Management Discussion and Analysis

Indian Telecom Industry Overview

The Indian telecom market is the second largest in the world in terms of the number of subscribers with a wireless subscriber base of 1.16 Bn (as of January 31, 2021). Wireless broadband base now stands at 734.26 Mn (as of January 31, 2021) representing a wireless broadband penetration of ~54%. Source: TRAI

The Indian telecom market has seen an exponential growth in subscribers and wireless data volumes in last few years driven by affordable tariffs, newer technologies providing faster services, ever-expanding network coverage and capacity, ecosystem enhancement from handsets to content along with apps and use cases for data, overall economic development and digitization initiatives across private and public sector, regulatory developments, etc.

According to Nokia MBiT Index Report 2021, post introduction of 4G services in 2014-15, total data traffic increased by ~60 times (2015-2020), one of the highest in the world and average monthly data usage per user has increased almost 17 times in these five years, a CAGR of 76% p.a. Strong trends continued in 2020, with total traffic increasing 36% YoY and average monthly data traffic per user increased by 20.4% YoY, driven by continued upgradation to 4G & increased online traffic due to COVID-19. Increased online education, remote working across sectors and higher Over-the-top (OTT) viewership were among the reasons that have contributed to the data traffic growth.

With the continued migration from 2G/3G to 4G, introduction of 5G, launch of low cost 4G smartphones, the wireless growth trends are expected to continue in the future. Another segment that is expected to come in the limelight is fixed broadband through fixed wireless access (FWA) and FTTx, as digital services such as e-commerce, e-payments, online education and entertainment continue to grow in the country. 5G spectrum auctions likely in 3.3-3.6 GHz band expected in the near future and potentially mm Wave band could further boost FWA as a cost-effective broadband alternative.

Indian Telecom Infrastructure Industry Overview

The Indian Telecom Infrastructure industry boasts of IP-I registration holders that establish and maintain assets such as towers, Right of Way (ROW), duct space and dark fiber for the purpose to grant on lease/rent/sale basis to the Licensees of Telecom Services under Section 4 of the Indian Telegraph Act, 1885.

Over the years, IP-1 players have played an important role in the proliferation of affordable wireless services in the country by creating shared infrastructure for the Telecom Service Providers (TSPs) which ensures opex and capex efficiencies, faster time-to-market and avoids any duplication across the value chain which would otherwise lead to wastage of resources.

India has been at the helm of passive infrastructure sharing, a model that has been emulated globally. Since 2010, number of towers has quadrupled to reach more than 600,000 towers at present providing ubiquitous quality services to 1.16 Bn consumers (Sep'20 – Source: E&Y/ TAIPA).

In the last year, the COVID-19 pandemic has brought the critical role of telecom infrastructure in connecting the nation to the forefront as wireless networks saw a surge in volumes as traffic migrated to homes with limited fixed-line capacity to support this demand.

The infrastructure industry continues to support the requirements from TSPs as more sites are needed to keep up with the 4G data demand. As the country evolves towards 5G, IoT, enhanced fiberization in the coming years, the next investment cycle will warrant infrastructure players to play a greater role that goes beyond passive infra sharing.

The regulatory body, TRAI in line with similar global developments have already proposed that IP-1 registration holders participate in active infrastructure sharing. The relevant regulations in this direction will provide the infrastructure industry players the path to go beyond traditional macro towers and create a wider business models where adjacent opportunities such as smart cities, small cells, fiber, edge data centers, WiFi, EV Charging are also explored.

Industry Structure and Key Developments:

COVID-19 and Impact: As the world economy continues to reel from the impact of the COVID-19 outbreak, the telecom infrastructure companies continue to play a critical role in keeping businesses, governments and other institutions connected and running. Many telecom players have benefitted from a surge in the traffic of data and voice. As a result, the telecom infrastructure sector is performing relatively better compared to other sub-sectors. While there were some operational delays in the first quarter of the Financial Year, overall the Company has not seen any significant impact on the financial position and performance in Financial Year 2020-21 due to COVID-19. Please also see note 49 of standalone financial statements for more details.

AGR Update: Further to the judgement passed by the Hon'ble Supreme Court dated October 24, 2019 (SC AGR Judgement), during the year Financial Year 2020-21 the Hon'ble Supreme Court vide its judgment dated September 1, 2020 inter-alia, granted the telecom operators 10 years to clear their AGR (Adjusted Gross Revenue) dues. The Hon'ble Supreme Court directed telecom operators to pay 10 per cent of the total dues demanded by the

Department of Telecommunications (DoT) by March 31, 2021. The TSPs then have to make payment in yearly instalments commencing from April 1, 2021 up to March 31, 2031 payable by March 31 of every succeeding Financial Year i.e. 10 yearly instalments.

2021 Spectrum Auction: On January 6, 2021, the DoT invited applications for a total quantity of 2308.80 MHz across frequencies in the 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2500 MHz bands for a period of twenty years. On March 2, 2021, the DoT announced successful completion of the auction, with the value of the spectrum for which there were winning bids at ₹ 77,814.80 crore and informed that bidding took place for spectrum in 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2300 MHz bands. The total quantity of spectrum for which right to use has been acquired in these bands is 855.60 MHz. The participants did not bid in 700 MHz and 2500 MHz bands. Three bidders – Bharti Airtel Ltd, Vodafone Idea Ltd, and Reliance Jio Infocomm Ltd – participated in the auction. Bidder-wise details of quantity of spectrum acquired and amounts payable are as follows:

Bidder	Total quantity (MHz)	Total amount (₹crore)
Bharti Airtel Ltd	355.45	18,698.75
Vodafone Idea Ltd	11.80	1,993.40
Reliance Jio Infocomm Ltd	488.35	57,122.65

Source: PIB

5G Updates: During the year, the TSPs have announced various updates on their 5G initiatives in plans.

On October 20, 2020 Qualcomm Technologies, Inc. and Reliance Jio Platforms Limited (RJio) along with its wholly owned subsidiary Radisys Corporation announced their expanded efforts to develop open and interoperable interface compliant architecture based 5G solutions with a virtualized RAN. This work is intended to fast track the development and roll out of indigenous 5G network infrastructure and services in India. Earlier on July 15, 2020, Reliance Industries in its Annual General Meeting (AGM) had said that RJio had designed and developed a complete 5G solution from scratch and it intends to launch 5G service in India using 100% home grown technologies and solutions.

On January 28, 2021 Bharti Airtel announced that it has become the country's first telco to successfully demonstrate & orchestrate Live 5G service over a commercial network in Hyderabad city. Airtel did this over its existing liberalized spectrum in the 1800 MHz band through the NSA (Non-Stand Alone) network technology.

Vodafone Idea in the 5G Congress – 2021 event, said that the Company has made great strides in making its telecom and IP network 5G-ready and that it is already using several next generation technologies, and has the world's largest Dynamic Spectrum Refarming (DSR) technology deployment on 6,000 sites and already undertaken India's largest massive MIMO deployment on more than 30,000 sites and adopted open radio access network technologies with cloudification of the core.

Internet of Things (IoT) Updates: On April 7, 2021 Bharti Airtel launched 'Airtel IoT' - an integrated platform that enable enterprises to harness the power of Internet of Things (IoT) and be ready for the emerging era of connected things. On April 8, 2021 Vodafone Idea announced the launch of Integrated IoT solutions for enterprises. With this the Company will offer a secure end-to-end IoT solution offering that comprises connectivity, hardware, network, application, analytics, security and support. Earlier on July 15, 2020, Reliance Industries in its Annual General Meeting (AGM) had said that RJio expects to connect at least half of the 2 Bn estimated connected devices within two years on its IoT platform.

Bharti Airtel Secondary Block Placement: On May 26, 2020 Bharti Telecom, the promoter company of Bharti Airtel, had sold 2.75% stake in Bharti Airtel to institutional investors through an accelerated book building process in the secondary market. The total sale proceeds were over ₹ 8,433 crores (USD ~1.15 Billion). Post this transaction, Bharti Group and Singtel held a majority stake in Bharti Airtel at 56.23%. The sale proceeds were to be fully utilized to repay debt at Bharti Telecom Limited and make the promoter holding company a debt-free company.

Bharti Airtel Fund Raise: During the year, Bharti Airtel completed debt fund raise of USD 1.25 Bn through issuance of Senior Unsecured foreign currency (USD) denominated Notes aggregating to USD 750 Mn and Issue of guaranteed perpetual securities of USD 500 Mn by Network i2i Limited, a subsidiary of Bharti Airtel.

Bharti Airtel Data Centre Business Stake Sale: On July 1, 2020 Bharti Airtel announced an agreement with The Carlyle Group, for an investment of USD 235 Mn for a 25% stake through its affiliates, in Nxtra Data Limited (Nxtra), a wholly owned subsidiary of Bharti Airtel engaged in the data center business. The post-money enterprise valuation of Nxtra is approximately USD 1.2 Bn. Subsequently, on October 15, 2020, Bharti Airtel has announced that it has received the approval from the Competition Commission of India and after completion of other conditions precedents agreed between the parties, the first closing has been completed.

Investments in Reliance Jio Platforms: During the year, Reliance Industries Limited and Jio Platforms Limited announced stake sales totaling ₹ 1,52,056 crores. The investments were made by Facebook Inc., Google LLC, Vista, KKR, The Public Investment Fund, Silver Lake, Mubadala, General Atlantic, ADIA, TPG Capital, L Catterton, Intel Capital and Qualcomm into Jio Platforms, a subsidiary of Reliance Industries Limited. The total investments by all above investors translate into a ~33% equity stake in Jio Platforms on a fully diluted basis.

Vodafone Idea Fund Raising: The Board of Directors of Vodafone Idea, in its meeting held on September 4, 2020 approved the raising of funds, subject to various regulatory and other approvals as a) ₹ 15,000 crores through issue of equity shares or securities convertible into equity shares, GDRs, ADRs, FCCBs, Convertible Debentures and warrants, etc. b) ₹ 15,000 crores through issuance of unsecured and / or secured, non-convertible debentures. However, the total raising of funds under (a) & (b) above shall not exceed ₹ 25,000 crores. Subsequently, in its Annual General Meeting held on September 30, 2020, the Company's shareholders have approved of issuance of securities for amount not exceeding ₹ 15,000 crores.

Update on Brookfield's Investment in Tower Infrastructure Trust of Reliance: On September 1, 2020, Brookfield Infrastructure Partners L.P. (Brookfield) announced that it has completed the previously announced acquisition of a 100% stake in a telecom tower company in India from Reliance Industrial Investments and Holdings Limited, a wholly owned subsidiary of Reliance Industries Limited (RIL). Brookfield and its institutional partners including GIC will be making an equity investment of approximately $3.4 Bn (₹ 25,215 crores) of which Brookfield will be investing $600 Mn (₹ 4,450 crores). The transaction was completed after obtaining all regulatory approvals, fulfilling other completion requirements and subscription of units of the Tower Infrastructure Trust by Brookfield alongside its institutional partners. The investment comprises a portfolio of around 135,000 communication towers which forms Reliance Jio Infocomm Limited's (RJio) telecommunication network. More towers are planned, increasing the total number of towers in the transaction perimeter to approximately 175,000. RJio is the anchor tenant of the tower portfolio under a 30-year Master Services Agreement. Following the acquisition by Brookfield, the entity is now called Summit Digitel Infrastructure Private Limited.

TRAI Consultation Paper on Roadmap to Promote Broadband Connectivity and Enhanced Broadband Speed: Universal access to broadband is critical for the success of the Digital India program, and therefore creation of supportive Information and Communications Technology (ICT) infrastructure becomes a priority for the Government as well as the industry. TRAI in its paper has focused on various innovative approaches for infrastructure creation to promote the broadband connectivity and enhancement of broadband speed. In this regard, inter alia two important aspects have been dealt by TRAI in the paper – (a) issues relating to grant of Right Of Way (RoW) permissions and (b) the concept of developing common duct infrastructure for laying OFC.

Company updates

Merger of erstwhile Indus Towers Limited with and into the Company: On April 25, 2018, Indus Towers Limited (formerly Bharti Infratel Limited) (the Company or Transferee Company) and its Joint Venture Company erstwhile Indus Towers Limited (erstwhile Indus or Transferor Company) and their respective shareholders and creditors entered into a scheme of amalgamation and arrangement (under section 230 to 232 and other applicable provisions of the Companies Act, 2013) (Scheme) to create a pan-India tower company operating across all 22 telecom service areas. Subsequently, the Scheme received requisite regulatory approvals including approval from National Company Law Tribunal (NCLT), Chandigarh vide its order dated May 31, 2019 read with its order dated October 22, 2020.

The Company had filed certified copy of the NCLT order with the Registrar of Companies on November 19, 2020 to make the Scheme effective (Effective Date). Upon the Scheme becoming effective, the Transferor Company stood dissolved without being wound-up and amalgamated with and into the Company on a going concern basis. Vodafone Idea Limited had elected to receive cash pursuant to the right available to certain shareholders as per the Scheme. Pursuant to the same, Vodafone Idea Limited received cash consideration of ₹ 37,642 Mn for its 11.15% shareholding in erstwhile Indus Towers. The said transaction was executed and completed on November 19, 2020.

For their 42% and 4.85% shareholding in erstwhile Indus Towers, Vodafone (through its indirect wholly owned subsidiaries) and P5 Asia Holding Investments (Mauritius) Limited (Providence) were allotted 757,821,804 and 87,506,900 equity shares aggregating to 28.12% and 3.25% respectively, in the post-issue share capital of the Company. Accordingly, the paid-up equity share capital of the Company stands increased to ₹ 26,949,369,500 divided into 2,694,936,950 Equity Shares of ₹ 10/- each fully paid-up. Bharti Airtel along with its wholly owned subsidiary Nettle Infrastructure Investments Limited held 36.73% in the post-issue share capital of the Company following the above allotment. On December 2, 2020 and December 28, 2020, Bharti Airtel through Nettle Infrastructure Investments Limited acquired additional ~4.94% and ~0.06% through the open market, taking its holding to 41.73% in the Company.

Upon implementation of the Scheme and allotment of shares to indirect wholly owned subsidiaries of Vodafone Group Plc., in addition to existing promoters (representing Bharti Airtel Limited along with its wholly owned subsidiary Nettle Infrastructure Investments Limited), the aforesaid indirect wholly owned subsidiaries of Vodafone Group Plc. have also been classified as promoters of the Company. Together, the promoters owned 69.85% of the Company as on March 31, 2021. Please visit our website for more disclosures pertaining to the Scheme of Amalgamation.

Reconstitution of the Board and Change in KMP: The Board of Directors, in its meeting held on July 27, 2020, accepted the resignation of Mr. D S Rawat as Managing Director & CEO of the Company and as a Director from the Board w.e.f. the close of business hours on August 3, 2020. Subsequently, Mr. Bimal Dayal was appointed as Managing Director of the Company w.e.f. October 22, 2020 till the effectiveness of the Scheme of Amalgamation and Arrangement between the Company and erstwhile Indus Towers Limited (Scheme). Upon effectiveness of the Scheme, the Board of the Company was re-constituted w.e.f. conclusion of the Board meeting held on November 19, 2020 as follows: Ms. Anita Kapur and Mr. N Kumar (Independent Directors) and Mr. Rajan Bharti Mittal (Non-Executive Director) continued as the Directors on the Board of the Company. Mr. Akhil Gupta (Executive Chairman), Mr. Bimal Dayal (Managing Director), Mr. Bharat Sumant Raut, Mr. Jitender Balakrishnan, Dr. Leena Srivastava and Mr. Rajinder Pal Singh (Independent Directors), and Mr. Tao Yih Arthur Lang (Non-Executive Director) resigned from the Board. Mr. Sharad Bhansali and Ms. Sonu Bhasin (Independent Directors) and Mr. Balesh Sharma, Mr. Gopal Vittal, Mr. Harjeet Kohli, Mr. Randeep Singh Sekhon, Mr. Ravinder Takkar and Mr. Thomas Reisten (Non-Executive Directors) were appointed as additional directors on the Board of the Company. Mr. N Kumar, Independent Director was appointed as the Chairman of the Board. Mr. Bimal Dayal was appointed as Chief Executive officer of the Company w.e.f. November 19, 2020. Further the Board had recommended his appointment as Managing Director & CEO for a period of 5 years commencing from the date of approval of shareholders. The shareholders have approved his appointment as MD & CEO w.e.f. January 8, 2021. Ms. Pooja Jain, was appointed as Chief financial Officer w.e.f June 4, 2020 resigned from the position of Chief Financial Officer w.e.f. November 30, 2020 and Mr. Vikas Poddar has been appointed as the Chief Financial Officer of the Company w.e.f. January 12, 2021.

Opportunities and Threats

Opportunities

Continued densification opportunity driven by 4G: Since its launch in 2014-15, 4G data volumes have continued to rise year after year driven by a combination of more users and higher average consumption per user. The year 2020, witnessed 4G payload increase by another 40% YoY (Source: Nokia MBiT 2021). We believe this growth will lead to continued densification of networks in the country, especially as consumption moves more to video content including live video streaming which requires more capacity and lower latency. Also, with introduction of low cost 4G smartphones, migration from 2G/3G is likely to further intensify 4G traffic growth which could add a further boost to the overall demand in the coming years.

Next Generation Technologies: One of the three missions of the National Digital Communications Policy (NDCP) 2018, was to propel India by enabling next generation technologies and services through investments, innovation and IPR generation. It includes creating a roadmap for emerging technologies and its use in the communications sector, such as 5G, Artificial Intelligence, Robotics, Internet of Things, Cloud Computing and M2M. With the Government focus on these and impending 5G auctions, we believe the coming years present a wide range of opportunities for businesses to provide future ready products/services and create use cases that we believe, will require high throughput and an ultra-reliable low-latency network, which will ride on robust digital communications infrastructure, facilitated by companies like ours.

Adjacent opportunities: As seen globally, India is also presenting newer opportunities to infrastructure companies to go beyond traditional macro towers to adjacent revenue streams such as fiber including neutral host FTTx, small cells, data centers, smart cities, Wi-Fi, IoT, EV charging, energy management and back-up, in-building solutions, etc. While some are expected in the long-run, others like fiberization of towers are more near-term in nature, where the Government has clearly laid out targets in the NDCP 2018. Globally countries such as US, Indonesia, China, etc. are already seeing infrastructure companies diversify into these new assets and services. Indus Towers is also currently pursuing few of these such as smart cities, small cells, etc. through our ongoing projects and will continue to evaluate additional adjacent opportunities.

Inorganic Growth: Following the consolidation on the operators' side in the last few years, the tower industry may also have a similar scope especially companies with smaller portfolios. Such companies/portfolios may present an inorganic growth opportunity to Indus Towers to enhance its scale, improve its footprint and enhance its overall business potential. We will assess these opportunities in accordance with the Company's philosophy if they are value accretive. All such opportunities will be explored in consultation with the Board of Directors.

Threats

Financial Health of Operators: In the last few years, intense price competition, regulatory payouts including the dues following the SC AGR Judgement, spectrum related payments, etc. have affected the financial health of operators. Our largest customers, Bharti Airtel and Vodafone Idea are raising or have raised substantial amounts to strengthen their balance sheets. However, since our business and growth prospects mainly depend on demand from these providers in India, any deterioration in their financial health due to increased competition leading to loss of market share and/or deterioration of cash flows, inability to raise further funds, adverse regulatory regime, general economic conditions, policy changes etc. can affect their ability to pay for infrastructure services, which in turn could adversely affect Indus Towers' revenues, cash flows and overall financial condition.

Operator Consolidation: The Indian telecom market has witnessed operator consolidation, with the number of operators reducing from 14 at its peak to 5 in Financial Year 2018-19. Any further consolidation either in number of players or their network footprint, could lead to material reduction in revenues and profitability. It may also impact the incremental revenue potential from these operators.

Increase in Competitive Intensity: As a B2B company, we see limited price elasticity i.e. increase in demand due to price cuts as we believe co-location demand is not interchangeable. Operators typically demand a certain location based on their radio planning and specific latitude/longitude requirements. However, one cannot rule out increase in competitive intensity especially as newly formed tower companies may seek to enhance market share/revenues and TSP consolidation has led to many tower companies witnessing sharp drop in co-locations leading to material financial impact for such companies. Additionally, TSPs have witnessed pressures on their financial health in the last few years driven by heightened competitive intensity, regulatory payouts, etc. Thus, their ability to pay prevailing rates for use of passive infrastructure may also decline over time.

Pricing risk due to renewals: Any unfavorable terms such as lower pricing upon renewal of leasing agreements with customers are a risk to the Company, especially in the case of mass renewals which are likely for Indus Towers in the next 1-2 years. This could adversely impact the financial health of the Company.

EMF Radiation Norms: EMF radiations are the invisible electric and magnetic forces arising from the active infrastructure installed at telecom towers. WHO has referred to the International Exposure Guidelines developed by International Commission on Non-Ionizing Radiation Protection (ICNIRP). Department of Telecommunication (DoT) has already prescribed stricter precautionary limits for Electro Magnetic Field (EMF) radiation from antenna on mobile towers. The present prescribed limits for EMF radiations from Base Station in India are one-tenth (1/10th) of internationally prescribed limits of ICNIRP. To ensure compliance to the prescribed stricter precautionary norms of EMF radiation from antennas on mobile towers, the extensive audit of comprehensive compliance self-certificates being submitted by telecom service providers and base transceiver station (BTS) sites is carried out by Telecom Enforcement Resource & Monitoring (TERM) field units of DoT. This is regularly done by TERM units for the purpose of limiting the EMF radiation exposure and keeping public areas in the vicinity of towers safe. In case of any non-compliance, i.e., if any BTS site is found to violate the prescribed EMF norms, severe pecuniary actions are taken including closing of BTS site as per the prescribed procedure. DoT has also referenced on WHO report as well as 25,000 articles in the past 30 years to say that there was no confirmation of "any health consequences from exposure to low level electromagnetic fields." Despite these measures, in the recent past there have been concerns around the radiations and its ill effects due to which securing a site for new tower addition has become difficult in few pockets. If proper information is not disseminated to public, it might affect tower company business adversely.

Financial Results & Operations

Company's net tower portfolio grew to 179,225 and net co-locations grew to 322,438 as on March 31, 2021. For the year ended March 31, 2021, the closing sharing factor stood at 1.80 times per tower.

For the quarter ended March 31, 2021, Indus Towers had average sharing factor of 1.81 (with closing sharing factor of 1.80) per tower.

The standalone revenues for the year, at ₹ 139,508 Mn grew by 107% over the corresponding period last year primarily on account of merger.

For the year ending March 31, 2021, EBITDA grew by 101% Y-o-Y to ₹ 72,586 Mn, representing an operating margin of 52%. EBIT grew by 90% Y-o-Y to ₹ 43,351 Mn and the net profit for the year increased by 91% to ₹ 33,382 Mn primarily on account of merger.

The financial statements of the Company have been prepared to comply in all material respects with the Indian Accounting Standard (Ind AS) notified under section 133 of the Companies Act, 2013, read together with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and as amended by the Ministry of Corporate Affairs ('MCA') from time to time.

The results for the current Financial Year include the results of the erstwhile Indus Towers Limited which merged with and into the Company w.e.f. November 19, 2020 for the period subsequent to that date till the end of the Financial Year. Accordingly, the figures for the current Financial Year ended March 31, 2021 are not comparable with the figures of the previous Financial Year ended March 31, 2020.

The following table shows a summary of key ratios on a standalone basis:

Parameters	Unit	Full Year Ended	
		Mar'21	Mar'20
Debtors Turnover[1]	Times	6.65	22.33
Current Ratio[1]	Times	0.69	1.30
Debt Equity Ratio[1]	Times	0.51	0.17
Operating Profit Margin (%)	%	52.0%	53.7%
Net Profit Margin (%)[1]	%	20.9%	25.9%
Interest Coverage Ratio[1&3]	Times	11.41	(977.57)
Inventory Turnover	NA	NA	NA
Average Sharing Factor	Times	1.80	1.84
Closing Sharing Factor	Times	1.80	1.80
Sharing Revenue per Tower p.m	₹	66,409	85,493
Sharing Revenue per Sharing Operator p.m	₹	36,303	45,213
Return on Shareholder's Equity Pre Tax[1&2]	%	32.86%	28.26%
Return on Shareholder's Equity Post tax[1&2]	%	24.62%	20.46%

1. The aforesaid ratios are not comparable, as during the year erstwhile Indus Towers Limited has been merged with and into the Company (formerly Bharti Infratel Limited) with effect from November 19, 2020.
2. Return on shareholder's equity is calculated excluding dividend income.
3. Interest coverage ratio: It is computed by dividing EBITDA for the preceding (last) 12 months from the end of relevant period by finance cost (net) for the preceding (last) 12 months.

Risks & Concerns

The following section discusses the various aspects of enterprise-wide risk management. Readers are cautioned that the risk related information outlined here is not exhaustive and is for information purpose only.

Indus Towers Limited believes that risk management and internal control are fundamental to effective corporate governance and development of a sustainable business. The Company has a robust process to identify key risks across its operations and prioritize relevant action plans that can mitigate these risks. Key risks that may impact the Company's business include:

General Economic Conditions in India

A significant change in the government's policies, other global and domestic macro factors, could affect business and economic conditions in India and could also adversely affect our financial condition and results of operations. Issues such as imposition of license fee on IP1s or similar new taxes; issuance of guidelines impacting TowerCo business model and adverse outcome on litigation(s) could lead to significant financial exposure.

Emerging risks due to unforeseen disruptions

2020-21 saw a major global event in the form of COVID-19 outbreak, which is affecting global economies, companies financially and operationally apart from affecting the human capital in an unprecedented manner. Such unforeseen disruptions can disrupt supply chains, productivity, etc. and risk overall financial health and capital of the Company.

Changes in Regulatory Environment

Despite huge improvements, the regulatory environment in India continues to be challenging. Regulatory developments will have significant implications on the future of telephony as well as India's global competitiveness. Any adverse regulatory changes, changes in taxation and policies may affect the profitability outlook of the Company.

Natural Disasters Damaging Telecom Networks

The Company's telecom networks are subject to risks from natural disasters or other external factors. The Company maintains insurance for its assets, equal to the replacement value of its existing telecommunications network, which provides cover for damage caused by fire, special perils and terrorist attacks. Such failures and natural disasters even when covered by insurance may cause disruption, though temporary, to the Company's operations. The Company has been investing significantly in business continuity plans and disaster recovery initiatives which will enable it to continue with normal operations and offer seamless service to our customers under most circumstances.

Financial health of operators

Our business and growth prospects mainly depend on demand from operators. Shut down or deterioration in their financial health due to increased competition, adverse regulatory regime, general economic conditions, policy changes etc. can affect their ability to pay for infrastructure services, which in turn could adversely affect company's revenues and financial condition.

Energy margin erosion as a result of operators shifting to pass-through model

OpCos opting for energy pass-through model could result in energy margin erosion and slowdown in realization of energy vision.

Technological Changes Affecting the Tower Demand

With new technologies coming to market and ever-evolving customer requirements, agility is required to develop the right product portfolio keeping in mind disruptive ICT technology (leading to obsolescence of telecom towers)/ policy initiatives (5G/ IoT / Digitization) or inability to deliver new products profitably.

We don't foresee any risk in near future and the Company keeps assessing all the new technology advancements in the sector for better understanding and preparedness.

Internal Control System

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are accountable for financial controls, measured by objective metrics on accounting hygiene and audit scores. The Company has deployed a robust system of internal controls that facilitates the accurate and timely compilation of financial statements and management reports, ensures regulatory and statutory compliance, and safeguards investor interest by ensuring the highest level of governance and periodic communication with investors. The Audit & Risk Management Committee reviews the effectiveness of the internal control system across the Company.

A CEO and CFO Certificate signed by the Managing Director & CEO and Chief Financial Officer, is included in the Corporate Governance Report which confirms the existence of effective internal control systems and procedures in the Company. The Company's Internal Assurance Group also conducts periodic assurance reviews to assess the adequacy of internal control systems and reports to the Audit & Risk Management Committee of the Board.

The Company has enhanced its internal control systems across all circle operations by significantly improving the quality and frequency of various reconciliations, enhancing the scope and coverage of revenue assurance checks, segregation of duties, rolling out of self-validation checks, regular physical verification, system audits, desktop reviews as well as continuous training and education. Indus Towers is certified by The British Standards Institution (BSI) on ISO 27001:2013, a standard which specifies the requirements for establishing, implementing, maintaining and continually improving an information security management system within the context of the organization. It also includes requirements for the assessment and treatment of information security risks tailored to the needs of the organization.

Human Resources

At Indus Towers, we believe that our people are key to the success of our business. While we boast of having telecom industry's best talent in the Company, our aim is to sustain our fervor as an employer of choice for prospective employees and provide an enriching career to them. We enabled the nation to remain connected even amidst adversities and the challenges posed by the recent COVID-19 pandemic. It is the commitment and dedication of our employees that help us to address challenges and remain motivated to overcome every obstacle on our way. Our human capital has, therefore, played a pivotal role in shaping Indus Towers into what we are today.

Indus Towers has been named as one of The Gallup's Exceptional Workplace. This is a testament to our vision of transforming lives by enabling communication. Indus Towers has led the way and demonstrated how putting people front and center of their organizational initiatives can lead to achieving higher levels of business performance. For a young organization like Indus Towers, which operates in the B2B space, defining and percolating an organization wide culture and becoming an employer of choice are two important and interrelated aspects. During our journey, we have realized that the first step in creating an employer brand is to define and articulate the culture which proves to be a differentiating factor for external and internal employees.

Connecting and engaging with nearly 3,442 employees spread across our 22 circles has become possible through our constant communication especially in the third quarter. Communication on changes within the organization on account of merger to revised employee-related policies, from wellbeing initiatives to quizzes and workshops, it has been instrumental in keeping morale of the employees high while ensuring their engagement at the same time.

At Indus Towers we believe in embracing technology and use it to our advantage to make processes simpler and more efficient. Our shift to the acclaimed Oracle Recruiting cloud has enabled us to digitize the recruitment process completely.

Demographic and technological shifts have made it even more important for people to remain 'fit for the future', both as professionals and as individuals. We constantly organize various learning and development initiatives for our employees. Due to the pandemic, adapting to new methods of working emerged as the need of the hour. During the year under review, we migrated from classroom learning to a technology driven approach, through a virtual platform - Oracle Learning Cloud (OLC). We continued partnership with Lynda - LinkedIn Learning last year. Through such digital learning platform, employees are able to access world class content on the go. During the year under review, we introduced various new courses such as Mod 0 in 8 regional languages, 25 Ready Behavioural Courses and more than 15 Technical Webinars, creating a repository of more than 100 online modules of Behavioural and Functional/ Technical training. To ensure employee safety at workplace, every new employee is required to undergo mandatory safety training and existing employees have to undergo annual refresher training. As part of our commitment towards holistic development, employees are continuously being encouraged to go for external certifications and MDP programs from elite institutions like ISB, IIMs, etc.

At Indus Towers, employee well-being and safety has always been a priority. In order to ease anxiety and offer support during the pandemic, we planned various initiatives to ensure the safety of our employees and their family members. A cross functional leadership team (CSC- COVID-19 Steering Committee) was formed and spearheaded by the MD & CEO. Additional health insurance for COVID-19 was offered to employees and the Company continuously monitored and tracked COVID-19 cases on a daily basis to provide adequate support of the Company. PPE kits were provided and arranged travel passes for field employees to ease their movement and ensure their safety.

Diversity and Inclusion is at the heart of Indus, over the years we have been constantly working on strengthening our policies and processes to provide a safe, equal and inclusive work environment for all.

We have been successful in onboarding talent not only for office-based roles but also in the field. Despite being an Engineering and hardcore technical organization, where availability of diverse talent is limited, share of women in our total employee population is 6.4% and we are determined to improve this year on year. With focused efforts on hiring viz. minimum 30% of all CVs shared for a role to be women candidates, extra mark up to search partners for closing a position with diversity candidates and special building a pipeline through internal referrals, we are sure to improve our overall diversity number in the years to come.

Continuing our efforts to ensure a conducive and safe environment for women employees, we have a mandatory training on POSH added to our online learning module, which needs to be completed by all employees within a month of joining. We also have a neutral Internal Complaints Committee, which investigates and takes appropriate action on any concerns related to harassment raised by employees. Apart from this, many engagement initiatives are planned and calendarized for D&I. This year, our MD, Mr. Bimal Dayal, launched the I-WIN network on Women’s day, which is a Pan Indus women’s network focused on networking, learning and growing. This was followed by a week-long celebration of Embracing Diversity, focused at holistic well-being of our employees. The week included virtual sessions on physical, legal and financial well-being of women, self-defense, contests and quizzes and an open house with leadership.