August 03, 2026

BSE Limited
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Dalal Street, Mumbai - 400001

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

Ref.: Indus Towers Limited (534816/ INDUSTOWER)

Sub.: Transcripts of the Earnings Call on the Company's performance for the first quarter (Q1) ended June 30, 2026

Dear Sir/Ma'am,

Please find attached the transcripts of Earnings Call conducted on July 28, 2026 on the Company's performance for the first quarter (Q1) ended June 30, 2026.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For **Indus Towers Limited**

SAMRIDHI RODHE Digitally signed by SAMRIDHI RODHE Date: 2026.08.03 20:29:02 +05'30'

Samridhi Rodhe
Company Secretary & Compliance Officer

Encl.: As above

"Indus Towers Limited

Limited First Quarter Ended June 30, 2026 Earnings Call"

July 28, 2026

MANAGEMENT: **MR. PRACHUR SAH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – INDUS TOWERS LIMITED**
MR. VIKAS PODDAR – CHIEF FINANCIAL OFFICER – INDUS TOWERS LIMITED
MR. DHEERAJ AGARWAL – HEAD INVESTOR RELATIONS – INDUS TOWERS LIMITED

Moderator: Good afternoon, ladies and gentlemen. I'm Neerav, the moderator for this conference. Welcome to Indus Towers Limited First Quarter ended June 30, 2026 Earnings Call. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question-and-answer session will be conducted for all participants on this call.

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

I now hand over the call to our first speaker of the day, Mr. Prachur Sah. Thank you, and over to you, sir.

Prachur Sah: Thank you, Neerav, and a very warm welcome to all participants. Joining me today are my colleagues, Mr. Vikas Poddar, CFO; and Mr. Dheeraj Agarwal, Head Investor Relations, on the call. Today, I will present our business performance for the quarter ended on June 30, 2026.

Rollout momentum remained healthy during the quarter, supported by continued network expansion by our major customers and movement of their expired tenancy portfolios to Indus. We continue to maintain leading share in our customer deployments, resulting in significantly larger tenancy growth than our peers, driven by strong execution, service reliability and technology-led operations.

Before I delve into our performance, I would like to recognize the dedication and commitment of our field teams. Despite operating in some of the country's most challenging conditions, they delivered exceptional resilience, enabling timely connectivity along the Amarnath Yatra route. They also maintained network continuity amid adversity in flood-affected Arunachal Pradesh through swift restoration efforts, proactive planning and strong local coordination.

On the regulatory front, as I had mentioned earlier, the RoW rules 2024 have now been implemented across India, which will continue to benefit in seamless deployment of telecom infrastructure. Regulatory developments in Uttar Pradesh, Rajasthan and Delhi further strengthened the Green Energy Open Access framework, expanding renewable energy adoption opportunities for telecom infrastructure. I would like to call out the unparallel support from the Government and regulatory authorities for ensuring fuel availability for the industry despite restrictions imposed on account of West Asia conflict. This helped us maintain uninterrupted operations.

Moving to 5G networks. As per the latest report from TRAI, 5G subscription base in the country grew by 36 million in Q4 FY26, totaling to over 427 million. The rising adoption of 5G is driving the demand for creating infrastructure to support the user experience. This is resulting in consistent 5G deployments by operators, taking the installed base of 5G BTSs to 563,000, up by 32,000 in Q1 FY27.

Operators continue to focus on network densification and capacity augmentation to support rising data consumption and evolving use cases. We believe this will sustain investments in network expansion and support loading-led growth. We are well positioned to capitalize on the growth opportunity through our expansive tower footprint and long-standing customer relationships.

Data consumption trends continue to remain robust, reflecting the deepening integration of digital services into everyday life. As per TRAI's latest publication, the total data consumption and average monthly data usage per user during Q4 FY26 grew by 31% and 20% year-on-year, respectively. The shift towards 5G networks has further accelerated this trend. According to TRAI, 5G usage alone grew 87% year-on-year, accounting for 43% of the total data traffic in Q4 FY26, up from 30% in Q4 FY25.

These trends reinforce the need for sustained investment in network capacity augmentation, deeper coverage to meet rising customer demand, enabling growth opportunities for us.

In terms of operational performance, order booking remains strong from our major customers. We added almost 3,100 macro towers and 4,200 corresponding colocations during the quarter, resulting in a year-on-year growth of 6.3% and 5.1% in tower and colocation base, respectively. As a result, the total macro tower and colocations stood at around 267,600 and 432,300, respectively. Our industry-leading tenancy ratio was stable at 1.62. Including lean towers, we ended the quarter with approximately 446,300 towers.

Let me provide an update on our key KPIs. Making our network green and eliminating diesel usage is central to our strategy. We added solar access to about 3,700 sites during the quarter, taking the overall site count with solar access to about 46,000. We believe that there is significant runway to solarize our tower portfolio. Diesel consumption on our sites has seen a reduction of 13% year-on-year in Q1 FY27. This is achieved despite growing co-locations and continued network loading at our sites.

I want to underscore that all this is delivered while maintaining network uptime and customer experience. Our network reliability remains robust with an uptime of 99.95%. I will now provide an update on our key strategic pillars, market share, cost efficiency, network uptime and sustainability.

On market share, we have further strengthened our position with customers, captured a healthy share of their network expansion and movement of the existing expired tenancies to Indus. Our performance is underpinned by dedication of our people, strong execution by our partner ecosystem and resilient operating processes that help navigate supply chain disruptions while maintaining high standards of safety and quality.

During the quarter, we further expanded our product portfolio with integrated IBS and build-to-suit hybrid solutions designed for large residential and commercial complexes, metro railway stations, tunnels, highways and marquee Government establishments. These differentiated offerings have enabled us to further consolidate our leadership position and enhance our ability to address evolving connectivity requirements across a wider range of infrastructure use cases.

Cost discipline remains a core pillar of strategy and deeply ingrained across the organization. Leveraging data intelligence and standardized operating frameworks, we continue to drive structural improvements in site rental, supply chain efficiency, infrastructure costs and partner management. Digital interventions are driving operating efficiencies in many ways, including improved field force productivity, enhanced network reliability through predictive maintenance, automation of manual processes, etc. Our efforts have started to deliver tangible outcomes. We believe that there are opportunities available to drive significant efficiencies.

Energy management is a key focus area from both a cost and sustainability perspective. During the quarter, we accelerated renewable energy deployment, expanded battery modernization initiatives and further strengthened digital energy management capabilities, contributing to a 13% year-on-year reduction in diesel consumption. In addition, we have undertaken an ambitious program to replace diesel-based operations across a large portion of our sites with lithium-ion battery banks. This quarter was constrained as battery supplies were impacted due to ongoing geopolitical disturbances, but we expect to pick up steam on this project in the coming quarters.

On capex optimization, we have launched an internal platform aimed at simplifying tower design and site planning for our tower engineering teams, which will support the efficiency agenda.

Our third priority, network uptime remains fundamental to the reliability we deliver to our customers. It is a critical measure of service continuity and operating excellence. By strengthening visibility across the network and enabling faster and more precise field interventions, we are enhancing site availability, improving response quality and building a more resilient operating backbone. This has resulted in year-on-year improvement in network stability.

We have continued our ambitious digital operations transformation program that remains a key enabler for network reliability and operating efficiency. Leveraging telemetry, IoT connectivity, AI-led image analytics, automation and leading workforce management application of Xtellify from Airtel digital services, the ambition is to turn Indus into a technology-driven enterprise, setting industry benchmark on how to operate distributed assets at scale. These capabilities are driving measurable improvements in workforce productivity, self-assurance, energy management, and cost discipline.

Coming to ESG, our commitment to sustainable growth and inclusive development continues to translate into meaningful outcomes. As part of our decarbonization strategy journey, we have expanded our renewable energy footprint with solar deployments during the quarter, reaching an installed base of 259 megawatts. We also continued scaling up energy storage solutions to reduce diesel dependence and lower our carbon footprint.

On the people front, our employee-centric culture was recognized with the prestigious 13th Gallup Exceptional Workplace Award. We further strengthened our safety agenda through the launch of a campaign focused on enhancing material handling practices across our operations.

In CSR, we remain committed to positively impacting 150 million lives by 2030. During Q1, our flagship programs, Saksham and Pragati, along with Bharti Airtel Foundation touched approximately 12 million lives across education and skill development, diversity and inclusion, digital literacy, health and hygiene and community development. Our flagship initiatives, Nari Samman, which promotes health and hygiene, touched 11 million lives in Q1, reaffirming its impact on success.

Our annual ESG assessments and targeted capability building initiatives continue to help foster a more resilient, responsible and sustainable value chain.

I will now talk briefly about our Africa foray. Our progress is on track as major milestones have been achieved. We have now received regulatory approvals and operating licenses across all three target markets: Nigeria, Uganda and Zambia. I'm happy to share that we have secured orders from our anchor customer, placed key supply orders and initiated partner onboarding process for network operations.

Rollouts are expected to commence in the next quarter and scale progressively across markets. We see an opportunity to create a strong foothold underpinned by our core strengths - high-quality service, delivery speed, reliable network operations and cost-efficient infrastructure deployment.

I would now request Vikas to take you through our financial performance for the quarter ended on June 30, 2026, and I look forward to your questions. Thank you, and over to you, Vikas.

Vikas Poddar: Thank you, Prachur, and good afternoon, everyone. I'm pleased to present our financial results for the quarter ended 30th June 2026.

The customer network expansion activity remained healthy during the quarter, supporting a steady financial performance and continued strong cash flow generation.

Talking about the financial performance for Q1 of FY27. Gross revenues grew by 4.6% year-on-year to INR 84.3 billion. Core revenues from rental were up by 5.2% year-on-year to INR 53.7 billion, supported by addition of both towers and co-locations by our customers. Our major customer continues to expand its footprint after resuming its network expansion in 2024. On a sequential basis, our reported gross revenues and core revenues grew by 4.1% and 1.2%, respectively. A 9.5% quarter-on-quarter increase in energy revenue aided the gross revenue growth, driven by seasonality-led increase in diesel consumption and increase in diesel prices.

Moving on to profitability. Reported EBITDA was up by 3.0% year-on-year and 1.2% quarter-on-quarter to INR 45.2 billion. The EBITDA margin was lower by 1.5 percentage points year-on-year and 0.9 percentage points quarter-on-quarter at 53.6% in Q1. Please note that in Q1 of FY26, there were write-backs of approximately INR 0.9 billion relating to collection of overdue receivables from a major customer. Adjusting for this, our EBITDA grew 5.2% year-on-year.

Our energy margin was -4.6% in Q1 compared to -3.6% in Q4 and -4% in the corresponding quarter last year, primarily reflecting seasonal factors and the impact of past period settlements. Encouragingly, our diesel consumption reduced by over 13% year-on-year, supported by digital energy management initiatives, fuel monitoring systems, solar deployments and lithium-ion batteries. We remain focused on improving energy efficiency and strengthening margins through continued transformation of our energy management practices.

Our profit after tax was up by 0.5% year-on-year and down by 2.7% quarter-on-quarter to INR 17.5 billion. Adjusted for the aforementioned one-offs, our profit after tax grew by 4.8% year-on-year. The sequential decline primarily reflects a lower tax charge in Q4 last year, resulting from year-end tax adjustments.

Our return metrics remained healthy with pre-tax return on capital employed of 25.4% and post-tax return on equity of 18.9% over the last 12 months.

Free cash flow remained robust at INR 14.4 billion during the quarter, reflecting healthy operating performance and disciplined capital allocation.

To summarize, we delivered a resilient financial performance during the quarter, supported by continued customer rollouts, disciplined cost management and robust cash flow generation. We also made progress on our Africa expansion strategy and remained on track to commence rollouts within this calendar year. As supply chain conditions improve, we expect deployment activity to accelerate and support execution of our order book in the coming quarters.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Vivekanand Subbaraman from Ambit Capital.

Vivekanand Subbaraman: I have two questions. The first one is on the rental income growth versus the growth in colocations. So I see that whether one looks at it on a year-on-year basis or sequential basis, the rental income growth is mirroring colocations growth. So just to understand this better, there is a 2.5% escalation. I understand that there is revenue equalization accounting, but then you also have renewals that come up every year, which implies that the 2.5% escalation even after the revenue equalization translates to some revenue. So I just want to understand from you why is it that the rental revenues are not growing much faster than the colocation growth? That's question one.

And secondly, when it comes to your engagement with Airtel, you have many synergies, one of them being the foray into Africa, the second one being the in-sourcing of towers by Airtel. And the third one, obviously, Airtel wanting to purchase more stake in your company. So just trying to understand better on each of these three points, how Airtel is thinking and what are the markers here on?

Prachur Sah: Maybe the first one.

Vikas Poddar: So thank you, Vivekanand, for the question. I think you're right. See, as far as the rental income is concerned, of course, the biggest source of growth is the expansion in the tower and colocation. You're correct that the next source of growth is the escalation that comes in. But what happens is, first of all, the growth from escalation or the growth from, let's say, 5G loading, etc., are much smaller compared to the growth that is driven by the colocation and the tower additions.

Two, I think there are basically drags within the revenue rental line in the form of, let's say, whenever we have renewals, we do have to give the discount on renewals as per the framework agreed. And also the fact that the revenue equalization because the first set of bulk renewal had happened back in 2021, 2022 financial year.

So a lot of them are actually reaching a point where the revenue equalization is also sort of dragging the growth a bit because we are almost in the fifth, sixth year of those towers. So everything put together, I think broadly, what you see in the numbers is basically a growth number that is closely mimicking the tower and the colocation growth and somewhere the escalation and loading-led growth are sort of offset by the revenue equalization as well as the renewal discounts.

Prachur Sah: Now on the second question, if I understand the question correctly, you're saying how is Airtel synergies adding value, right? I mean you mentioned a couple of points. So I'll probably just touch one or two of them. See, from an Africa perspective, where the value that is getting created is as we are expanding in Africa, from day 1, we have an anchor tenant. That fundamentally enables us to confidently expand knowing that we have a tenant on the tower, which in other case, you would have to look for a tenant. So I think that is enabling us start up much faster in Africa.

And secondly, there's enough leverage in terms of the experience being present in Africa for us to be able to expand. So I think synergies where it creates value for both, are being looked at, and we are looking to see how we can maximize the advantage of those synergies.

And similarly, from India towers perspective, we have seen the growth that has happened over the last 3, 4 years, where we have expanded at a significantly large pace in terms of tower additions, which has also created opportunity for us to be present in a large part of India and have a room available for a second tenant as well.

So I think that's how we are leveraging the synergies to create a maximum value for both Indus and our parent company. I don't know if that answers the question. That's what I think.

Vivekanand Subbaraman: Just a couple of follow-ups. So number 1, there is some in-sourcing by Airtel, which is allowing you to add towers at a faster pace than the overall tower footprint expansion for Airtel but I just want to understand if this is actually a very good strategy because if Airtel were to exit from a rival tower company, then surely the non-Airtel customers may also then look to exit or ask for more discounts than what you would already have been providing because like you said last time, the Jio contract is still not renewed.

So I'm just trying to understand better, is the in-sourcing really helping you because you may currently have a tower currently, which is, say, 2-tenancy or 3-tenancy. And for Airtel, when you, let's say, build a new tower where it in-sources the network from third-party TowerCo to your company, could there be a possibility that you may lose out on the second customer on an already existing tower where Airtel is already present? That's what I'm trying to understand.

Prachur Sah: No, I'm not sure how would that lose a tenant because at the end of the day, for us, when we are adding towers, honestly speaking, we don't look at whether it is coming through an in-sourcing strategy or not. I think our strategy is very simple. If you have an order book from a customer, we execute.

Now the strategy belongs to the customer in terms of whether it's moving a tower or creating a new tenancies. And I don't think there is a net loss of tenancy because of this strategy anywhere for us. And I think it's reflected in our numbers as well. I think if you look at the numbers that you have seen in the last few quarters, it is reflective of that. So I don't see a risk as far as that strategy is concerned at all.

Vivekanand Subbaraman: Okay. Sure. That's great. The last one, which I was asking on Airtel was with respect to the stake purchase that they were doing. I mean, are there any conditions? Or is there anything that you would like to discuss in that regard, which will help us understand Airtel's intent with shareholding in Indus?

Prachur Sah: No, I think it's a discussion that you would have to have in the Airtel earnings call rather than Indus.

Vikas Poddar: Vivekanand, it's a shareholder matter, basically, it is absolutely their decision. There's no condition attached. So it's very difficult for the management to comment on this.

Moderator: Next question is from the line of Manish Adukia from Goldman Sachs.

Manish Adukia: My first question actually is just a follow-on on Vivekanand's question and also to your comment that part of your growth was driven by moving of the expired portfolio of one of your customers to Indus. I wanted to just understand that a bit better. Is that now largely done or basis whatever visibility you have, that as a driver could still continue in the foreseeable future? If you can maybe just add some more color to that, please? That's my first question.

Prachur Sah: So Manish, to be honest, I would not like to comment on the breakup of the growth itself. What I can say very clearly is for the next foreseeable future of the next 3, 4 quarters, we have a very strong order book, which is a combination of network expansion and moving of towers of tenancies.

So I think all I can comment on is that we still have a very strong order book for the next 3, 4 quarters. In the previous quarter, the initial part of the quarter was slightly impacted with the geopolitical situation where we fell because the tower manufacturing got impacted a little bit due to the LPG shortage, which has now been recovered. So I think we continue to have a very robust order book, and we'll continue to expand, whether it's through network expansion or movement of towers as the case may be.

Manish Adukia: Very clear Second question, again, just a quick clarification on your earlier comment on energy margins. So when you said that energy margins were partly also impacted due to past period settlements, can you again maybe explain that a bit better as to what do we mean by that?

Vikas Poddar: Yes, Manish, basically, the major impact is from seasonality, but there are basically certain settlements that do happen with a time lag. So we have had, let's say, some settlements during the quarter, which pertain to last financial year also. And as a result, there has been some impact. But these are basically much smaller. I think the bigger impact comes from the seasonality.

Manish Adukia: Right. And like given, let's say, the history in recent quarters and years, is it safe to assume that generally, you will have a 1H where energy margins would be weaker. And as we approach 2H, those should get better directionally?

Vikas Poddar: Yes. That's the nature of the business because we basically end up consuming a lot of diesel during the 1H first half simply because of very heavy monsoons and so on. So we do face a lot of the disruptions. Second half is usually better. So that's been the nature. And you will see that pretty much in most of the years. I mean that's the phenomenon that we have been facing.

But at the same time, I just want to sort of also highlight that while we do have these impacts come from diesel, but the fact that we are also trying to transform our entire energy operation, focusing more on renewables as well as batteries and so on, I think that will help us reduce our dependency on diesel going forward in the forthcoming years. So from that perspective, I think we should be able to sort of mitigate a lot of these seasonal impacts, maybe a few years down the line. But currently, that's what it is.

Manish Adukia: Very clear. And maybe just last question on Africa. Since you called out that now rollouts would commence starting next quarter. Would you be able to provide any more color and visibility in terms of, one, let's say, from a 12-month perspective, what could the incremental tenancies from Africa look like?

And from a near-term perspective, at least what could it be like at a group level, could these Africa rollouts be margin and return dilutive or do you have enough visibility on at least margins and returns being around where group level margin returns are? That's my last question.

Prachur Sah: So I think I'll answer the first question, maybe returns part, Vikas, you can comment on. I think as far as the numbers of tenancies and towers are concerned, I think I just want to say this is something that we will start picking up in Q2. And since we follow a practice of industry-leading disclosures, the numbers would come as it becomes material and you'll start seeing the disclosures happening accordingly. You want to comment on the margin?

Vikas Poddar: Manish, I think as far as the financials are concerned, first of all, let me just explain that we are still working through the MSA and the rate cards and all the commercial arrangements because one of the objectives for Indus to sort of be in that market is also to generate more efficiency and more value for all the operators and not just Airtel as an anchor, but for all the operators in the market.

So while we are in that field of discovering and finding those sources of efficiency and basically try and reduce both capex and opex cost per tower. I think as we sort of stabilize and as we become slightly more mature in that, I think that's when we will start sort of seeing more stability in our financials.

So currently, it's a lot of moving numbers, and we are still discussing MSA and rate cards and that stuff. So a bit of an early stage for us to comment on the financials and the returns. Maybe a few quarters down the line, we'll be more clear about it.

Manish Adukia: Got it. Just a clarification on that comment. As of right now, we are working with one anchor tenant, but do we, in any of the 3 countries, have any visibility, let's say from a 12-month perspective where we may also have a second tenant or right now, it's just too premature to have that visibility on maybe a potential second customer?

Prachur Sah: So I would not say one way or the other. I think what we are doing is as we are establishing our ground presence and we have an anchor customer, we are engaging with the other customers as well and creating a value proposition for them. And I'm sure as we expand, that opportunity will be there from growth. So I cannot say whether it's going to be 12 months, 15 months or 3 months, but that's an opportunity that we have in mind as we expand the footprint.

Moderator: Next question is from the line of Rishabh from HSBC.

Rishabh: I appreciate all the clarity around Africa business. But since we are planning to roll out next quarter, even though we are not discussing the group level impact, is there any indication on the unit economics, like what is the cost expected capex per tower or expected lease rental per tower? If anything can be shared on those and secondly, if we can discuss some or have more color on the order book from India.

Like what proportion of incremental tenancies in the last 3, 4 quarters are actually coming from Vodafone Idea? And how should one think about the order book going forward? Like especially Vodafone Idea is still working on the capital raise. So any comments around that would be appreciated.

Prachur Sah: So I'll first talk about the India part and then maybe touch base on Africa. So on the India part, as we mentioned earlier, I think the order book remains strong, and you've seen the results that we have shown in Q1 rollout, where Q1 was slightly impacted by the tower manufacturing in the initial part due to the West Asia conflict, which has now been resolved.

So given that situation, you've seen the rollouts that have happened in Q1. So I personally think, I mean, I know for a fact that our order book remains strong. And I think the momentum that we have seen in Q1 would be maintained or improved as we improve the tower supplies.

So I think that's the visibility I can give you that we have a strong order book for at least next 3, 4 quarters that we have visibility on. And as it evolves, we'll keep you informed. What was the question on Africa? The unit economics. I think the unit economics of Africa, as I mentioned earlier, I think, listen, as we will follow the practice that we have followed here as well that we'll keep having quite a transparent disclosure on this one as we finalize things.

As Vikas was mentioning, we are currently finalizing the terms of the MSA and everything. So let us have that visibility. And once we start rolling out, we'll have a clear disclosures on what the margins etc. Africa will be. So as of now, I would not like to comment on the numbers per se as such.

Moderator: Next question is from the line of Sachin Salgaonkar from Bank of America.

Sachin Salgaonkar: I have three questions. First question, I just wanted to better understand the visibility on the order book what you guys are having. Is it contingent on one of your customers raising capital or irrespective of whether capital is raised or not, there is a good visibility on order book?

And the related question was, clearly, as Prachur you indicated, there were certain supply chain disruptions, which happened at the start of the quarter. The geopolitical issues still continue. So are the supply chain issues largely behind us or we might see some impact of that in future as well?

Prachur Sah: So Sachin, I think the visibility of order book, I think as I mentioned earlier, I think we have visibility of the order book that is firm for the next 3 to 4 quarters. And as I mentioned earlier, we have seen the orders coming through in Q1, and we have delivered that. So I think that order book stability is there irrespective of what the funding situation is.

As far as supply chain issues are concerned, I think there was some reconfiguration done by the suppliers in terms of how to manufacture towers and how the LPG impact was mitigated. So I don't believe from a supply chain perspective, tower supplies would be a constraint to deliver in Q2, unless there is some event that happens, which we are not currently aware of.

But as of now, for Q2, we don't believe supply chain will impact the tower growth. There is some impact on the battery supplies, which we believe will start recovering from August, but that is not impacting the tower growth. We have the material available for delivering new towers as per the order book. So I think the supply chain disruptions from a tower supply point of view is behind us. So that's what I think.

Vikas Poddar: If I may just add some perspective on the order book, Sachin, I think broadly, I mean, we track the numbers very closely. And for all our customers, we basically also ensure that whatever their plans are, expansion plans are, we are able to garner the bulk of the market share from them. So that is what we keep tracking. And we have sort of successfully been doing that with a bigger portion of the market share.

Sachin Salgaonkar: Got it. And a follow-up to that is tower additions were a bit slower in 1Q. Now that the supply chain disruptions are behind, we should see the tower addition normalize to your historical growth going ahead, right?

Prachur Sah: Again, I don't know, historical growth is how far industry you're looking at. I think, as I said, I think Q1 initially, I don't think Q1 full quarter was impacted. Initially in April, we had some impact of the tower supplies, which is behind us. So I think the tower growth will be there as per the order book. Exact numbers, I think we'll see how we deliver and monitor supplies. In Q2, typically, sometimes we are impacted in some states because of the monsoon situation as well due to water lagging, etc. So that may impact a few states in terms of their growth.

So I think that number keeps fluctuating a little bit in terms of what is the on-ground situation. But from an order book perspective and the delivery, I think the order book is strong, and we'll try to maximize delivery in the coming quarter itself.

Sachin Salgaonkar: Got it. My second question is regarding Africa. And while in 3 countries, we get a sense that your MSAs are in place. Any sense now in the kind of investments what are expected to be made out there? And this is also in sync, I presume these investments are relatively much smaller. So I presume we should expect a continued stable dividend payout framework and it is unlikely to be impacted because of this entire Africa investment program, right?

Prachur Sah: Yes. So I think I'd like to answer the dividend question first. I think as we have mentioned earlier, that the Board is committed to distribute dividend and distribution of cash to the shareholders in one form or the other. So that will continue. I think Africa is a long-term strategy, and it is not one or the other.

I think dividend is a separate track, and I think Board is committed to distribute the FCF and it will not be impacted by the Africa expansion, right? So I think that's the one part. As far as the numbers of Africa is concerned, as I mentioned earlier, that as we start deploying and we'll follow the practice of full disclosure as we've been doing in India, and you'll start getting a hang of the numbers soon as far as Africa is concerned.

Moderator: Next question is from the line of Saurabh Handa from Citigroup.

Saurabh Handa: Two questions from me. Firstly, on exits, we've noticed that the trend at least on a year-on-year basis is largely stable at around 300, 350. It's down Q-o-Q. Could you talk a bit about this? I mean, I'm guessing this is business as usual, but given that with one of your tenants, you have previously spoken about tenancies coming up for renewal. Any further updates on the discussions on that front?

Prachur Sah: No. I think, in fact, if you see in this quarter, the performance was quite good. We have put some specific efforts as well in business as usual to reduce the churn by making sure we have proactive renewals and we stay engaged because typically, we have a lot of operational churn that happens. So I think we maintain the operational rigor. So it's as usual.

As far as the tenancies and renewals, it's a constant discussion with the customer, but we continue to maintain high quality of service, and we have not seen any major or disproportionate churn happening from any of the customers.

Saurabh Handa: Okay. That's great. And the second question was actually just to follow up on one of the earlier questions on Africa. So you did say that the capex in Africa will not impact your free cash flow and distributions. So essentially, are you sort of clarifying that it would be the India free cash flow, which will be used for distributions to shareholders and Africa capex will be separate. I mean, it could be debt funded or whatever, but that will not influence your distributions in India?

Vikas Poddar: Yes. Saurabh, let me clarify that. I think first of all, as far as Africa is concerned, while we are not able to share any numbers at this stage, but directionally, I think we are not really in the context of the capex that we spend in India, the numbers are not going to be very, very big, right? So the initial years, 1 or 2 years will have capex, which will be moderate from the overall India perspective.

And second is basically, even that capex and investment, we are actually anticipating largely debt-funded investments in Africa. So to that extent, I think the India free cash flow, we really don't expect Africa business to impact that much. So as far as the distribution policy is concerned, I think that cash will still be available, and we will see how the Board decides going forward. But certainly, there is a complete mindset of a steady and progressive dividend going forward as well.

Moderator: Next question is from the line of Bineet Banka from Nomura.

Bineet Banka: I have a couple of questions. So firstly, on the capex per tower. So if I divide the growth capex for this quarter with the number of towers added, the number which I get is around INR 39 lakhs per tower. And according to my understanding, the standard capex for typical tower will be around INR 20 lakhs to INR 25 lakhs. So what explains this divergence between these two numbers? And the second question is, do you have any sense of what percentage of Vodafone Idea tenancies came to Indus versus what it used to be historically?

Vikas Poddar: So Bineet, on the first one, I just want to give a very high-level answer and then maybe I'll request you to get in touch with us offline for a more detailed understanding. But broadly, within our capex, there are various things. There are basically replacement and maintenance-related capex. There is capex on solar, there is capex on batteries and so on. So simply dividing the total capex number by the tower rollout will not be the right way of looking at it. We can walk you through the details maybe offline so that you have a better understanding of our capex.

Coming to VIL, I think we cannot disclose customer-wise information. But like I said, I mean, we are certainly very focused on garnering the bigger portion of the rollout plan. And to that extent, we have been successful so far. So I don't really see any major issue as far as the market share is concerned.

Bineet Banka: And just more follow-up on VIL. So there was a news around BSNL and Vodafone Idea possibly tying up the towers. So is there any risk to Indus losing some of those tenancies to BSNL towers?

Prachur Sah: I cannot comment on the speculation for this news. I think what I mentioned earlier and what Vikas reiterated, I think we are currently securing a larger share from all the customers that are rolling out. And I think we'll continue to do that, and that remains our target and focus.

Moderator: Next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: A couple of them. First, on the tenancy sharing ratio, we have been tracking it below the current tenancy sharing ratio at 1.37 in this quarter, which is not helping us to draw EBITDA faster. It's because of the relocation demand or the in-sourcing of Airtel. And given the portfolio of the order we have for next 3, 4 quarters, does it show a trend where we can actually improve the tenancy sharing ratio? That's number 1.

Number 2, on the piece of rental, what we have spoken, that's not growing probably -- are we adding a lot of tower in rural, which may come at a lower price than the urban to considering the land rentals are very different.

And number 2 is also additional tenancy sharing, which is happening there. The combination of portfolio is one of the reasons why we cannot see the entire 2.5% or the rental remaining flattish on a Y-o-Y basis. That's number two.

And number three, this battery capex, which we are doing to improve the energy efficiency or this entire effort of energy efficiency and the investment we are doing is largely to reduce the energy losses or considering in the fixed fuel pricing era, which we had earlier, where we used to make the margin. How does this capex covers the ROCE profile? These are the 3 questions.

Prachur Sah: What was the first question?

Vikas Poddar: Tenancy sharing ratio, 1.37.

Prachur Sah: Yes. So I think to be honest, I would not look at tenancy ratio on a quarterly basis like that. I think it's a portfolio as it expands, and it is not an impact of either relocation or thing. I think it's what the market is today, right? I think at the end of the day, we have to look at the macro picture of the industry and what the tenancy ratio drives it.

If you look at the absolute tenancy ratio of Indus today, it is still one of the leading tenancy ratio across the world from a portfolio perspective. And in a 3, 4 customer market, I think there is a certain amount of tenancy ratio that is achievable, and we will continue to do it and do better than that. Do you want to add something?

Vikas Poddar: Yes. Sanjesh, I just wanted to add a perspective here. I mean, first of all, I think for the last 2, 3, 4 quarters, you are seeing that our colocation addition is outpacing the tower addition. As a result, our incremental tenancy ratio is in the range of 1.3, 1.4 thereabout.

Maybe it is not close to the base tenancy ratio of 1.6, but it is still very healthy compared to what we were seeing, let's say, 2 years back or even 1.5 years back when VI was not really adding too many tenancies or colocations on our base, right?

So from that perspective, I think it is an improvement. And two, we basically had explained this earlier also when we were rolling out a lot of towers that towers are a long-term infrastructure. They are basically a 20-year, 30-year cash flow business.

So rolling out towers even with single tenancy in the beginning really helps us create that runway where the second tenant or the third tenant can come in the future, right? So from that perspective, I think it is clearly a growth path for us going forward. I would not really worry too much about the 1.37 for a couple of quarters. I mean, let's look at long term.

Sanjesh Jain: And how does the portfolio look like in the order book, the ratios will continue to remain in this range or...

Vikas Poddar: Yes, we'll see quarter-to-quarter, but like I said, we do expect the colocation additions to continue to outpace the tower additions going forward. Of course, this is subject to the capital infusion of one of the customers, which is VIL, but we do really see that, that trend should continue. I think the second is about the ARPT or the rental per tower per tenancy.

Now Sanjesh, I've explained this in the past also. I think one is we really don't use that metric too much to judge growth. There are basically 5, 6 moving parts which impact the ARPT. And of course, as you rightly pointed out, the mix of the towers is clearly one of them. Now obviously, the towers, the heavier structures that we used to build earlier, the legacy towers commanded a higher ARPT or rental.

The different designs or the leaner designs that we are doing now commands a lower rental. So to that extent, obviously, there is a mix impact, which basically offsets any uptick from the escalation and so on.

So I suggest let's not read too much into this because there is renewal discount, there is rural versus urban. There is different leaner structures and so on, which impacts this. So there's not just one thing. I mean, there are 5, 6 things that really have a play here.

Sanjesh Jain: From an even projection perspective, now that we are telling that our tenancy will outpace tower, that in a way, tells that the ARPT will remain under pressure, right? Because additional tenants…

Vikas Poddar: Exactly. Exactly. Yes, that's the weighting, but it is basically we need to think about the operating leverage because any additional tenancy gives us very heavy operating leverage, right? So that's the benefit we're looking at.

Sanjesh Jain: No, no, that goes without saying. Just from a modeling perspective, now that we have a clear visibility in order book, that's the way to think, right, for the ARPT?

Vikas Poddar: Yes.

Prachur Sah: The third question was on the battery capex. So let me explain the strategy a little bit, so you can infer what it is. In energy, I think what the battery is supposed to do is to replace the diesel variable cost because diesel is not the right way to operate, whether it's ESG or whether it's financials either way, right?

So what battery does is they actually kind of convert the total scheme of things, we are converting an operating opex to a capex-based decision, which is a long term, right? How the financial model works with the customer is eventually we get paid for diesel and we get paid for the battery. So I think that's how it is going to be.

So from an Indus perspective, I think the revenue would still be there. I think it's just going to come in a different form when it comes to battery. So I think if that was the question. So it is not a battery capex at our cost. I think the customer would adequately compensate us for putting an infrastructure, and that is the nature of the infrastructure business.

Moderator: Sanjesh, I request to come back for a follow-up question. Next question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: Firstly, can you update us on your diversification plans, if besides Africa business? In the past, you are exploring smart cities in between there have been news reports you look at EV charging infrastructure, data center, fiber, like quite a few things have come out. But are you considering any diversification? Or would you focus only on towers in India and Africa?

Prachur Sah: Yes. I think we've explained this earlier as well. I think whatever POCs we did on that front, I think we made a decision that as of now today in front of us, Africa represents the largest opportunity outside India and outside the tower business of India, and that's what we're going to focus on. And then any opportunity that comes, which will create value, we'll keep you informed as the case may be.

But as of now, the focus remains to grow in India. Both in tower, lean towers, IBS institutional in terms of putting the telecom infrastructure in the different buildings, metro stations, railways, I think. So those kind of remain our primary focus. And Africa, of course, is a tower expansion that we'll do. So that's what is on the table, and that's what we are focusing on.

Kunal Vora: Okay. Secondly, on Africa, what will be the pricing strategy? Are you offering discount versus the established players in the market? And would you break even if you have a single tenant or are you assuming multiple tenants in your business? If you can help us with some sense on how you're pricing?

Prachur Sah: Yes. So I think I will not go into specifics. But in terms of the structure, how it works is, I think whether it is not always that we go to look at a market price and give a competition. It is a function of what is the cost per tower, what is the returns we want to generate, whether it's a single tenant, double tenant, triple tenant.

So I think even for a single tenant, we have a return expectation from our investment, and that is going to be the strategy. So we're not looking at a strategy which is based on what is in the market without looking at what the investment is.

So the solution is what we invest, what returns we want to command and what value we can add to the customer by making a tower, which is a reasonably cost tower and so that even at a healthy return, we are better than the competition on what we can offer to our customers. So that's the broad strategy. I would not comment on specific numbers, but that's the broad strategy that even at a single tenant, we expect a certain amount of return from our investment.

Kunal Vora: Would you cover the cost of capital with a single tenant or you will need a second tenant to cover the cost of capital?

Vikas Poddar: So we will be covering the cost of capital even with single tenancy. And then as the second tenancy comes, obviously, there will be the advantage of operating leverage.

Moderator: Next question is from the line of Aditya Suresh from Macquarie Group.

Aditya Suresh: So Prachur, I had a question for you. You've spoken about multiple growth areas. Would it be at all possible to condense that down to like a revenue growth outlook over the next few years? Should we be thinking about similar, let's say, 5% as what we have seen over the past 3 years, 5 years or do you see an acceleration in that pace of growth? Any color there would be appreciated. That's one.

The second is on your energy reimbursements. Here, the under-recovery has been like meaningful, right? So like this quarter, I appreciate seasonality comments, but it was 4.5% now last year was at 4 -- previous year at 5%. So despite the seasonality costs like reversed. So could you speak about that trend too?

Prachur Sah: Yes. As I mentioned earlier, I think because we can't make any forward-looking numbers to you, I think what we can tell you is in terms of the order book, the order book remains robust for the next 3 to 4 quarters. That's the visibility I can give you on growth. And as we deliver every quarter, I think because a similar discussion happened in the previous quarter.

As we deliver every quarter, we'll continue to establish that this robust order book is actually getting converted to delivery. I think that is what is and at any point of time where the order book weakens or we feel that there is a slowdown, we'll be first ones to inform you. So as of now, I think the order book remains robust, and we'll continue to deliver on that. And the execution may get impacted because of monsoon or something here and there. But broadly speaking, I think the order book remains strong.

As far as energy margin is concerned, as you yourself pointed out, I think the margin has been fluctuating a little bit. It saw an improvement. This quarter, if you look at what Vikas had mentioned earlier, there is a slight deterioration compared to last year first quarter. But as we mentioned, as the year improves, as the weather improves, we will eventually recover some of the deterioration that we have seen on account of seasonality and the settles that we have done over last year.

So I think that's where we are. I think it's something that we are constantly looking and improving. We have made significant progress as far as diesel cost reduction is concerned. But as I told you that the long-term strategy that we have undertaken now to fundamentally eliminate diesel from the ecosystem.

But that will take a little bit of time because that fundamentally requires to redesign our sites and deploy those solutions at the sites. So over the next few years, you will see a significant traction coming through on that one. That will fundamentally improve the site performance. So that's what I can comment as far as energy margin is concerned.

Moderator: The line for the participant dropped. We move on to the next participant. Next question is from the line of Arun Prasath from Avendus Spark.

Arun Prasath: My basic question is on our maintenance costs, some of which we are capitalizing, some of which is appearing in the opex in the P&L. Can you just clarify what is capitalized and what is immediately expensed during the quarter?

Vikas Poddar: So basically, this is done as per the accounting standards, Arun. For example, any battery or diesel generator that gets replaced at the end of life is a capex for us. But as per the accounting standard, if there are, let's say, tower maintenance expenses, which are in normal course of business like maybe replacing a few nuts and bolts here and there or carrying out some maintenance activity on the ground, then those are basically normal business as usual maintenance activities and hence, they are expensed out. So we follow the accounting standards here.

Arun Prasath: Right. So the last 5 quarters, if you see the maintenance capex that's got doubled...

Moderator: Arun, sorry to interrupt. Can you speak a little louder, please?

Arun Prasath: Yes, sure. Hopefully, now it is better. So what I was asking is as a follow-up to that first question is that in the last 5 quarters, our maintenance capex has doubled on a quarterly basis from roughly INR 250 crores to around INR500-plus crores. So this is mainly to replace the DGs and batteries? And at some point of time, this should stop and revert back to INR 250 crores. Is the right understanding?

Vikas Poddar: Yes, Arun. So if you recall, some time back, we did mention about our strategy to migrate or transition from the lead acid batteries to lithium-ion batteries or to basically more new age batteries. So as a result of that strategy, I think there is a very large base of lithium sorry, lead acid batteries that we use. So I think somewhere those replacements are showing up in the INR 500 crores number that you were talking about. I think that transition journey will continue for some time. And after some time, we should see moderation. Really can't tell you numbers, but directionally, we should see a moderation.

Prachur Sah: And I think one thing to note is the lithium-ion batteries have a long, have a different life cycle compared to lead acid batteries. So while the upfront capex may seem a little bit higher, however, over the period of the life of the battery being longer, the overall TCO and the capex outflow will eventually reduce because it will take a larger time frame to replace a lithium-ion battery than a lead acid battery would do.

Arun Prasath: Are we halfway through or it is just the beginning?

Prachur Sah: I think it's a longer-term strategy. We have a very large portfolio, but and we are taking precaution in terms of not replacing any battery, which is not due to be replaced. It's a replacement cycle that is being followed. So I think if you look at our portfolio of 260,000 towers plus another 20,000 lean towers, that's a significant portfolio. So the journey will take a little bit of time, but it is the strategy that we are going to stick to.

Moderator: Ladies and gentlemen, due to time constraint, we'll take that as the last question. I'll now hand the conference over to Mr. Prachur Sah for closing comments.

Prachur Sah: Thank you. So I believe that the company is strongly positioned to capitalize on the ongoing digital infrastructure expansion in India and large growth opportunities in Africa. Our ongoing investments across technology, sustainability and customer service are strengthening our competitive position and creating a foundation for long-term growth and value creation.

Before I close, I would like to thank Vikas, our CFO, for his outstanding leadership and lasting impact on Indus Towers. Under his guidance, Indus Towers achieved significant milestones in terms of how we perform financially, delivering better results for the shareholders. We are deeply grateful for his contribution and wish him very best for the future. Thank you.

Vikas Poddar: Thank you, Prachur. I take this opportunity to express my sincere gratitude to all of you for your support and engagement over the last five years. I've truly enjoyed our interactions across various forums, and I'm grateful for all the insights and perspectives you have shared along the way. My stint at Indus Towers has been quite fulfilling, and your continued interest in the company has been an important part of the journey. So thank you once again, and I wish you all the best for the future.

Prachur Sah: Thank you.

Moderator: Thank you very much. Thank you, members of the management. On behalf of Indus Towers Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.