metros and major cities. In addition, we triggered a significant investment 9 months ago to connect data centers and cable landing stations in Mumbai and Chennai. On the submarine cables and capacities, we have invested over 2000 Crores over the last five years and we expect a further light up from 45 Tbps capacity to 180 Tbps capacity. All of this is now playing out in the data segment growth that we see. At the same time, as I mentioned earlier, the bulk of the incremental growth for the industry in B2B is happening in adjacencies -Cybersecurity, IoT and Cloud. In each of these areas, we are continuing to invest and seeing traction. The digital segment is now growing at 23%.

Today, I want to spend some time on the largest growth area within digital, which is Cloud. You would have seen our recent announcements made on August 4, 2025. Let me give you a little bit of texture on this. Over the last five years, Airtel has changed significantly. Our digital capabilities based on our comprehensive benchmarking with large telcos around the world are truly world class. Our capabilities can be essentially summed up in the way we think about our business, that it is a platform above all else. So let me explain to you how it works. It really works across three layers. At the foundational layer, which is our first layer, is the data layer. This is truly the secret sauce. Besides a massive data infrastructure, we have built a homegrown data engine, we call it a data engine, which allows us to ingest data, monitor data, and measure the data, catalog the data, and leverage over 3000 attributes relating to every single customer, all of it automatically done with no human intervention. This data engine also has a next best action algorithm that provides the intelligence to all our channels on what action we need to take for that individual customer: whether to offer a service or solve a problem that they may have. The whole of the data engine is linked to our second layer, which we call our workflow platform, which really helps customers to do the four things that they want to do with us in any business: buy something, we bill them for it, they pay for it and we serve them. Finally, all of this is exposed in the third layer, on our channels platform to our customers across every single touch point. So whether it is the call centre, it is the web, it is the app, it is the storefront or it is at the home through our engineer, we have one unified presentation layer, which we call the channel layer. This entire stack has been built by our engineering group and is homegrown using open-source software. It operates at a massive scale of 1.4 billion transactions per minute. All of this sits on our own Cloud platform, which is managed and hosted in India. Our Cloud handles over 250 petabytes of data, managing over 10,000 servers, across our 14 large and 120 edge data centers. As you can see, all of this is at a mega scale. It is telco grade and it is hosted in the country. I can also tell you that as a Cloud for an individual company in this country, this is clearly the largest Cloud instance. We have now extended all of these capabilities to our customers. We have launched Airtel Cloud and we believe this will allow our customers to get access to a world-class Cloud, which is telco grade, hosted and held in India and it will additionally save them costs. Over and above this, we have also now extended our software platforms globally to telcos to start with. By the way, we do believe that our platforms can go beyond the telco, since they are built on a totally modular basis. This is why we have been able to extend our platforms in a totally fungible way, both across geographies and sectors. For example, we have extended it to Airtel Africa, which is our subsidiary. We have extended to Indus Towers, which is a totally different type of business. We have also extended it to Airtel Payments Bank, which is again, a very different type of business. I am also pleased that we won deals with Singtel and Globe Telecom in the Philippines. These are not part of the group and so this is a measure of the credibility that we have been able to build. More conversations with several telcos are in the pipeline. I believe the launch of the Cloud and software platform business can truly change the composition of Airtel B2B and broadly, even Airtel, in the years to come.

The third pillar of our strategy is the obsession to deliver a brilliant customer experience. All our digital capabilities are now coming to bear on serving customers. So whether it is go to market, lifecycle management, customer experience, driving personalization or improving productivity for our fleet, this impacts all of it. As I mentioned before, this allows us to track the experience of our customers at a device level as well as provide tools to our frontline on the experience delivered within a very, very small micro market of 100 meters by 100 meters across the country. India has now well over a million micro markets and we measure the performance within each micro market. We also believe one of the drivers of our market share outperformance is really this. We have now extended these tools into Airtel Africa and you can see that the results are already visible. Our anti-spam solution continues to provide significant relief to our customers. Our tool, as you know, detects scam and spam and alerts our customers in real time, in their own language. So whether these calls or messages originate on SMS or on any OTT platforms, whether they originate in India or abroad, our tool works. We continue to add features to our tool. We have added cutting edge solution that detects and blocks malicious websites across all communication OTT apps and platforms including e-mails, browsers in real time, giving total peace of mind for our customers while browsing the internet. Since its launch, the solution has identified over 42 billion spam calls.

The fourth pillar of our strategy is to build and leverage our digital capabilities. While I have already spent considerable time today on this, I do want to make two points here today. The first is AI. On AI, we have done numerous experiments, much as most large companies have in various parts of the world. The change we are now bringing about is to put AI at the very heart of our business. So what we are doing is to now place AI at the very center of all the digital platforms that we have already built and are running at scale. We feel this will take our capabilities to the next level. More about this in the coming quarters as we see it coming to fruition. The second area I want to talk about is our belief. While we will continue to build tools and solutions that we need for our business, as you have seen, we will also leverage the capabilities of partners to help scale our business and provide our customers a distinct advantage. There are three that I will illustrate today. On content, we have a slate of the most compelling content covering 25 OTT apps in India within the Xstream platform. We have a partnership with Amazon, we have a partnership with Disney, we have a partnership with Netflix, we have a partnership with Zee and we are exclusively available on Apple. A second example is our partnership with Google that allows us to offer complimentary Cloud storage to our broadband customers. And the last example is our breakthrough partnership with Perplexity that empowers our customers with innovative technology and cutting edge AI capabilities. We are seeing strong customer engagement within a few days of the launch and have already climbed to over 5 million and growing every day.

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The fifth and last pillar of our strategy is war on waste. As I had mentioned earlier, this is fully wired into our operation. We started the year on a strong note with a funnel and we are on track to achieve our planned savings.

To sum up, overall, we delivered another quarter of strong performance. We continue to see meaningful growth opportunities in postpaid, in broadband, in convergence and B2B. Our investments are now directed towards capitalizing these growth opportunities. All of this is really done by keeping digital at the core. Lastly, we take great pride in our flawless governance track record, spirit of ownership and entrepreneurial spirit that is ingrained in our culture and the quality and transparency of our disclosures. With this, let me hand back to Vaidehi.

Vaidehi Sharma – Moderator

Thank you very much Gopal. We will now begin the Bharti Airtel Q&A interactive session for all the participants. Please note that the Q&A session will be restricted to analysts and investor community only. Due to time constraints, we would request if you could limit the number of questions to two per participant to enable more participation. Interested participants may click on "Raise Hand option" on your Zoom application to join the Q&A queue. Upon announcement of name, participants to kindly click on unmute myself in the popup screen and start asking the question post introduction. Participants are also requested to limit their questions to Bharti Airtel until 03:30 pm, as the management will start the Q&A discussion on Bharti Hexacom from 3:30 onwards. With this, the first question comes from Mr. Manish Adukia. Mr. Adukia you may please unmute your side, introduce yourself and ask your question now.

Mr. Manish Adukia – Goldman Sachs

Thank you. Hi, good afternoon. Thank you so much for taking my questions and Gopal, as always, thank you so much for that comprehensive overview about the business in your opening remarks. First question is on capex. Now, last year, the India wireless business in particular did about 2.5 billion of capex while there could be some seasonality in the June quarter, looks like for the full year, the capex may be trending down again in fiscal 2026, now, if you were to take a slightly longer term view, the next technology refresh cycle may be like a few years away still, so the wireless business in particular, are there any particular reasons why in the foreseeable future at least, the capex will or has to move higher or should we expect that for the next three, four, five years, the capex will probably remain range-bound and then on the non-wireless side, you talked about a few things: FTTH and FWA focus and also Cloud more recently, what does that translate into capex for some of these businesses directionally, do the capex in these businesses go up before they start coming down? That is my first question. Thank you.

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Well, I think, firstly, this quarter capex has been low but the way that I would urge you to look at it Manish, is look at it over Q4 and Q1, you have sort of ups and downs in a particular quarter, so you average that out, that is the sort of run rate that we are currently operating at. You are right in the assumption that radio capex generally is trending down but at the same time, when you look at transport capex, the investments that are going in fiber, on our core networks, they continue because that is linked to our quest to connect more and more sites to fiber, upgrading our transport infrastructure, as also running on our core networks based on the capacities and the bandwidths that get consumed. The non-wireless capex, if you look at it, the B2B business gets its fair share of capex, that is normal, the data centers gets its fair share of capex, homes continues to get its fair share. I think the one thing that I would say on Cloud is that it is a modular capex. We have already invested in the Cloud, we have got now two regions running and that are live: one in Delhi and the other in Chennai, we will open up a third region at some point in time but as of now, there are two regions running and this has enough headroom for us to continue to fill out those capacities and if they do fill out those capacities then it is really, effectively, a three to six months timeframe for us to install more capacities because remember we also have a data center business, which is Nxtra, which is in the middle of building our data centers and so, space will always be available.

Mr. Manish Adukia – Goldman Sachs

Thank you. My second and maybe related question is just on the free cash flow generation of the India business, excluding towers again, continues to trend like really strongly maybe more than a billion dollars of capex every quarter, now, just two sub component of that question is: one, AGR payments start for you in March of this year, what are your expectations around it at this point in time and the second bit is just on shareholder payouts, how are you thinking about that given just maybe, the moderation in radio capex in the wireless business and the strong free cash flow generation in the overall India business?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

On the AGR payments, we have written to the government, as you know, to be extended the same relief as any other telco and that is a decision that the government has to take, we will abide by whatever decision they take. To that extent I would say that we have the room to make whatever payments are required. On the overall strength of the balance sheet because the debt position is getting better and there is a lot of free cash that will get generated over time, we have always maintained that our dividends will increase, our leverage goes down and we will continue to look for opportunities to grow our business in market around the adjacencies that we are operating in. So whether it is in Cloud, it is security, these are areas that we certainly continue to look at. Data centers, we will keep

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looking at it. There is nothing to report as of now but those are active, sort of, work that is going on behind the scenes to identify opportunities.

Mr. Manish Adukia – Goldman Sachs

Thank you. I will jump back in the queue.

Vaidehi Sharma – Moderator

The next question comes from Mr. Piyush Choudhary. Mr. Choudhary, you may please unmute your side, introduce yourself and ask your question now.

Mr. Piyush Choudhary – HSBC

Hi, good afternoon. Thanks for the opportunity and the remarks initially. This is Piyush from HSBC. Two questions. Gopal, you talked about value proposition of Airtel Cloud and software solutions. How should we think about potential of these services in India and abroad and if you can share some colour on the size of the contracts, which you have signed with Singtel, Globe, Airtel Africa. What is the kind of margin profile and capex required in these businesses as you scale it up? Second question is on home broadband: one of your peers is providing services using UBR, what is your view on this technology and would Bharti be looking to offer such service?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Thank you Piyush. So let me start with the Cloud. I think this is a very large market and it is also growing rapidly. In the market that we are playing in and the services that we are offering, we estimate that this market could well be in the ballpark of 60,000 Crores. So, as I have mentioned before, this is an ocean that we are playing in, it is also growing very rapidly, so, for us to pick up any market share there will be a substantial contribution to the B2B business, so I think that is the first point. The second point on software is that that is an even bigger ocean because you have got so many telcos around the world and then of course, there are other sectors but to start with even in telcos, there is huge opportunity and this, as you know, is a product that we built for ourselves, it has got a roadmap that is ongoing for the next several years that will keep getting better and better, for example, I mentioned that we are going to put AI at the heart of it, that is going to come in the releases in coming quarters and therefore, I do believe that the development effort that is going in on the software business is a development effort that is going in for Airtel India and the subsidiary that we have set up, which is Xtelify, where all our people are housed, is anyway supporting Airtel, so when you take this to market, which typically you have multi-million dollar deals over five years, this is typically software business so it is just like a SaaS business where you are licensing software. The margins are very, very good and there is barely any capex. It is largely some managed services that you need to deploy to integrate the software. So we are very excited that we are playing in a very large market. This is now up to how we look at our own capabilities, which is where the gap is in terms of go to market and so on in order to strengthen our whole business and that is really where our focus is. So we are currently working on how do we ratchet up our go to market capabilities. Because remember, we have not done this kind of selling motion. We have done mostly connectivity and messaging type of sales, so this is an area where we are now focused on to ratchet up our capabilities. On UBR, just to give you a little bit of colour on this, UBR it is really using the Wi-Fi band to provide connectivity. This is used in the B2B space through the IWAN, sort of, links that get provided. One of the challenges particularly in dense urban areas is there is a very high degree of interference and that happens in the Wi-Fi band so even if you have interference mitigating solutions, you end up with high churn and you end up with poor experience. Where the density of the customer base is very low on fixed broadband, UBR could definitely work, so we have done a lot of trials with this UBR piece and we will see where to deploy it if we have to but it will certainly not be in dense server. The second point I would make is that we have already got a 5G investment that has played out in mobile and fixed wireless access is just a topping on the cake. So it does not require any incremental capex on the radio side and you can use that to monetize the investment. So that is an area of focus but I would continue to underscore that actually the best way to connect to home is through fiber. So our focus is to actually step up more and more fiber home passes, which I mentioned and we are actually glad that in the last three months of this first quarter of this year, our fiber homes that we are connecting through fiber has actually ratcheted up growth. So if you take the total Wi-Fi number of 939,000 fiber is actually pushing ahead with very, very fast growth and FWA complements, so that is really how we think of UBR and the delivery mediums.

Mr. Piyush Choudhary – HSBC

Very clear, Gopal. Thank you very much.

Vaidehi Sharma – Moderator

The next question comes from Mr. Sachin Salgaonkar. Mr. Salgaonkar, you may please unmute your side, introduce yourself and ask your question now.

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Mr. Sachin Salgaonkar – Bank of America

This is Sachin Salgaonkar from Bank of America. I have two questions. First question is on the enterprise business or Airtel business. Gopal, just wanted to understand the key drivers out here, which would drive the underlying growth for the business and what kind of a steady state growth and margin should we expect in the medium term. I am not talking about at a time when the business is, let us say, scaling up but just wanted to understand the opportunity out here. And second question is a follow-up question on the capex, now typically, we look at global telcos, capex to sales hovers anywhere between 13 to 16% depending upon whether it is an emerging market or a developed market. For Airtel, we are seeing and of course, this quarter could be a bit of anomaly but close to around 11% but on an annual basis, the numbers are coming down from 30% to 20%, as we go ahead where most of the radio capex is done and we do not need any technology-led investments i.e., move towards 6G or any other technology. What is the steady state capex to sales number we need to keep in mind and this is more specifically for a wireless versus, let us say, the non-wireless part? Thanks.

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Well, on Airtel Business, if you look at the drivers of growth, we think of the business as having five, sort of, broad segments: one is connectivity, which has historically been our bread and butter. Margins here are very good, in fact, better than what we report as the overall margin for the business because this is what we manufacture ourselves. The underlying market growth here has now slowed down, to maybe 4-5% and while we are getting faster growth in the market, that is the reality that we are confronted with. The second segment that we look at is IoT. Here, we have a market share of almost 60% and we are clearly winning the segment, this is a very fast growing segment. We have seen massive fit out of meters into smart meters and electricity in homes and as the DISCOMs or the distribution companies have, sort of, upgraded their infrastructure. There are opportunities around auto, there are opportunities around fleet tracking, so this is a business that will only grow and if you look at the total IoT customer base that we would typically have now, it would be in the ballpark of about 50 million and growing rapidly and again, here, the margins are very good because again, this is our core business. The third area is really the wholesale business which is what I would call largely messaging: both domestic, international, incoming voice. Here, the margins are under pressure and the margins are low, it is a trading business and we have exited the very low margin business in this area, but the rest of the business has a better margin profile but it is really riding on our existing networks and the headwinds that you face here are the shift away from SMS to OTT platforms or in app notifications or even just rate pressures. The fourth area is security, this is largely through partnerships, requires very little capex. Just to let you know, we invested about 100 Crores a few years ago on the SOC, we have not put in major investment since then, business is growing nicely, but the margins are low because the capex is not required here, it is more a partnership business where we, sort of, wrap around products and then offer our SOC solution on top. Then you come to Cloud, in the Cloud where we are actually if we were doing what many telcos do, which is just reselling public clouds, then your margins would be very low. We did not want to be in that business because that is a commoditized business and a very crowded space, so we have got our own Cloud. Here, the margins are very good but it requires capex and as I said this is modular capex, so, that is really the way that this business is. Connectivity growing softly. As an industry, IoT is exploding, Cloud really growing in a big way and massive market security growing rapidly and messaging and wholesale under pressure. Now I come to capex. The question on capex that I would ask is if you look at the capex that we have put in over the last four, five years, we had a couple of high years in the 30,000 odd Crores region, but the reason that we were doing that is we were just investing rapidly, but at that point, our revenues were low because our ARPUs were even low, so, the percentages were high and it has come down now as a percentage but the capex while it has peeled off, has not peeled off as much as the percentages have dropped, which really comes to the question of, it's capex to revenue ultimately and therefore, the revenue is as important as the capex and where will the revenue come from? The revenue will come from incremental ARPU, the revenue will come from more volume growth of customers and finally, it will come from tariff repair, so, all of those are also factors. We will not expect major cycles of new radio capex that will happen that is going to trend down. It is only capex that is going into some of the new growth areas, which I have already talked about.

Mr. Sachin Salgaonkar – Bank of America

Thank you, very clear. Just a small followup on the enterprise business. Clearly five different businesses, so, every business has a different set of competition. On a broad-based basis, are we seeing competitive intensity stable/ increasing/ decreasing across the board?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

I think it is difficult to comment in those terms. I think in connectivity, you have the big players. You also have some of the newer players coming in, but that market is maybe four-five players. In messaging, everything rides on the telco network, but you have got a lot of aggregators sitting there and then on Cloud, there are the public cloud players as well as a few other Indian domestic players. IoT is really just the telco and security is a crowded space, but security needs a different kind of capability set and requires you to have credibility and trust with customers, so I guess it is a mixed bag.

Mr. Sachin Salgaonkar – Bank of America

Thank you, all the best.

Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q1 ended June 30, 2025 Earnings Webinar

Vaidehi Sharma – Moderator

The next question comes from Mr. Sanjesh Jain. Mr. Jain, you may please unmute your side, introduce yourself and ask your question now.

Mr. Sanjesh Jain – ICICI Securities

Hi Gopal, thanks. I got few: first on the site addition itself, this quarter site addition probably is five years low, we had a great run last few years thanks to the rural expansion distribution led gain, which was giving us that market share win. Do you think to that extent, the win we were doing because of distribution led benefit will taper off with the expansion now slowing down?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

I cannot comment on a target or forecast of how this will actually play out but we do believe there is still a lot of opportunity, Sanjesh, because we do believe that there are several sites that we have rolled out. We rolled out about 45,000 sites in the last few years. There are several sites where our utilization is low. So while at an aggregate we have met our action standards, there are several sites, several sectors, and several areas where our utilization is low and if you put that together, that is like, another big year of roll out. So we really need to sweat that and there are actions that are currently underway of not just sweating it but also redeploying in some places where the sites may not be making as much sense and we may have made a few mistakes on the ground, so, I think, that is really the focus. Second is that I do believe that one of the opportunities that we have within our business is to continue to see gains in ARPU and the drivers of ARPU continue to remain intact. Like I mentioned to you, the penetration of international roaming is still abysmally low. The penetration of postpaid is still very low so while we are adding close to 60% of net adds in postpaid, fact is that the base is only 7-7.5%, we have got 90 million credit approved users who could be on postpaid and then feature phones, you still have 70-75 million feature phones on our network that are ready to upgrade to smartphone. So the headroom for ARPU continues to be there and it is a function of how well we are able to persuade and execute users to actually move into some of these areas that I talked about.

Mr. Sanjesh Jain – ICICI Securities

No, fair enough, we can see the ARPU growth. I was just looking at this distribution.

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

And both those add up to market share so that is why I talked about ARPU also, Sanjesh.

Mr. Sanjesh Jain – ICICI Securities

Got it. Second question on the FWA, again if I look at the market share for FWA, we are at 18%. How do you see this market share changing in our favour in next few years and what are we doing to address it out, if we look at FTTH including FWA as one segment when you look at market share?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Yes, absolutely, we look at FTTH and fiber as one segment. We call it Wi-Fi or we go to market as Wi-Fi. We do not care whether the customer is on fiber or FWA as long as we get Wi-Fi. We do care at the back that if we have got fiber in that particular place, we want the customer to be on fiber because that is better quality connectivity and at the front therefore, we keep it very simple. You walk into the store and say, I want Wi-Fi. Say, where do you want it, do a check. If there is fiber, you will get fiber first. If there is fixed wireless access, you will get fixed wireless access. If there is neither, you get nothing. But the fact is that when the frontline person is talking to the customer, they are having one conversation on Wi-Fi, they are not having conversation on technology. So therefore, we are not fussed about not winning on FWA, we are fussed about winning on Wi-Fi. I think, that is our singular metric that we want to chase. Whichever way it comes, we want to win the Wi-Fi game. I would say that the momentum on Wi-Fi has been strong with 939,000 as I mentioned and we are continuing to grow the momentum. So, my sense is that even July, which we have finished has been better than June, so, we should see continued momentum. The second is that we want to see a drop in churn and we are not happy with some of the issues that we are facing on experience relating to our transport hygiene and infrastructure, so a lot of work going on there and to fix that so that our churn goes down. It is still very good, it is still, I would say, industry beating but we still need to do a better job and thirdly, we have various ways to measure our market share and our relative performance, which is not just based on the reported numbers to TRAI but also based on what we see light up on digital platforms, which are run by very large OTT companies and suffice it to say, we are happy with the progress that we made in terms of market share as well.

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Mr. Sanjesh Jain – ICICI Securities

Got it. One related question. This quarter, the capex intensity in the home was around 85%. Can you help us understand what really the capex means in the home segment, it is the modem which we put or the CPE which we put in the customer site is that the one constitute that?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

I'll let Soumen answer this question.

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

Sanjesh the FWA CPEs and also the wireline and the FTTH as Gopal mentioned, we are also bolstering with a lot of FTTH rollout happening and we have actually increased our net adds on FTTH in this quarter, so this is primarily towards CPEs both wired as well as wireless, FWAs and the fiber rollout.

Mr. Sanjesh Jain – ICICI Securities

But I thought fiber, Soumen, was in the wireless business right, the transport network.

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

There are two parts of fiber. There is a common fiber backbone and there is dedicated homes fiber, so, that is the difference.

Mr. Sanjesh Jain – ICICI Securities

Clear, Gopal one last question probably, philosophically on the capital allocation, India at 1.3 net debt to EBITDA, Africa less than one times, I think, balance sheet looks pretty strong and solid. How should we look at capital allocation: one into the M&A, number two, distribution to the shareholder, and number three, anything else you are looking beyond this?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Sanjesh, I have already mentioned that we will certainly look to step up dividend over the years. You have already seen that playing out right now. We will continue to look at that. We are certainly going to see opportunities in market growth in adjacencies. So in some of the B2B areas that I have already talked about, in data centres, certainly, those are areas that we will look at and then over and above that, I would say it is too premature because at this point in time, our focus is to make sure that we identify opportunities around adjacencies so that we can really get some acceleration and the market there is very large and it is a real ocean as you know. So, this is an area that we need to step up our game on and we have had multiple, sort of, options but none of them have, sort of, fructified for various reasons but we are clear that we could see opportunities in market acquisitions around adjacencies.

Mr. Sanjesh Jain – ICICI Securities

That is pretty clear. Thanks Gopal for answering all those questions and best of luck for the coming quarters.

Vaidehi Sharma – Moderator

The next question comes from Mr. Vivekanand Subbaraman. Mr. Subbaraman, you may please introduce yourself, unmute your side, and ask your question now.

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Mr. Vivekanand Subbaraman – Ambit

My first question is an extension on what Sanjesh asked. I am Vivekanand Subbaraman from Ambit Capital. The capital allocation question, extending it to your portfolio, Gopal, if you can help us understand how investors should think about value unlocking in your portfolio. You have three listed subsidiaries: Airtel Africa, Hexacom, and Indus and there are some entities which will see IPOs in the next few years, like payments and money and you also have private investors in Nxtra and now you are doing so much in Xtelify, so from a portfolio perspective, how should one think about the Airtel in say 2028 or 2030 from listed entities, value unlocking perspective, that is question one. The second one is on tariffs. You have spoken about tariff repair at length in the past and in this discussion also. My question is how much more repair is needed and secondly, you have spoken in the past about tariff dispersion and India having very low tariff dispersion and Airtel doing something about it, so, can you please elaborate on these two aspects of tariff? Thank you.

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

I will take the second one first and I will comment briefly on the Xtelify piece and so on and then maybe I will invite Harjeet to just take the other part. On tariff, our view is that, like I have mentioned before, whether you look at average revenue per user or you look at rate per GB, India is at the bottom on both the axis when compared to other markets all around the world including markets that have a lower per capita income. So the opportunity is clearly there. The second is that, as I have again mentioned in the past, the architecture pricing in India is quite skewed, where at the entry level itself or just above the entry level, you get so much of data allowance, you get so much of calling and messaging that you really do not have any reason to upgrade. If there was a more sensible architecture, like you have got, for example, in Indonesia, then we would already be sitting at an APRU that is substantially higher than where India is today without any pain to customers at the low end or without any pain to customers who cannot afford to pay more. So it is just that unfortunate situation where people who can afford to pay, the rich, are paying less and we do not need to charge the poor anymore, so, I think that is real issue on the tariff side. You are already aware of the three listed entities: Africa, Hexacom, and Indus. Yes, there are obligations to list the bank at some stage, Nxtra is an independent company. Xtelify has been set up as a separate subsidiary, not with an intention to unlock value but really, with an intention to provide focus and provide credibility in the marketplace because the anchor customer for Xtelify is Airtel India and now increasingly, all of those tools and assets are being transferred to Airtel Africa. So it really becomes two large companies operating across geographies and if we can take the same cloud now, without spending a ton of money on development but really putting modular capex, if we can take the same software, without spending our money on development but really we are making margin on top of it in a business that is sticky, in a business that has licensing revenues, then I think this is a very powerful proposition, which comes at very marginal cost. So that is our thought process on Xtelify. Who knows in the future, where it will go but as of now because it is so locked in into Airtel it will remain, really, within the Airtel fold. Harjeet, do you want to comment on anything on their value unlock.

Mr. Harjeet Kohli – Joint Managing Director – Bharti Enterprises

Thanks, Gopal. I think you have covered the thematic pretty well, so maybe, Vivekanand, I can give you the perspective around, you mentioned, what is three, four years out view on some of the subsidiaries that the company has. There are multiple pockets of some or the other nature of intervention but I will just focus on three pockets. Pocket number one is infrastructure domain, pocket number two is, really, financial services whether it is Airtel Money as you mentioned, whether it is Payments Bank as Gopal was mentioning and pocket number three is our standalone but minority stakes, whether it is Axiata in Bangladesh or Axiata's Dialog operations in Sri Lanka. So the infraspaces data centers you commented right, there is a minority shareholder, we are not mandated to necessarily list but that is the natural path to take forward. Our belief is that, while the business has probably more than doubled in the last three years, it is really still early, it can scale up faster, data center. Globally, you know better than us, commands over 20 times in the EBITDA multiples. It has significant value, capability and expertise is well in place. So we can continue to grow to 3x growth on the topline and in the EBITDA in the next two-three years and have possibly a listing of the data center entity over the coming years. No hurry, no mandate, no anxiety, very strong value, growing well, properties in place, a possible monetization. Towers, it is already listed. The question to ask is, should it remain listed? There is no anxiety. Over time, it can be a trust or an equity or a combination, that is an intervention that should be done some time when markets have stabilized, maybe few more years down the line. There is no necessity to either delist or continue to list but it is independent. We have flexibility to own more or own less depending upon how you want to manage the asset profile. Third is our fiber. Again, some other players have done InvIT structure. It is possible. Multiples of 100,000 route kilometers are available. We do not need to de-consolidate any debt. We do not need to do any deleveraging but this could be a disciplined way of running a large core infra vehicle. Is it necessary, again, no. Is it possible, yes. So that is another three, four, five years out journey. You may think that some of these things will come by. In financial services, Airtel Money has four private equity players, including sovereign's QIA and Royal Family of Abu Dhabi; they own 20-22% of Airtel Money in Africa. That is also a business which generates multiples of tens of EV/EBITDA. It is a half a billion dollar EBITDA business in Airtel Africa. We are keen to get it listed. It is a very strong, mature platform but yet, growing at over 30% per annum. So that is, Airtel Money's IPO is probably more, more visible in the future. Whether it is three quarters or six or nine, I do not know, but it should happen. Airtel Payments Bank is under licensing guidelines from RBI and at least next two, three years we need to make sure it is listed, the right thing to do and thereby there will be illumination of that which you will certainly see. Then comes our 28% stake in Bangladesh, 11% stake in Airtel Lanka which got merged into Dialog. I think, suitable interventions will be done over time. We will, of course, need to monetize and create liquidity out of this. No hurry. It is not multiples of billions of dollars but still very significant. These interventions, you will see, will come by, generate more episodic liquidity, also illuminate value, and thirdly, create path to exit to whosoever they need to but our intent continues to be owning all of these businesses but for the stakes in Axiata in South Asia.

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Mr. Vivekanand Subbaraman – Ambit

Many thanks, Gopal and Harjeet for the elaborate answers. Lot of food for thought. Thank you very much and all the best.

Vaidehi Sharma – Moderator

The next question comes from Mr. Aditya Suresh. Mr. Suresh, you may please unmute your side, introduce yourself and ask your question now.

Mr. Aditya Suresh – Macquarie

Hi, good afternoon, Aditya Suresh from Macquarie. Gopal, I had a few questions for you on the partnership side, particularly on Perplexity, which I think is really interesting partnership. Could you, maybe, comment about how the economics would work for this partnership, that is one? The second is on your Bajaj Finance partnership, any kind of goal post, milestones which you can, kind of speak about and point to?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Well, I think, on the first question, we are a very large platform in the country. Access to, perhaps, the best quality customers as reflected in our APRU and therefore, any company that is looking to get distribution, we are the first port of call. Suffice it to say that I cannot disclose the economics but it is really at a very, very marginal cost because this is really providing the distribution platform to Perplexity and we are very delighted with the partnership. The value being delivered to customers is very high but the cost is marginal for us. On the overall finance side, yes, we have partnerships with Bajaj. We also have partnerships with other NBFCs. It is currently scaling up nicely, so, we have lit up the EMI card across multiple channels which include our digital interfaces, as also our stores, and increasingly, we will spread into other channels as well. For us, the real focus is to make sure that we lend to the right person so that even the collection cost goes down and the delinquencies are low, which then proves the power of the platform and I think, that is really what we are trying to do but it is scaling nicely. We are currently seeing in the month of July, substantial growth of almost 15% over June and that is continuing to sort of grow traction across.

Mr. Aditya Suresh – Macquarie

And then, for your B2B segment, there clearly seem to be far more emphasis on what is happening in that business compared to your previous earnings calls. Is that a fair call out to make, is there, like a, strategic pivot or shift more towards B2B versus your B2C business?

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

Well, I would not say there is greater focus towards the B2B business, but I would say there is greater action going on in the B2B business to retool the portfolio. The mobile portfolio or the B2C portfolio is fairly solid because you have got mobile, you have got home broadband, you have got convergence, but in B2B, we are operating in very large unaddressed spaces and if we, as a telco, remain in just connectivity and CPaaS and maybe some sort of IoT, then we are missing the very large ocean that is growing very rapidly around the areas of Cloud and security and by the way they have very strong linkage with your existing business. They also leverage very strong relationships that we already have with all of these enterprises. So this is something that is like, I am putting disproportionate amount of my time in that side of the portfolio because there is a lot of retooling that is happening as we speak and so there are multiple, not just the product work but also the go to market work, where this portfolio needs to be re-tooled, capabilities need to be re-tooled and that is really what you are seeing and this is the reason we are talking a lot more about it because the opportunity for growth is very high there.

Mr. Aditya Suresh – Macquarie

Are there any milestones which you can maybe point to or articulate, the share of EBITDA for this business in the overall India portfolio is still modest, it is about 10% thereabouts, but if were to take a three year - 5 year view?

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Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

One thing that I would say is that the contribution, actually, is a little higher than that because we do not disclose our postpaid B2B in that segment. We disclose it in B2C. Most telcos around the world put that in B2B but be that as it may, I agree with you that it is still modest. The opportunity is vast. I am not going to put a revenue number, but I think in the immediate future, I would love to see a roster of credible customers on our platform on Cloud. I would love to see that same roster coming through on some of the software beyond the two that I spoke about, which is Singtel and Globe. We are having multiple conversations with at least 30 to 40 telcos and there is a lot of interest. So, if we can get some of that going, that would be a great milestone and then we can sit down and say, where do we take this business over the next five years?

Mr. Aditya Suresh – Macquarie

Thank you.

Vaidehi Sharma – Moderator

Thank you, everyone. I would like to remind all the participants to stay connected on the call for the next session on Bharti Hexacom. I would request Gopal to give his closing remarks for Bharti Airtel.

Gopal Vittal – Vice Chairman & Managing Director - Bharti Airtel Limited

I just want to thank you very much for a lively Q&A. I look forward to seeing you again next quarter.

Vaidehi Sharma – Moderator

Thank you, Gopal. With this, now, I would like to hand over to Mr. Soumen Ray for his opening remarks on Bharti Hexacom's performance.

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

Thank you, Vaidehi. Good afternoon, everyone. Welcome to the Bharti Hexacom Q1 FY2026 earnings call. I have with me, Akhil and Naval, joining me on the call. We delivered another steady quarter, with revenue of about 2,263 Crores. EBITDAaL, which is EBITDA after leases, for the quarter, came in at about 1,079 Crores with a margin of 47.7%, improving by about 110 bps sequentially. We added 17,000 mobile customers and about 54,000 homes customers. Smartphone customer addition came in at about 283,000. ARPU for the quarter was 246, benefiting from the continued mix improvement and one day extra in the quarter. Home business is seeing strong momentum, with net adds holding on which we expect to continue. Operating free cash generation, which is EBITDAaL minus capex, was a strong 854 Crores. Balance sheet continues to remain robust, with a net debt excluding leases at about 2,806 Crores and our net debt to EBITDAaL is about 0.7 times. Whilst ARPU customers and EBITDAaL margins have improved, there is a reduction in reported revenue due to drop in roaming revenue.

Finally, we would want to call out two key areas where we continue to focus in our effort to deliver convenience and a brilliant experience to our quality customers. First, the extensive use of digital tools, which enable us to deliver safe and reliable connectivity with our industry first anti-spam solution. This solution has already identified two and a half billion spam calls since its launch. The second area that I would like to mention is the leverage of partnership, which was built by Airtel over the years, delivering extensive stake of digital and linear content and digital offerings that in the most recent times is the partnership that Airtel stitched with Perplexity, which offers free AI capabilities for a year to all our customers at no extra cost. So we continue to leverage the partnerships that Airtel the parent company has developed. With that, I will hand over to Vaidehi to open the floor for questions.

Vaidehi Sharma – Moderator

Thank you, Soumen. With this, the first question comes from Sanjesh Jain. Mr. Jain, you may please unmute your side, introduce yourself and ask your question now.

Mr. Sanjesh Jain – ICICI Securities

Good afternoon, Soumen. Thanks for that opportunity. My first question on this drop in the roaming charges, is it more seasonality because second half sees more tourists in Rajasthan and first half has a lower tourist or is there beyond anything to look into this roaming charges drop?

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Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

See, roaming charges, as you mentioned, they are seasonal. There were couple of unfortunate incidents which happened in Q1 and I was discussing with the CFO of a large travel aggregator and he also confided that travel had indeed come down and picked up later. As is evident from the numbers Sanjesh, this is like a pass through, our EBITDA has not got impacted. So I think there would be a bit of fluctuation, which is why when we did the IPO, we also gave out the intrinsic ARPU, so when I said that the ARPU is 246 that is the intrinsic ARPU excluding the roaming charges because in India, frankly, the customer does not pay for roaming, so I would say yes, this is seasonal and it will keep going up or down. This time, I think it is a little large than what we would have expected but clearly offset through access charges which means, yes, roaming revenue was impacted.

Mr. Sanjesh Jain – ICICI Securities

You mean there was a tension in the border and hence it was more elevated.

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

Whatever this is a BHL earnings call, we will not go there but yes there were concerns where people did not travel as much as they normally would.

Mr. Sanjesh Jain – ICICI Securities

That is very clear. Second, on the cost line item, again, it appears to be very volatile. I can understand the access charges but employee cost drop has been quite steep and there is a significant sharp jump equally in SG&A cost. What explains these two line items?

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

So, the employee cost was some year-end provisions which was made in the last quarter and has got reversed. We participate in one of the two circles that we have under the company, under the universal service obligation fund, the USO fund. When you set up a USOF tower under that fund, you get certain benefits or certain subsidies for constructing the tower and there are various stage gates which you need to cross before that subsidy gets cleared. Some of those were a little stuck which was provided for, but fortunately with the help of the department, we could clarify their points and a lot of reversal crept in into that number. Without getting into gory details, I know you see a very large, I think, 7-8% growth in opex. The underlying growth is much lower, I would say, in the range of about 2.5 - 3%.

Mr. Sanjesh Jain – ICICI Securities

That is fair. One last question before I get back into the queue. We have 2,800 Crores of debt, 800 Crores of quarterly cash flow we have been generating, we do not have debt beyond four quarters. How should we look at the payout ratio considering that we do not have much of an opportunity in the adjacencies like Airtel should we go to a full payout anytime soon?

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

Well, it would be improper for me to overtake the authority of the Board. As you know, this year, the dividend has been increased and there would be a directional increase in dividend. I must also tell you that the debt that we have because our external debt is very small it is not even worth mentioning. It is primarily the deferred payment liabilities which is to the department and the coupons that it carry. It is not very exciting to repay that, but yes, Bharti Hexacom at the position of cash that it has and it will continue to do. We may evaluate even some amount of prepaying of the debts, but as far as the distribution or the allocation of capital is concerned, I must also call out to you whilst this company does not have a lot of investment into digital platforms and all but as time progresses, we might like to increase our number of sites. We have leadership positions in both circles, there will be 5G deployment and so on and so forth. So, it is not completely out of the woods. There could be investments which would go in but, yes, directionally I agree with you, the company will have surplus funds and I think, the Board would take into cognizance future liability and thereby decide the payout at which direction it should increase.

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Mr. Sanjesh Jain – ICICI Securities

That is fair, Soumen. Thanks for answering all those questions and best of luck for the coming quarters.

Vaidehi Sharma – Moderator

The next question comes from Mr. Aditya Suresh. Mr. Suresh, you may please unmute your side, introduce yourself and ask your question now.

Mr. Aditya Suresh – Macquarie

Hi, this is Aditya Suresh from Macquarie. I was surprised by the lack of questions on the Bharti call on ARPU, so, maybe I will ask here. Assuming there is no tariff increase from an industry perspective, I appreciate there are levers at play, whether be from a mix perspective, more postpaid, more data, more international, etc. How much more do you think we can kind of expand our ARPU in the absence of any headline industry wide tariff increase?

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

First of all, I would answer this in two parts. The first part is unless a major tariff increase has happened, we have not seen sim consolidation or drop in customers, so there is no major blockage of a marginal increase in tariff as we speak, we have not seen it. The only time that there is some drop in our customer base is when headline tariff increase happens, that tells us that affordability is there. The other thing that I would tell you Aditya is the way we look at ARPU is a derived number. The way the consumer looks at it is the value cost equation. It is new people adopting higher price points. We are not trying to get a postpaid customer who gives me Rs.350 to go to 400. The way of doing this is to provide propositions to customers, which will appeal to them at a higher cost. I will give you a simple example. You have 1.5 GB pack and you are watching something and I tell you that you are at 90% of your daily data limit, would you like to buy a top up of 1 GB, which is for today. Now, as demographic income changes and affordability increases, the probability of you taking that 1GB, maybe you will not need the whole 1 GB, maybe you will need only half a GB but the probability of you taking goes up. At that moment of time you are not evaluating that I am paying Rs.19 over our Rs.300 ARPU. My today's data is over, I want to watch this movie, so, I will spend 19 bucks. So, if you look at it from this perspective, what will happen is the more contextual I can make it, the more timing is appropriate for the next best action for that customer, the ARPU will keep growing up because headline tariff if it is not changing, what is changing is ancillary revenue attached to our mobile connection, which is contextual to our customer. So according to me, I cannot define that a person will not buy more than 1 GB thrice a month, in some months he might buy it six times. He may not upgrade to the 2GB pack because he says I do not use 2GB every day, I will remain at 1.5 GB. I do not want to spend that 50 bucks, so technically, I would say it will play out basis how disposable income, demographic profile and our ability, which we have demonstrated over the last so many quarters, our ability to monetize them at the right contextual opportunity.

Mr. Aditya Suresh – Macquarie

Thank you for sharing that perspective, Soumen.

Vaidehi Sharma – Moderator

The next question comes from Mr. Vivekanand Subbaraman. Mr. Subbaraman, you may please unmute your side, introduce yourself, and ask your question now.

Mr. Vivekanand Subbaraman – Ambit

Thank you for the opportunity. I am Vivekanand Subbaraman from Ambit Capital. I have two questions: so, the first one is on the FTTH versus FWA mix. Your home and office services is growing at a very fast clip. You mentioned that you are increasing your catchment area for FTTH services but in the markets you operate in, which are more rural than Airtel, does it make more sense for you to remain for a long time on FWA versus, say, Bharti Airtel, which operates in urban areas where FTTH might be more sensible and how much can this FWA market scale up, is it more important for you? That is question one. The second question is, what is so different about your customer profile, that the data traffic or the mobile data usage is so much higher than the other industry players. If you can help us understand some nuances of consumer behavior, which perhaps, seem to be playing out differently for you than rest of the industry that will be great? Thank you.

Transcript of Bharti Airtel Limited and Bharti Hexacom Limited Q1 ended June 30, 2025 Earnings Webinar

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

I will take the second one first and that is obvious one, Vivekanand. The penetration of Wi-Fi eats into mobile data consumption, so, the rest of the country has more Wi-Fi penetration or people go to work in places where they have access to Wi-Fi where they do not need to use mobile data. That is the single biggest reason why the data consumption per customer per month, which is about 29 GB, is higher than the blended average of any of the players, whether it is Airtel or others in the market, who operate nationally, so that is the second answer. The first answer, you are directionally right, which is to say, that FWA will have a possibly bigger share when the complete rollout, let us say, five years from now. FWA will have a bigger share of total connected homes in these two markets as compared to rest of the country because these are less urbanized, but at the same time we are also seeing because these are less urbanized a lot of development is happening in these markets. Northeast, there are a couple of pockets which are a little disturbed but otherwise there is a lot of development which is happening, new buildings coming up, new residential settlements, shared services offices, opportunities to work within the state, a lot of this is coming up. The terrain is difficult to pull fiber in both the two circles, so to that extent, it is challenged but directionally, I would like to believe that we will continue our fiberization. If you are looking at the ultimate mix, as I said five years from now, yes, most likely, wireless broadband through FWA will have a higher share of total broadband in these two circles than rest of the country but that share will come down compared to today because we will be rolling out fiber in these two states as much as possible because there are a lot of T&P towns in both these two, FLPs are also there, so, they may not feature in top 30. The other very interesting thing about NESA is that it is a very culturally evolved place and there is a lot of adoption of newer things, newer technologies and if we can pull a long haul national long-distance fiber to, let us say, Shillong which we have, I am sure we will be able to make sense because the extraction of that fiber will be very, very good.

Mr. Vivekanand Subbaraman – Ambit

Great, Soumen thanks for the detailed explanation. I have one small additional question, bit on numbers. So, last three years, the lease costs or your infrastructure costs, which is basically the difference between the EBITDAaL and EBITDA, that number has grown at 15% CAGR and almost 600 Crores right, this is most likely the tower infrastructure cost plus loading charges, now this number, I wanted to understand from a radio point of view, you said that you will keep rolling out more and perhaps, your aspirations and requirements of this market also entail greater rural rollout, how should one think about these costs and overall, your incremental cash EBITDAaL margin because in FY2025, it was not that great, but perhaps here on we can expect something better? Thank you.

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

I think, Vivekanand, you have approached it absolutely correctly. I think we were in a rollout phase. The only, now, additional cost which will come on a yearly basis between EBITDA and EBITDAaL because the energy cost is subsumed in EBITDA. There are with various tower companies a certain yearly increase, which is agreed, which will seep in and there would be more 5G radios which are put up, compared to what it is today and thereby there would be some loading payment that will go up, but you are absolutely right, the gap whatever additional had to happen largely has happened, now, it will be more gradual and there will not be any major gap which will come going forward.

Mr. Vivekanand Subbaraman – Ambit

Thank you so much for the elaborate answers to my questions.

Vaidehi Sharma – Moderator

The next question comes from Mr. Piyush Choudhary. Mr. Choudhary, you may please unmute your side, introduce yourself and ask your question now.

Mr. Piyush Choudhary – HSBC

Hi, Soumen, thanks for the opportunity. Two questions: firstly, you talked about possible site expansion and 5G expansion, so can you share the outlook for capex intensity for Bharti Hexacom for fiscal 2026 and beyond? Secondly, Airtel Black, like, how is the adoption of Airtel Black in these circles? How have subs grown and what are the tangible benefits you are seeing of the same?

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Thanks, Piyush. In line with what we have said earlier, capex will marginally unwind because our main rural acceleration programme site rollout had happened earlier. So, capex will directionally unwind but you have to look at a year in full because there are a lot of issues, primarily on account of monsoons and otherwise, which hinders growth. So at a yearly level, it will marginally unwind. Coming to Black attach, I think, this current proposition with IPTV is seeing a lot of traction in these circles as well. We are looking at a very convenient solution where, first of all, the dish, as it was called, is no more required. There is no disruption because of weather because one of the problems which a DTH service had was disruption due to cloudiness or rains; all of that is not there. The earlier black also meant you had two kinds of sources through which content came. The OTTs came through the broadband, whereas the linear content came through satellite, now that has all been converged so that helps the cost. We have had very, very promising result, nothing different from what we have seen in other parts of the country. Rajasthan, it took a little time to take off but I think, now, it has taken off and if I look at the last two weeks, three weeks numbers, I think, it is catching up with the national level, so it will trend in a similar way but as I mentioned again, the proposition is very good for two, three reasons and which is why the adoption has increased significantly.

Mr. Piyush Choudhary – HSBC

Got it and any kind of numbers which you can share in terms of what is the penetration?

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

Piyush, you would have to excuse me on that one because see, it is not about giving numbers, then numbers can change a little bit because of various factors then into explanation, so we generally try to explain to people like you and others on the call about the generic direction in which the organization is going from a strategy and clarification on numbers if something is a little weary, like we discussed the opex part.

Mr. Piyush Choudhary – HSBC

Got it. Very clear. Thanks a lot.

Vaidehi Sharma – Moderator

The next question comes from Kunal Vohra. Mr. Vohra, you may please unmute your side, introduce yourself and ask your question.

Mr. Kunal Vohra – BNP Paribas

Thanks for the opportunity. So, couple of questions. I wanted to check on digital services. You are offering Perplexity, Google 100 GB storage, these are all valuable services, especially for premium customers. What is the value which you look to derive, is it a customer retention tool, is it to gain customer insights or is there a plan to monetize by segmenting and offering this, only to higher ARPU customers eventually, can these partnerships be leveraged to drive ARPU? Second question is on, like, towers but, like, if you can answer this one like I will take it later.

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Kunal, see, we have always said that we want to deal with quality customers and give them the best possible experience that we can. That is how our so-called mantra has been as to how we drive value in Hexacom. Now, why did we bring Perplexity? This is a tool which was lauded globally and we felt if we bring it to our customers, our customers will feel that we are not just providing them a mobility service. We are also trying to make their life better by giving them an opportunity to experience some of these things, whether it is Google Cloud storage or having Perplexity. I am sure, until we had launched it, a large part of the customers in Rajasthan and NESAI would not have heard of Perplexity. Similarly, I mean, people of course know about Cloud but I am not sure even if you have android phone, you do not know how do you buy and how do you move your phones, other than the youth. So, we felt that we should be at the leading edge of offering our customers the opportunity to experience some of these new age things. Now, what is in it for me? Well, I do not make any money for sure. It is a third party IP, so even if I were to charge I would just get a commission but this is not about trying to segment and give somebody anything free. It is about the fact that Bharti Hexacom, as a company, through the Airtel mobility brand, is trying to bring new experiences to its customer for them to try. We have not said we will give Perplexity free for the whole life, it is for a year and people get a chance to experience it and then they decide whether they want it or not and they have got a good time of a year. Similarly, we have some extended tie-ups with some of the OTT players, which is only exclusive to us. We try to bring them on board and give that experience to people. So the whole idea is that other than pure mobility or home services, can we bring something extra to the customers which they see value, introduce them, and then they can evaluate whether they want to commercially continue it or not.

Mr. Kunal Vohra – BNP Paribas

Understood. Thank you. And second one is on tower additions, there seems to be a disconnect between Airtel's commentary and that of Indus Towers, asking to be largely done with the expansion while Indus is still expecting strong tower additions. How do I reconcile this?

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

So see, the reconciliation is simple because Indus works with four, five organizations. We are one of them and possibly between us and another one, we are the smallest. We have heard that Airtel still continues to do some rollouts. We have heard from media reports that there are some other players in the market who are also looking at rolling out. We will also do some, it would not be zero. I know this quarter, some of you would have seen a number for a drop, that is nothing but relocation, timing mismatch, so please ignore that. We are not reducing our number of towers but Indus has multiple sources, we are only one of them. As far as Airtel India is concerned, I think it is improper to discuss this because the shareholders of Airtel India may be or may not be on the call but since you have raised the point, I will tell you. Airtel India will look at which place they want to roll out based on economic reasons, customer acquisition reasons, customer experience reasons, so, it is not a sprinkling of 10,000 towers across 22 circles, it is concentrated and prioritized, so in that priority in Q1, Bharti Hexacom has evaluated it independently and realized we can live with this as of now.

Mr. Kunal Vohra – BNP Paribas

Understood. Thank you. That is it from me.

Vaidehi Sharma – Moderator

Thank you, everyone. Now, I would like Soumen to give his closing remarks on Bharti Hexacom.

Soumen Ray – Chief Financial Officer - India & South Asia – Bharti Airtel Limited & Non-executive Director, Bharti Hexacom Limited

Thanks a lot for joining in. It was a good quarter of margin expansion and steady cash generation. Look forward to speaking to all of you next quarter. Thank you.

Vaidehi Sharma – Moderator

Thank you, everyone, for joining the call today. Recording of this webinar will be available on the company website. Have a great day ahead.