Conference Call Transcript

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PRESENTATION

Kamaldeep - Moderator

Good afternoon, ladies and gentlemen. I am Kamaldeep, the moderator for this conference. Welcome to the Bharti Infratel Limited Conference Call to discuss the recent announcement on merger of Bharti Infratel and Indus Towers. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question-and-answer session will be conducted for all the participants on this call. In case of a natural disaster, the conference call will be culminated post an announcement. Present with us on the call today is the senior leadership team of Bharti Infratel Limited. Participants are requested to focus on the key strategic and important questions pertaining to the announcement so that we make good use of the senior management’s time. Before I hand over the call, I must remind you that the overview and discussions today may include certain forward-looking statements that must be viewed in conjunction with the risks that we face.

I now hand over the call to our first speaker of the day, Mr. Akhil Gupta. Thank you, and over to you, Mr. Gupta.

Akhil Gupta - Chairman - Bharti Infratel Limited

Thank you very much. Welcome to all the participants on this conference call to give a little more colour on the recent announcement on merger of Bharti Infratel and Indus Towers, but before I talk about the specific agreements with respect to the announcement, I would like to give you a brief background. Almost a decade ago it was our vision to create a passive infrastructure
company that would consolidate tower assets of a few leading operators, which in turn would share such towers with all operators on a non-discriminatory basis.

This was meant to have resulted and we have achieved it very successfully in significant savings in operating expenses including energy cost and taking off a very significant capex burden from the operators. In addition, avoidance of creation of duplicate infrastructure could have resulted in positive contribution to environmental protection. With the above in mind, the business model that we created was based on the mechanism whereby each existing sharing operator got an automatic reduction in rent as well as energy charge as another operator shared a tower, while of course the towerco’s profitability increased significantly with such new sharing, which resulted in a very good win-win situation. With this objective in mind, Bharti Infratel was incorporated as a subsidiary of Bharti Airtel where Airtel transferred its towers to Infratel.

In 2007, we also, as a part of our original wish, entered into a joint venture with Vodafone to set up Indus Towers. However, with Vodafone’s condition to have equal ownership in the joint venture, which was of course understandable as this was a pioneering effort and they did not want a prime competitor to have a majority in this company, a dual structure merged where at Indus, Vodafone and Infratel held equal shares of 50% each and the company operated in 15 circles (which were then 16 circles) where Vodafone was operating, Airtel as you are aware was and remains the majority shareholder of Bharti Infratel where we operate in 11 circles of which 7 circles are where Vodafone did not operate then and with some overlap in the other four circles. This was necessitated as Airtel had much more number of towers than Vodafone. The whole idea was that while we were agreeing to same rights, I think it was understandable they wanted it 50-50. Later Idea joined Indus as a third partner with 16% stake and accordingly Vodafone and Airtel stakes got diluted to 42% each. Out of this 16% then held by Idea now Providence owns 4.85% with a balance 11.15% owned by Idea. With the recent announcement, we seek to dissolve this dual structure and aim to create a pan-India tower company something that was originally envisioned back in 2007. This proposed company would be the largest tower company not only in India but across the globe excluding China.

The combined entity will have a pan India presence with over 163,000 towers with gross annual revenues of about US $3.8 billion and EBITDA of over US $1.6 billion. At the indicative valuation as per the press release the market capitalization of this entity would be close to about US $15 billion which if it was to be there as a listed combined entity it would make it in the top 30 companies by market cap in India today.

We believe this deal also comes with certain operational and financial synergies. Number one, with the merger there will be a very clear cut saving on the dividend distribution tax on the dividends which were paid by Indus to Infratel for its 42% shareholding. Basis the last declared Indus dividend for FY2017-2018, we roughly about I think, crossed Rs.5.500 Crores and we expect savings on account of dividend distribution tax on this account to be in the vicinity of about Rs.2 billion per annum.

Two, the combined opex and capex of the two companies are approximately Rs.145 billion and Rs.35 billion respectively. While the exact figures for synergies are yet to be worked out, we do expect savings of a few percentage points on account of economies of scale and rationalization of overlapping spends in both the cases. Indus and Infratel, as we mentioned in the call earlier are currently implementing Smart City projects in Vadodara and Bhopal respectively. We believe that as a combined entity we would have a much bigger play as more and more Smart City projects come up.

Coming to the construct of the deal, first of all let me take you through the basic construct. Most of these are there in the press release but I thought let me just give you a comprehensive view of the whole deal. Vodafone shall swap its 42% in Indus against shares in the combined entity as per the valuation construct, which I shall discuss hereinafter. Providence or PEP shall swap its 1.5% out of the 4.85% in Indus against shares in the combined entity on same basis as Vodafone. Idea for its 11.15% and PEP for their balance 3.35% in Indus would have the option to have either get shares in the combined entity on same basis as Vodafone or get cash as per the valuation construct which I shall be discussing separately.

Let me first take about the valuation construct for issuance of shares that is swap of the shareholding of 42% of Vodafone and 1.5% of PEP. The figures of 783 million shares and Rs.284 billion value for Vodafone and 28 million shares for PEP which were given in the press release imply the following relative valuations for Indus and Infratel. Illustratively if we use the SEBI pricing guideline for Bharti Infratel as at April 23, 2018 that is the date of agreement which was Rs.363 per share and the reported net debt as at March 31, 2018, the number of shares being issued to Vodafone for its 42% stake in Indus would imply an enterprise value for 100% of Indus of Rs.715 billion. This would give an EV EBITDA multiple of 9.28x based on the last 12 months EBITDA as at March 31, 2018.

Correspondingly for Infratel the transaction implies an enterprise value of Rs.619 billion. This gives an EV to EBITDA multiple for Infratel of 9.64x as against 9.28x for Indus. The 28 million shares being issued to PEP assume it elects to exchange only 1.5% out of its 4.85% shareholding in Indus for shares, with the remaining 3.35% being taken in cash. Assuming Idea also elects to take cash this would imply that PEP would have as a notional figure, a 1.1% shareholding in the combined entity. Vodafone’s 783 million shares would give it a notional 29.4% shareholding while Airtel would have 37.2% with the remaining shareholder's holding 32.3%.

The merger ratio as on the date of agreement works out to 1565 shares in Infratel for every one Indus share. The merger ratio has been based on an agreed adjusted net debt figure of the two companies as on September 30, 2017 and agreed relative enterprise values of Rs.642 billion and Rs.731 billion respectively for Infratel and Indus. The final number of shares issues will depend on the actual net debt and working capital at closing in Infratel and Indus.

Let me now talk about the construct for cash, which is assumed as 11.15% for Idea and 3.35% for PEP. It has been agreed that the enterprise value of Infratel and Indus for the purpose of cash consideration will be based on the last 12 months EBITDA as at March 31, 2018, the VWAP of 60 days’ share price of Bharti Infratel at the date of closing and the net debt of Infratel on the date of closing. The resultant EV/EBITDA for Infratel shall be discounted by 10% to arrive at the enterprise value for Indus and accordingly the
equity value for Indus. Based on this 60-days VWAP of Rs.339.4 as of the date of agreement and the net cash and debt in Infratel and Indus respectively as on March 31, 2018 and after applying the discount of 10% as above, the notional discounted equity value of Indus for cash would work out to approximately Rs.583 billion.

Accordingly, the notional consideration for Idea for 11.15% and PEP for 3.35% work out to approximately Rs.65 billion and Rs.19.5 billion respectively as at the date of agreement. However, the actual cash consideration would be arrived at closing based on the 60-days VWAP of Infratel and the net debt and cash of Infratel and Indus on the date of closing and based on the LTM EBITDAs for year ending March 31, 2018.

In terms of governance and management, the combined entity would continue to be a professionally managed company with complete non-discriminatory approach to all operators. Bharti Airtel and Vodafone will have equal rights in the combined company. Following the completion, the board of the combined company will comprise of 11 directors of whom three each will be appointed by Airtel and Vodafone, one will be appointed by KKR and Canada Pension Plan Investment Board and four including the Chairman will be independent.

None of Bharti Airtel, Vodafone, Idea Group or PEP if they elect to receive shares they will be subject to a lock-in on their shareholdings in the combined company. The transaction is subject to approvals from the relevant regulatory authorities including Competition Commission (CCI), SEBI, NCLT, DoT, and from Bharti Infratel shareholders as well as both the sides meeting closing conditions at the time of closing. We expect the transaction to complete before the end of financial year ending March 31, 2019.

Let me now open the floor to questions that you might have. Thank you.

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**Kamaldeep - Moderator**

Thank you very much sir. We will now begin the question and answer interactive session for all the participants who are connected to the audio conference service from Airtel. Due to time constraints we would request, if you could limit the number of questions to two to enable more participation. Hence management will take only two questions per participant to ensure maximum participation. Participants who wish to ask questions may please press "+” “1” on their touchtone enabled telephone keypad. On pressing “+” “1” participants will get a chance to present their questions on a first-in-line basis. To ask a question participants may please press “+” “1” now. The first question comes from Mr. Manish Adukia from Goldman Sachs, Mumbai. Mr. Adukia you may ask your question now.

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**Manish Adukia – Goldman Sachs - Mumbai**

Good afternoon. Thank you for hosting this call. First question, if you can comment on any potential impact from the merger on your topline? I know you talked about the saving in dividend distribution tax and some opex synergies, but in terms of topline does it change anything in the form of its ability to negotiate better contract or higher preference from the telcos etc., if you can comment on that? That is the first question. Second, why did Infratel choose to only offer Idea and Providence the option of selling their stakes for cash and what is the rationale for Vodafone to continue being a shareholder in the joint entity, if you can comment on that? Thank you so much.

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

So on topline there would be no immediate difference other than the increase in business and the merger is not being done to gain muscle and say, we will negotiate this and that, I think we have long-term contracts, very well established MSAs and those will continue. On Vodafone choosing to take shares that was their choice and for Idea and PEP it was their choice, but why they chose that I think they would be in a best position to answer. Plus in any case, I think, Infratel taking that much of cash burden, we would have thought twice.

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**Manish Adukia – Goldman Sachs - Mumbai**

If I can just quickly ask a couple of follow-ups on that, but just in terms of the competitive positioning of let us say an Infratel or Indus so essentially you are saying that it does not really change materially versus let us say an American Tower Corporation despite the merger that is the first follow-up? And second also in terms of your relationship with Reliance Jio, they have been big customer for you in the recent past. Does this merger in anyway alter that relationship with Jio because Bharti and Vodafone continue to be large shareholders in the new entity in terms of future contracts that you get from Jio, do you think there is going to be any change because they have also again reiterated that their preference remains for building own towers so any comments on that?

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**Akhil Gupta - Chairman - Bharti Infratel Limited**

So first one against ATC, it changes nothing. It is exactly the same. They have the same kind of MSA as we have and I think those
would continue. On Reliance Jio, both Indus and Infratel have them as their esteemed customer and the same will continue. This merger in terms of customer relationships or competitor relationships, changes nothing.

Manish Adukia – Goldman Sachs - Mumbai

Great. Thanks so much and all the best for the merger.

Akhil Gupta - Chairman - Bharti Infratel Limited

Thank you.

Kamaldeep – Moderator

Thank you very much Mr. Adukia. The next question comes from Mr. Rajiv Sharma from HSBC, Mumbai. Mr. Sharma you may ask your question now.

Rajiv Sharma – HSBC – Mumbai

Thanks for the opportunity and thanks for this call. A couple of questions from my side. First is Idea, couple of days back in the earnings call mentioned about some protection of interest despite it taking cash, and it mentioned perpetual interest protection and also a five-year interest protection, so if you could explain that as part of the deal what is that? And second is there any adjustment for any one time fee, which is payable by Vodafone-Idea, the combined entity for reduction in tenancies in this whole share transaction, which is happening? And what is the outlook on that, will we be getting or will there be any other formula around that because they will be trying to bring down their co-locations?

Akhil Gupta - Chairman - Bharti Infratel Limited

On the second one, this merger has nothing to do with exits, that remains an operational thing as provided in the MSA. This merger changes nothing on that. On Idea, yes even if they choose to take cash, they would retain the most favored nation clause, which they currently have under the MSA because of their tenancies.

Rajiv Sharma – HSBC – Mumbai

So what does this clause mean?

Akhil Gupta - Chairman - Bharti Infratel Limited

As a big customer, it may give discount to others, we will also give it to them or better terms. This is an existing one, nothing changes.

Rajiv Sharma – HSBC – Mumbai

I missed out. Is there any lock-in for Bharti or Vodafone or there is no lock-in for Bharti and Vodafone?

Akhil Gupta - Chairman - Bharti Infratel Limited

No lock-in for anybody at all.

Rajiv Sharma – HSBC – Mumbai

That is helpful. Thanks a lot.

Kamaldeep – Moderator
Thank you very much Mr. Sharma. The next question comes from Mr. Kunal Vora from BNP Paribas, Mumbai. Mr. Vora you may ask your question now.

Kunal Vora – BNP Paribas – Mumbai

Thank you for the opportunity. Sir, I wanted to hear your thoughts on would you look to leverage the balance sheet of Infratel further because even after the deal the debt level will be very low, you would not be reaching anywhere close to 2 times debt to EBITDA, which you are talking about and also any changes in the dividend policy which is likely after the merger? That is one. Second, not exactly related to this merger but the economics versus building versus buying or investing in a tower. Jio recently mentioned that they prefer to build towers and they can construct towers for as low as 10 to 12 lakhs; the energy cost is also much lower. Wanted to hear your thoughts on the same and also we heard that they have entered into some short-term contract, 18 to 36 months, can you clarify if you entered any short-term contracts or tower renting contracts with any other customers?

Akhil Gupta - Chairman - Bharti Infratel Limited

Let us confine this call on this merger thing. This one about make versus buy I can only comment that Jio is and remains a very esteemed customer. They give orders to us and I think that in itself explains the make versus buy because if we were that uncompetitive we would be getting no orders from anybody leave alone Jio. On leverage, sure I think, this merger will help the financial construct, if Idea and PEP chose to take cash, I think this company’s leverage thing improves in the sense that there will be some debt on its balance sheet but that would again still leave lot of scope for more debt for expansion if needed. There would be no change in the dividend policies.

Kunal Vora – BNP Paribas – Mumbai

Thank you Sir.

Kamaldeep – Moderator

Thank you very much Mr. Vora. The next question comes from Mr. Sachin Salgaonkar from Bank of America, Hong Kong. Mr. Salgaonkar you may ask your question now.

Sachin Salgaonkar – Bank of America – Hong Kong

Thank you for the opportunity. I have two questions; number one Akhil, just wanted to understand the logic and reasoning behind going for a share swap rather than perhaps leveraging Infratel balance sheet in order to buy out Vodafone stake so just wanted to understand why that was not done? Clearly this deal will take a little bit more time to close than perhaps what was earlier anticipated i.e., by March 2019. First of all just wanted to understand could it be earlier or this is more like perhaps the latest kind of a thing and after that I presume the consortium or any other buyer would come and buy. I just wanted to understand from a buyer perspective, by the looks of it, it is not a levered balance sheet for the combined entity so I am not too sure if apart from KKR and consortium are there any potential buyers you guys are looking out for? Thanks.

Akhil Gupta - Chairman - Bharti Infratel Limited

On share swap, I think it is academic because Vodafone wanted shares and therefore there was not an either/or situation. On March 2019 for closing that is our estimate but as you know there are many approvals required, which are not in our hand therefore we will try to get them as soon as possible but the best estimate is by March, whether it could be early or slightly delayed you know it is impossible for me to say. And the third one about leverage, yes, as I explained in the last question if there is cash going out to Idea and PEP that leverage position does become some leverage in the combined entity.

Sachin Salgaonkar – Bank of America – Mumbai

Thanks.

Kamaldeep – Moderator

Thank you very much Mr. Salgaonkar. The next question comes from Mr. Gabor Sitanyi from Fiera Capital, London. Mr. Sitanyi you may ask your question now.
Gabor Sitanyi – Fiera Capital – London

Thank you for the opportunity. Just two things, the first one, I am a little bit confused that if Vodafone was insisting so much on getting shares why would not they agree to a lock-up, obviously that situation creates the risk of a stock overhang? My second question is related to the stock overhang that clearly a lot of the questions are pointing this direction; your balance sheets will be nowhere near leveraged enough, nowhere near an efficient capital structure even if Idea or Providence goes for the cash option. So to help this would you consider a share buyback at this stage or should Vodafone and Airtel wish to sell shares if they did not agree to a lock-up would you be there to buy those shares back particularly considering that the current share price level is 13% to 14% below of the notional price paid by Vodafone? Thanks.

Akhil Gupta - Chairman - Bharti Infratel Limited

Well, lock-up is always an artificial kind of barrier like being in a prison. We believe it is best everybody is open. It is a listed company. Nobody has a majority in this company. We should be free to sell, but as you can imagine as major shareholders naturally we will maintain discipline, we will do nothing which will be disruptive. That is a separate matter. It does not mean that there is a formal lock-up required. On share buyback obviously nothing till the merger because we are not going to do anything in between the mergers when the scheme is in operation. Thereafter it is not a question of whether we buyback Vodafone or Airtel shares, it will be offered to everybody if at all any stage. That is the requirement of law in any case.

Gabor Sitanyi – Fiera Capital – London

I appreciate that but since if you thought that accepting Vodafone at Rs.363 was accretive for Infratel, surely 13% to 14% below the share price where we are now, it should be even more accretive and that should not even be related to the deal because obviously up until that transaction was not concluded, one could understand why you would not opt for a share buyback because that was always the optionality that Vodafone wants cash and as you said obviously that would have been a big opportunity to leverage up but now that we know that they are going for shares and your balance sheet remains unleveraged, I do not quite understand why do we need to wait until this transaction is concluded because clearly the share price compared to the notional price looks very attractive right now?

Akhil Gupta - Chairman - Bharti Infratel Limited

Well first of all Airtel has no intention of reducing its majority till the completion of this merger. Second 363 versus the current market price has no correlation. 363 is a SEBI guideline price, which would be applicable for any share issues. There is no connection between the two. I think it is almost settled that while the scheme of merger is going on, we should not and would not be undertaking any of such major steps.

Gabor Sitanyi - Fiera Capital - London

Understand. Thanks.

Kamaldeep - Moderator

Thank you very much Mr. Sitanyi. The next question comes from Mr. Srinivas Rao from Deutsche Bank, Singapore. Mr. Rao you may ask your question now.

Srinivas Rao - Deutsche Bank – Singapore

Thank you very much. My question relates again to leverage. What I want to understand is if you were to do a buyback not now after the merger is completed, is there is a limit in terms of what percentage of the networth you can use to do a buyback after the merger completion and can that be funded out of borrowings?

Akhil Gupta - Chairman - Bharti Infratel Limited

Well buyback is covered under relevant sections of The Companies Act and that does prescribe the limit of free reserves and equity capital and so on, I think it will be for the Board of the merged entity to decide on buyback and to the extent and price from time-to-time. It will premature to hazard guess on that today, but there are rules, which are prescribed in law on buyback.
Just to clarify, the issuances of shares to Vodafone would lead to obviously the expansion of the shareholders equity for Infratel, the new company, right now the shareholders equity, based on what your last March 31 available number is somewhere around Rs.170 odd billion, so that kind of expands, am I correct in that?

Akhil Gupta - Chairman - Bharti Infratel Limited

That is right. When you give new shares to them or to PEP, or if Idea chooses the total number of shares will go up from Rs.185 Crores, which are there today.

Srinivas Rao - Deutsche Bank – Singapore

And obviously your reserves will also expand to the extent of – the difference between that asset value rights. Am I correct in that understanding?

Akhil Gupta - Chairman - Bharti Infratel Limited

I should think so. I have not yet seen the accounting treatment, but yes that does look like.

Srinivas Rao - Deutsche Bank – Singapore

And that would be considered free reserve or at least when you file for in the court that typically we have seen in the past such deals the reserves are available to be used as distributable reserves so to say, is that interpretation – I am not talking about the specific deal, but that reserves would be available for distribution right?

Akhil Gupta - Chairman - Bharti Infratel Limited

Sorry Srinivas, I have not applied my mind to it, but you have raised this question, we will go back to the auditors and try and figure these things out. But obviously all this will come into play at the closing, but will keep it in mind, I have not seriously applied my mind whether these reserves are free reserves or not. Intuitively, it looks like yes to me, but I cannot be too sure.

Srinivas Rao - Deutsche Bank – Singapore

Understood Sir, I mean the context was that if you were to do a… because your dividend policy has been 80%, but you have been paying practically 100% of your free cash flow, I mean if that continues then how would you look at a buyback later on, that was the context of asking this question.

Akhil Gupta - Chairman - Bharti Infratel Limited

But buyback and dividends can go hand in hand, there is no real restriction on that.

Srinivas Rao - Deutsche Bank – Singapore

Thanks Sir.

Kamaldeep - Moderator

Thank you very much Mr. Rao. The next question comes from Mr. Pranav Kshatriya from Edelweiss – Mumbai. Mr. Kshatriya you may ask your question now.

Pranav Kshatriya – Edelweiss – Mumbai

Thanks for the opportunity and congratulations on the deal. The first question is regarding the duplicate tenancies of Vodafone and Idea. Last time in the call you had said that on a consolidated basis for Infratel that number, the site where Vodafone as well as Idea is present is 50000. How that number stands in the overall scheme of things with this merger concluding, so that is my first question. And secondly again coming back to the leverage, we see very less opportunity of deploying enough capital to take the leverage up
meaningfully. Is it possible that Infratel may consider deploying money in some other assets, which are related to your current business? So that is the second question. Thank you.

Akhil Gupta - Chairman - Bharti Infratel Limited

So on duplicate tenancies, as you know this merger has nothing to do with the exits of Voda and Idea and that situation remains what it was for Indus and for Infratel. On leverage, well I think there is absolutely no plan as yet of getting into any other business and we will wait for the new board to take whatever decision they like to take in terms of new businesses. It would not be proper to think of new businesses and new investments in the interim.

Pranav Kshatriya – Edelweiss – Mumbai

Thank you so much.

Kamaldeep – Moderator

Thank you very much Mr. Kshatriya. The next question comes from Mr. Sanjesh Jain from ICICI Mumbai. Mr. Jain you may ask your question now.

Sanjesh Jain – ICICI – Mumbai

Thanks for the opportunity. I got one question how will the right of refusal, which Indus has today with Bharti, Idea, Vodafone work post this merger?

Akhil Gupta - Chairman - Bharti Infratel Limited

It will be continuing along with the other provisions of the MSA like the MFN status.

Sanjesh Jain – ICICI – Mumbai

Will it be extended to pan India or will it get restricted only circle wise?

Akhil Gupta - Chairman - Bharti Infratel Limited

It could get extended to pan India, but of course subject to whatever Vodafone might have given to ATC because they as a part of that deal would have committed something, but yes the ROFO remains like it was.

Sanjesh Jain – ICICI – Mumbai

So one can conservatively assume that Indus circle will continue for now?

Akhil Gupta - Chairman - Bharti Infratel Limited

Yes.

Sanjesh Jain – ICICI – Mumbai

Thank you.

Kamaldeep – Moderator

Thank you very much Mr. Jain. The last question comes from Mr. Mark Smith from Fiera Capital, London. Mr. Smith you may ask your question now.
Mark Smith - Fiera Capital – London

Thank you. Your response to a number of questions today has been that this merger changes nothing, it is all status quo, so perhaps you could in summary highlight for us what are the positives of this merger to the business and over time to shareholders?

Akhil Gupta - Chairman - Bharti Infratel Limited

Well as I said the positives of this merger are that the initial structure, which unfortunately we had to keep a dual structure for the reason I explained that would become all right; therefore, the structure of the company will be what was desired from day one. Second as you can imagine when there are two companies naturally there is duplication of effort of various transactions, whether it is IT, purchases and so on so forth. Economies of scale of both the companies coming together on capex and on opex will obviously be there. Finally, I think as a pan India company, it will be able to deal at one level with all the customers and whenever it comes to government contracts like Smart Cities and so on it can just go as one entity rather than fractured between two companies.

Mark Smith – Fiera Capital - London

So should that show up an improved profitability over the time?

Akhil Gupta - Chairman - Bharti Infratel Limited

I am sure it should, but like I said straight away you can say Rs. 2 billion of DDT benefit on day one.

Kamaldeep - Moderator

Thank you very much Mr. Smith. As we have few more questions we will take them now. The next question comes from Mr. Sunil Tirumalai from Credit Suisse Mumbai. Mr. Tirumalai you may ask your question now.

Sunil Tirumalai – Credit Suisse – Mumbai

Sir just quick questions on the procedure when this goes for shareholder vote, would this be simple process, each shareholder gets a vote or is it there any majority of the minority kind of stuff over here?

Akhil Gupta - Chairman - Bharti Infratel Limited

I think as far the SEBI rules or I do not know whichever rules, this would require majority of the minority shareholders.

Sunil Tirumalai – Credit Suisse – Mumbai

Okay, got it. Thank you very much.

Kamaldeep - Moderator

Thank you very much Mr. Tirumalai. The next question comes from Mr. Ravi Menon from Elara, Mumbai. Mr. Menon you may ask your question now.

Ravi Menon – Elara – Mumbai

Thank you for the opportunity. Sir given that kind of post merger you would have dominant share in the Indian Telecom market as a service provider, do you think along with the new telecom policy, which talks about more fiberization of towers being necessary, do you think we should see the structure change where we also starting engaging in laying fiber?

Akhil Gupta - Chairman - Bharti Infratel Limited

Well laying fiber is certainly an adjacent infrastructure. Now whether this company gets into laying fiber, there is no plan at this point. In future once it is combined entity, I think these matters will have to be decided by the Board of Directors.
Ravi Menon – Elara – Mumbai

Sir the next question is in relation to talking out how additional leverage could be added to the firm later on so what are the other avenues that you think you are in because right now it seems like it would have been the best time to add leverage but if you are doing it later on other than capex for new towers we are looking at other ways that we would see additional leverage being brought into firm and that is reason why?

Akhil Gupta - Chairman - Bharti Infratel Limited

It is nice to finally have a conversation in today’s environment where the talk is about adding leverage and not reducing, which is the general trend in the telecom industry but obviously we will not add leverage for the sake of it and do something reckless in terms of expansions. I think any expansion, any new activity will obviously have to be carefully considered on its own merit and not merely because it can absorb capital. I think that, to my mind, remains the bedrock of our philosophy for a prudential way of running businesses and I expect it will remain so.

Ravi Menon – Elara – Mumbai

All right Sir. Thank you. Best of luck.

Kamaldeep - Moderator

Thank you very much Mr. Menon. The next question comes from Mr. Sanjay Chawla from JM Financial – Mumbai. Mr. Chawla you may ask your questions now.

Sanjay Chawla - JM Financial – Mumbai

Thank you for the opportunity. My first question is on this leverage issue, you said that you would have thought twice in case of an all cash deal, there would have been significant dead burden on the balance sheet for the combined entity and you would have thought twice about taking that kind of leverage but if even it were to be all cash deal, we would probably see a leverage ratio of 3.1, 3.2 times not more than that. So my question is an environment where we know a telecom company like Airtel is leveraged 3.5 times, which obviously you want to bring it down, a much more safer and secure business in terms of stability of cash flows like a tower business, 3.1-3.2 does not seem excessive at all. So was that really a key issue in terms of not being able to do an all cash deal?

Akhil Gupta - Chairman - Bharti Infratel Limited

Not at all, actually as I said it was only of academic interest and we did not go into any calculations because Vodafone wanted shares so it was as simple as that.

Sanjay Chawla - JM Financial – Mumbai

Okay which is bit a surprising because they will have residual debt on the balance sheet in Voda India after the transaction and they also want to sell down their holding in merged entity with Idea post merger so it is bit surprising that they would only want equity no matter was but nonetheless… my second question is on the fact that despite different shareholding, a difference of 7.8 percentage points both the partners will have equal rights so there are no lock-ins so it seems unlikely that this equal rights would be maintained presumably even when the Vodafone were to sell down the stake significantly from 29.4%. So my question is, is there any ratio of the two holdings of the two partners or the maximum difference in holdings between Airtel and Voda which has to be maintained so that equal rights can be preserved for both the partners?

Akhil Gupta - Chairman - Bharti Infratel Limited

Well I think there will be tag-along rights, which are customary in such situations if one wants to sell, but other than that there is no restriction or contemplation about some minimum difference and so on so forth.

Sanjay Chawla - JM Financial – Mumbai
So what it suggests is that Vodafone can sell, go down 20% also and equal rights and three board seats, each would be maintained for both the partners?

Akhil Gupta - Chairman - Bharti Infratel Limited

I think there is up to some percentage, I do not remember, but as is customary, the rights remain up to unless the shareholding of either sides falls below some percentage and up to that yes, they remain.

Sanjay Chawla - JM Financial – Mumbai

Thank you very much and all the best.

Kamaldeep – Moderator

Thank you very much Mr. Chawla. The last question comes from Mr. Sachin Salgaonkar from Bank of America, Hong Kong. Mr. Salgaonkar you may your question now.

Sachin Salgaonkar - Bank of America – Hong Kong

Thank you. I have one follow-up question. I am just looking at this from prospective buyer point of view, which is before this deal Bharti Infratel was sort of 50% owned by a telco, after this deal the combined entity will be 66% or 67% owned by telco and in that process the entire equity value does jump from 10 billion to sort of 15 billion to combined entity so is it now the more complicated from a potential buyer perspective. I would presume incentive generally from buyer was to make this company independent i.e., make the telco ownership to minority. Does it not complicate that and hence I was wondering the general incentive and motive behind doing a transaction like this?

Akhil Gupta - Chairman - Bharti Infratel Limited

Let me Sachin answer it this way. From a PE perspective, obviously it is a much better deal because naturally nobody has a majority. First of all this company both Infratel and Indus have been completely run independently even with the majority of one shareholder. When there are two shareholders, big shareholders but without any majority on either side it is certainly a better situation. Three, if some PE comes in I would assume with some significant stake, naturally those percentages will further reduce and finally the whole charter of the company is non-discrimination, MSAs and so on, therefore this is certainly improving the situation and not deteriorating it.

Sachin Salgaonkar - Bank of America – Hong Kong

Okay Akhil, you think this is better for PE rather than what it was before?

Akhil Gupta - Chairman - Bharti Infratel Limited

Yes it is better structure because nobody will have majority and the PEs may want to look at it, but again from my point of view it is academic, I think it is for PEs to decide what they like.

Sachin Salgaonkar - Bank of America – Hong Kong

Because I mean one more aspect which all usually PEs look is viability to lever up, but I mean in this case we do not see it perhaps as much as what we could have originally seen.

Akhil Gupta - Chairman - Bharti Infratel Limited

Perhaps but who knows depends on the decision which the Board of the combined entity takes in future.

Sachin Salgaonkar - Bank of America – Hong Kong

Okay. Thank you and all the best.
Kamaldeep - Moderator

Thank you very much Mr. Salgaonkar. At this moment, there are no further questions from participants. Ladies and gentlemen this concludes the conference call. You may now disconnect your lines. Thank you for connecting to audio conference service from Airtel, and have a pleasant evening.