



RELIANCE COMMUNICATIONS LIMITED

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Transcript of Earnings Conference Call for the Quarter Ended June 30, 2008

Conducted at 5 pm IST on July 31, 2008

Operator:

Thank you for standing by. And welcome to the Reliance Communications Global Earnings Conference Call on the Reliance Audio Conferencing platform. This call is hosted by Citigroup. At this time, all participants are in listen-only mode.

There will be a presentation followed by a question-and-answer session. At which time, if you wish to ask a question, please press "star, one" on your telephone. Please be advised this conference is being recorded today.

I would like to hand the conference over to Mr. Rahul Singh of Citigroup. Over to you, sir.

Rahul Singh:

Thank you. Good morning, afternoon and evening, everyone. We at Citigroup are pleased to host this call for the 1Q FY09 results of Reliance Communications. And on behalf of all participants I thank the management team for taking time out for this earnings call.

The senior management team from Reliance Communications on the call today is led by the Chairman, Mr. Anil Dhirubhai Ambani; and heads of the various business units namely, Mr. S.P. Shukla, who heads the Wireless Business; Mr. Punit Garg, from the Globalcom Business; and Mr. George Varghese, from Enterprise Broadband; and Mr. Arvind Narang, who leads the Investor Relations. The call will begin with an overview from Mr. Ambani followed by a Q&A session.

I must remind you that the discussions today may include certain forward-looking statements and must be viewed therefore in conjunction with the risks.

With this, I would now hand over the call to Mr. Anil Ambani. Over to you, sir. Thank you.

Anil Dhirubhai Ambani:

Thank you, Rahul. I welcome all of you to this earnings call to discuss Reliance Communications financial performance for the quarter ended June 30, 2008.

I'd like to start with a brief update on the Indian telecom sector. India has consistently maintained its position as the fastest growing telecom market in the world with net subscriber additions of over 8 million over many months.

Over the last 12 months, India has added nearly a 100 million subscribers. We expect the current growth momentum in the Indian telecom market to be maintained as the Government's progressive policies are creating a level playing field for all operators. This enables operators to create greater affordability of services, expand network coverage and generate strong customer demand.

Many regions across the country are still significantly under penetrated and could therefore continue to grow over several years. Reliance Communications, a fully integrated and converged telecommunications service provider is best positioned to capture these growth opportunities in the Indian telecom sector.

In addition to the expansion of mobile voice, we believe that the proliferation of data demand globally presents significant opportunities across a range of businesses from mobile value added services, long distance voice and data services, enterprise IT and telecom connectivity, internet data centers, consumer broadband, home entertainment, telecom retailing and several other such related businesses on a global scale. We are creating the largest infrastructure backbone not only in India but across the world to support our expansion into these businesses.

Coming to the first quarter of 2008-09, we have maintained the operating momentum and achieved the key milestone of over 50 million customers. At the close of the quarter, we had 53 million customers including from Reliance Globalcom and our Enterprise customers, and over 51 million mobile wireless subscribers.

During the last quarter we added over 5 million wireless subscribers on our network, the second highest by any telecom company in India. We aim to further improve our subscriber growth momentum over the coming months.

Our revenues have expanded by 24% to Rs. 5,322 crore. Our EBITDA and profit after tax has grown by 24% each to Rs. 2,250 crores and Rs. 1,512 crores respectively. We've maintained our position as the most profitable telecom company in India.

We are now investing an aggregate of over Rs. 40,000 to Rs. 50,000 crores (US\$ 10 to 11 billion), between the fiscal year 2008 and the current fiscal year 2009,

the full benefit of which will flow through from the next financial year leading to an acceleration in our earnings growth momentum. As we expand our operating base, the key focus is on profitable growth.

We are now looking to achieve revenue expansion with the additional objective of maintaining the contribution from each incremented unit of revenues. Therefore, as we expand and build new businesses, leverage multiple technologies, move to new regions across the country, enter new global markets and target additional customer segments, we will remain focused in maintaining the intrinsic profitability of each of our businesses.

I would now like to present some of the key highlights of the first quarter of this year. I will start with our recent acquisition of the UK-based Global Managed Network Services provider VANCO Group, which is in line with our vision to create one of the top five global data communication enterprises in the world.

VANCO Group has been recognized by Gartner as a top five Managed Network player globally. Its acquisition has added US\$ 365 million or over Rs. 1,500 crores to the annual revenue of Reliance Globalcom through secure, long-term contracts with a customer base that includes over 200 of the world's largest enterprises and over 700 carriers. Its operations are largely centered on developed markets, 90% of VANCO's revenues come from countries like the US, UK, France and Germany.

For our wireless customers, we have recently introduced long distance calling plans that are redefining STD calling patterns and usage across the country. Our unlimited free STD calls plan bring unprecedented benefits to all our 5 crore Reliance Mobile customers across post-paid, pre-paid and fixed wireless usage categories.

Backing up our nationwide network expansion plans is our infrastructure expansion. In addition to expanding the base of multi-tenancy telecom towers of Reliance Infratel, Reliance Communications can also provide integrated solutions including active infrastructure, backhaul and transport network, BPO, IDC hosting and IT solutions. We are the only company with the ability to offer a completely integrated platform to new operators as a B2B service offering. This creates an additional revenue opportunity for Reliance Communications in addition to the business upside from passive infrastructure expansion under Reliance Infratel.

I will now ask my colleagues, Mr. Shukla, Mr. Garg and Mr. Varghese to share a few highlights from each of their businesses. We'll then move into some closing comments from me and then into Q&A. Thank you so much.

S.P. Shukla:

Thank you, Mr. Ambani. And good evening, good morning to all of you on the conference call. I would like to briefly cover our wireless business. As you are aware, our subscriber base today stands at 51 million out of which 8 million are GSM subscribers and 43 million are CDMA.

In CDMA, we have almost 70% of the all India market. We are confident of continuing our leadership position in this segment. The great opportunity, which we are on the threshold of, is GSM, which represents 80% of the market opportunity today.

As we launch our GSM services very shortly, we will be participating in 7 million plus subscriber growth on a monthly basis in the GSM segment in the country. As of now, we have less than 5% share of this market through our RTL arm. But if you look at our dual technology circles where we operate on both the technology platforms, you will notice that we have a market share in excess of 25% on a steady basis. Therefore entry in the GSM segment is a significant market share expansion activity for us.

What is even more exciting is the ARPU upside. We will be able to participate in the great churn opportunity, which exists today in the form of an existing large subscriber base in the country, which is churning at the rate of 4 to 5% every month.

As you are familiar, today most of the middle and high-end customers are with GSM operators because of the wide range of handsets and the variety it offers. Through GSM, we will be able to participate in this segment of the market providing significant revenue and ARPU upliftment opportunity.

Our innovative packages, which we plan to launch soon, will open up this new segment of customers to mobile, offering significant enhancement of all operating parameters. At the same time, we are on the threshold of completing the rollout of our high-speed data network on a national basis, which will once again cater to high ARPU providing us one more ARPU upliftment strategy for our existing CDMA subscriber base.

Synergies in network operations, synergies in distribution and retail infrastructure, as well as, on the manpower front will ensure revenue growth will be disproportionate to any incremental cost increase in the coming months and quarters. Our GSM

plans are on track. GSM launches will begin towards end of this year and will be concluded by middle of next year. I am looking forward to speaking to all of you on Reliance GSM, very soon.

I would now handover to my colleague, Mr. Punit Garg.

Punit Garg:

Thank you, Mr. Shukla. Good morning, good afternoon and good evening, friends. Reliance Globalcom has been busy in this quarter with two acquisitions, VANCO and eWave. We acquired VANCO, which is seen as the leader by Gartner in their Magic Quadrant along with AT&T, BT and Verizon.

We acquired VANCO at US\$ 77.5 million. VANCO has 220 enterprise customers spread over Europe and US serving 230 countries. VANCO has relationships with over 700 carriers and these relationships are growing stronger by the day.

eWave is a company in the WiMax space where we have 19 licenses in Africa, Eastern Europe and Latin America. These licenses have spectrum as well, and we would start rolling out services in the quarters to come.

Our data business as usual continues to grow. We have added contracts of over Rs. 225 crores in current quarter. Network and value added services, which are our typical services like IPLC and VPN, contribute almost 70% of total contract value.

There was continued increase in voice traffic growth. NLD voice traffic has grown by 11% in the first quarter, while growth in ILD traffic remains flat. The ADC drop in NLD and ILD segments has kept some pressure on revenue from voice traffic, but it is very well compensated by increase in traffic, as well as increase in business revenue with VANCO and Yipes doing very well in this space.

Our NGN construction is progressing as per schedule on the Mediterranean segment, which we call Hawk. The marine survey is over 85% in terms of completion and our manufacturing of cable repeater is on schedule. So we are very well on schedule for launch in Q1 of '09.

The marine survey is underway for our Eagle system, which is Japan-US and is expected to complete by end of September. The construction of repeater and cable is underway as well.

We continue to grow our VPN service. We launched our services in UAE, Bahrain and Qatar this quarter, where we enabled our partners with Global Ethernet and VPLS service from Yipes as well as our MPLS service which benefits our Indian customers and customers in the US and Europe in a big way.

The integration process of VANCO and eWave, which we've started this week will continue until end of September and we would see the synergies in the later part of this year. We see the global business growing in a big way and touching more lives as WiMax starts rollout by the end of the fiscal year. We'll get the opportunity to talk to you soon. With this, I hand over to Mr. George Varghese.

George Varghese:

Thanks, Punit. Good morning, good afternoon, good evening, friends. The Enterprise business continues to maintain the consistent quarter on quarter growth that we have been showing. This quarter also we have 10% growth.

Customer satisfaction continues to be very high. It's always been consistent at about 7.8 to 8 on a 10-point scale. So customers' satisfaction continues to be high which is translating into a very large chunk of our orders coming from repeat orders from our existing customers. 43% of the orders that we received this quarter were from our existing customers.

We continue to maintain market leadership in the managed services categories like Centrex, VPN and IDC. Obviously, these are sticky products.

We continue to maintain leadership in network reach to the enterprise customers with the strategy of doing Fiber, LMDS, Microwave. With the launch of WiMax in 10 cities, will give us the edge in terms of our ability to reach enterprise customers, extended enterprises and help us to launch new products like telecommute. We today have the highest range of products in the enterprise business. We're catering to every single need of the corporate. Now with telecommute, we have a basket which is enviable which nobody else has.

IDC expansion gives us a chance to get a better share of wallet of the enterprise customers. We'll maintain our market leadership in IDC with our expansion and it will also help us in selling a range of products to the enterprise. With all this, we are today perfectly positioned to increase our share of wallet from the top-enterprise customers and to tap the ever expanding SME segment of the market. Thank you. I will hand over to Arvind Narang.

Arvind Narang:

Thank you, George. We'll now open the call for Q&A. As you know, time is limited and we request you to focus on key strategic and business issues. We also request each participant to ask not more than two questions and provide an opportunity for all participants to interact with the management.

If there are detailed financial questions, I will be happy to answer those separately and please feel free to email me after the earnings call.

Moderator, can we take the first question, please.

Operator:

Sure, sir. The first question is from Mr. Shubham Majumder from Macquarie. Please go ahead, sir.

Shubham Majumder:

I have two questions here. If you could just give us an idea of the reason for the severe margin decline in the non-wireless businesses especially in the global services business? And also in terms of the wireless business, the reason for the very sharp ARPU decline of 11% quarter-over-quarter which follows the sharp ARPU decline you showed in the previous quarter as well?

And my second question is in terms of the VANCO acquisition, if you could just give us an idea of what sort of EBITDA margins and what sort of ramp-up potential financially we'll see over the next one to two years?

Punit Garg:

Thank you, Shubham. When you are looking at the drop in EBITDA, it is only Rs. 60 to 65 crore, which is US\$ 13 to 14 million and that is attributed to basically cost of integration for eWave and VANCO. You would see synergy value from this integration, I would say, from the following quarters as it gets completed and I hope we would make up for what we have lost in this quarter.

And when we're talking about VANCO, we have added revenue of US\$ 325 million and if you really look at VANCO's businesses, it has multinational enterprise customers where we provide VPN and Ethernet services. We have a blue-chip

customer base which includes customers like Siemens, British Airways, Ernst & Young, Europcar, Hilton Hotels, etc.

And we have typically contracts which are valuing... the highest value contracts we would have would be in tune of US\$ 100 to 130 million. Typically, our customers sign contracts for five to seven years. And the lowest value contracts we would sign with any company would be typically of US\$ 5 to 6 million with three or four years of service. So as you see, this is a high value business, and you would see a very high leverage of FLAG network, which is the erstwhile FLAG network, for Yipes as well as VANCO customers. And that is the process of integration which is on its way. In terms of bottom line, I think you have access to all of their past data which itself will show you that what are the other upside opportunities we have in the time to come. Thank you.

S.P. Shukla:

Shubham, this is S.P. Shukla. I'll take your second question on wireless ARPU. There have been two factors mainly. One has been a one time impact on our PCO revenues which were adversely impacted due to tariff declines which you noticed in this quarter. And second is, relatively speaking, our mobile revenues have also been stagnant due to the same reasons. The STD tariff-cut had adverse impact but minutes of usage has grown very well and we are confident that in the mobility segment, revenues will once again recover and start growing. And PCOs, we are mitigating by taking larger expansion in rural areas where PCOs have been largely absent but with our vast roll out in those areas, we will have a growth opportunity to tap.

Shubham Majumder:

Mr. Shukla, just a very quick follow up. What percentage of your total wireless minutes carried in the quarter would largely be from PCOs so that we can just properly model the numbers going forward?

Arvind Narang:

Shubham, I will discuss with you and give you the details.

Shubham Majumder:

Yes, sure. And Punit, on VANCO, if you could just give us a sense of where the EBITDA margin is, if you cannot give us the exact numbers, just the broad EBITDA margin numbers?

Arvind Narang:

We will share with you.

Shubham Majumder:

Okay. Thanks.

Operator:

Thank you, sir. Next in line, we have Mr. Andrew Haskins from Nomura Securities. Please go ahead, sir.

Andrew Haskins:

Hello, can you hear me?

Anil Dhirubhai Ambani:

Yes.

Andrew Haskins:

Thank you for the call. One main question please. Firstly, having acquired your GSM spectrum and being now in the process of rolling out services across the country, you do have quite a spectrum advantage over some of your competitors. Looking ahead, on a medium term view, would you see scope to be more aggressive about price cutting in the hope of stimulating usage? So can you concentrate on using the spectrum that you have to try to achieve significant elasticity benefits?

My second question is very general one is, you are engaged in expansion in many areas of the world. You have decided not to pursue the opportunity with MTN as you have been telling us, you have made some smaller acquisitions on the global side in many different places around the world. Is the management of the company

not a little bit worried about diversion of attention of management time and attention outside India at a time when growth opportunities within the country are still very substantial? Thank you.

Anil Dhirubhai Ambani:

Let me take your second question first and get Mr. Shukla to talk about the GSM side of it. I think that the company always examines opportunities for growth, both organic and inorganic both within the country and outside the country. As we are an integrated company, we naturally look at all opportunities that come. MTN was one such large opportunity, which we did examine. I think that we have the management bandwidth and the capacity and the capability of multi-tasking in the 21st century, as you would appreciate. And I think that as you can see that in this quarter, we did acquire eWave World, we did acquire VANCO and that these are not substitutable-type opportunities and I think we will continue to examine opportunities that have sustainable value creation for us, both on an organic and inorganic basis both within the country and outside India. To come to your spectrum question and the tariff question, let me take you to Mr. Shukla. Thank you.

S.P. Shukla:

Talking about our GSM entry strategy, which I believe is your thrust of your query. Tariff is only one the platform which attracts the customer. When a customer buys today, service from an operator, he is looking at quality of the network, reach of the network and the features of the network. I am happy to say that we will be beginning with a congestion free network, which will offer the best quality of service which is measured in terms of speech clarity and frequency of calls. We will also have an EDGE-enabled network on all India basis as against operators who have been there for quite some time, who began with GSM and have been slowly upgrading part of the network to GPRS and then again part of the network to EDGE. So in terms of quality as well as feature availability, we will be far ahead of others. To that, we will offer our value bundles, which will make an irresistible combination of features and value, which a customer will be able to get from Reliance vis-a-vis other operators.

Andrew Haskins:

Thank you.

Operator:

Thank you, sir. Next in line we have Mr. Vinay Jaising from Morgan Stanley. Please go ahead, sir.

Vinay Jaising:

Thank you so much. I have a few questions. Firstly, on the network cost, they have gone up quite a bit – 87%, year-and-year and 24% sequentially, considering revenues are flat. I understand part of the question was addressed – that global costs have extraordinaries... global costs could be one reason. But can you substantiate, how much of this is real and how much of this is extraordinary?

My second question is any update on the tower business, on the IPO, on the rollout there? And a slight third question, one of my colleagues that asked this question. I think the MoUs are down for the quarter sequentially, so you know ARPUs are down, MOU is down, ARPMs are down. Can you, throw some light again on revenues growth, especially pre the GSM launch? Thank you.

Anil Dhirubhai Ambani:

Let me just take the roll out issue and regarding Reliance Infratel, clearly our roll out continues. And that is why we said that we are on track in terms of our GSM roll out strategy. We are in discussions with a number of players in the industry for using the Reliance Infratel facilities and as soon as we have something to announce, which maybe sooner than later, naturally we will make an appropriate announcement on those potential contract that we may have. As far as network operating cost are concern, I think we've already covered at but if you want more color do it, I'm sure Arvind will answer you on that. So let me turn to Prakash, to talk you about the MOU's part and the ARPU part. And what is likely to happen pre-GSM launch.

S.P. Shukla:

Thank you. If you look at all the three parameters, let's begin with RPM and you will see that revenue per minute at 66 paisa has actually converged with the industry. Few quarters back we use to talk about a gap between Reliance and others and today there is complete convergence on the RPM front. So relatively speaking, other players have come down far more today to our level. Once RPM is at the same level, you will find that ARPU has dropped, which I explained earlier

was mainly due to the one-time impact of our PCO revenues that have been impacted due to STD tariff having declined in the industry. This is a one-time impact, which shows plateauing, and now we are confident that as we roll out more and more PCO's in rural areas, as well as usage growth takes place in the mobility segment, we will once again resume our revenue growth. Thank you.

Vinay Jaising:

Thank you, sir.

Operator:

Next in line we have Mr. Suresh Mahadevan, UBS Securities. Please go ahead, sir.

Suresh Mahadevan:

Yeah. Good evening. Thanks for the call and opportunity to ask this question.

One quick question on the IPO of Reliance Infratel, as well as any update on Globalcom will be helpful. That is question number one.

Second question is a general question for Mr. S.P. Shukla on the wireless business. I do think that the Indian mobile business has shown a fair amount of elasticity in the past, where you reduce tariffs and you get a lot of increasing usage that more than compensates and then you add revenue growth. Looking at this quarter somehow I feel have we gone to a sub-optimal level of tariffs in India, where the minutes of use are not helping us and we have to see the revenues pick up? Or do you think that with a lag, revenue could come back very strongly because this is a market where revenue per minute has continuously fallen and usage is continuously gone up. But I'm sure at some stage you will fall off that sweet spot. So I just wanted to pick your brains in terms of do you think operators are pricing in a sub-optimal manner? Thank you.

Anil Dhirubhai Ambani:

I think, Suresh your questions had the answers themselves. I think that I will not take away Prakash Shukla's thunder but clearly I think that there is a lag effect as far as the points that you mentioned. Just to quickly cover, the Reliance Infratel and Reliance Globalcom IPO. As you are familiar, we have received the approvals on the RHP and the volatility in the Indian capital markets as well as global capital markets

is what we are watching. And when we find the appropriate time, I'm sure that we will proceed both with Globalcom as well as with Infratel. And I think that we are using this time to complete our roll out on Infratel and also in our negotiations with our potential customers. Let me see what further wisdom Prakash wants to add to your question.

S.P. Shukla:

Very little really, Suresh you have said it so well, there is little I can add. Yes, elasticity continues to be very much there. Usage has been growing as a result of reduction in tariffs. Only thing is lag effect has become little more pronounced. So what used to happen within the quarter is taking now longer than a quarter. I'm sure you will see resumed revenue growth going forward.

Suresh Mahadevan:

Yeah. Thanks, so much.

Operator:

Next in line we have Mr. Sachin Gupta from Lehman Brothers. Please go ahead, sir.

Sachin Gupta:

Thanks, very much. I just have a couple of questions. Firstly on the cost, if you look at the cost for the group, the access and the license fee seems to be running at about 17% of the total group revenues where the historical run rate has been 20 to 25%. I was just wondering any color on that looks driving this down. Secondly, international long distance minutes, they seem to be have dropped in the June quarter and I can see the first drop ever, so any color on that would be useful as well. And lastly just a question to Mr. Shukla, you mentioned about the Wireless Broadband on USB data cards, just wondering any indication on how your market share is tracking or any color on the subscriber numbers? And you mentioned the ARPUs that's quite strong, do you think you can maintain ARPUs in Wireless Broadband going forward?

S.P. Shukla:

In the wireless data segment, we have nearly 70% of the market. We have been pioneers in the industry having taken considerable lead on our only competitor. We

don't have actually any competitor in the GSM segment as of today. Yes, ARPUs have been very strong. Normally, a person who has a laptop and uses data on the go has the ability as well as inclination to pay for that kind of usage. We are rolling national high speed data network, which will further strengthen our position in this segment. On top of it, we are bringing a renewed focus by bringing in new data applications which will ride on the same data network. So besides all the data access which is usage of internet on the go, we will be supplementing it with an applications layer riding on it which will further strengthen our ARPU upliftment. I would hand over to Mr. Garg to answer the second part of your question.

Punit Garg:

I think we are looking at really the loss in data, which you are seeing first time. Let's look at the three clear factors. In terms of revenue we have maintained despite ADC drop, which is access deficit charge, which really hurts our top-line and bottom-line both. And second, two acquisitions which is eWave and VANCO and all the integration cost. In the case of VANCO we are moving some of the services to India. So there are costs which are incurred as part of that integration. And this is what you've seeing in this quarter and we hope that its all with you.

Anil Dhirubhai Ambani:

To your question on the 17% on the access charges, I think our overall competitiveness lies from the depth and the breath of our network and probably will be the largest amounts of points of interconnect that we have whereby we can complete the calls completely on our own network compared to anybody else. I think that when we look at our PoI level, we have multiple number of times of PoIs than most other operators and that allows us to keep our access charges under control.

Sachin Gupta:

Thanks so much for that.

Anil Dhirubhai Ambani:

Thank you.

Operator:

Next in line we have Surabhi from Morgan Stanley. Please go ahead.

Surabhi:

Hi. Thanks for the opportunity. I just had a quick question on the net finance charges this quarter, which is an income of Rs. 2 billion. Could you please elaborate on this?

Anil Dhirubhai Ambani:

It is based on our cash balances that we have, both in foreign exchange and in rupees, which we are sitting on in India.

Surabhi:

Okay. Thank you.

Arvind Narang:

Surabhi we will give you the details.

Operator:

Thank you. Next in line we have Mr. Rajiv Sharma from HSBC Securities.

Rajiv Sharma:

Thanks for the opportunity. I have couple of questions. First question is that with 3G policy on the edge and maybe we have an announcement tomorrow, I just wanted to understand that given that you have both CDMA and GSM, what could be your priority? That, you upgrade with GSM to 3G or you would you do EVDO or do both?

Anil Dhirubhai Ambani:

We have the opportunity to do both. The regulatory frameworks allow us to do both. And as you will appreciate that we have customers in the CDMA side and as we build our new GSM network. So actually we will look at an appropriate forward path to do both.

Rajiv Sharma:

Okay. And a follow up question here is that you mentioned that you are doing a lot on data and no GSM players are able to provide anything on data, but going forward do you think it is to something inherent with the network capabilities and even your move to GSM will not allow you to get to launch products with data capabilities on the GSM side and restricted to CDMA or do you think you can do something on the data with your GSM network as well?

Anil Dhirubhai Ambani:

Yeah. I think that the way we've looked at this is that the large amount of all the range of data services that we will provide will be naturally on our CDMA networks. And then as and when we have the WCDMA network, which is the forward path for GSM services, naturally we will be able to provide data services on that platform too.

Rajiv Sharma:

Okay. And the last question is, if you could give us sense of your GSM rollout. When we can expect a full pan-India rollout, could be conservative or realistic timeframe do you think?

Anil Dhirubhai Ambani:

Yeah. Our realistic timeframe is – as we stated earlier towards the beginning of this year – that end of the year we start selectively in selective towns and then we complete the overall network and start up in a phased manner services towards the middle of next year. You will appreciate that providing coverage and capacity in over 20,000 towns in India, which has taken most of the operators between 15 and 20 years, we are trying to accomplish in a period of 12 to 18 months.

Rajiv Sharma:

Okay. Thanks a lot.

Operator:

Thank you. Next in line we have Zaharah Sheriff from ASK Investment. Please go ahead.

Zaharah Sheriff:

Yeah. Thank you. I just wanted to know as at end March 31st you had foreign currency exposure of in excess of US\$ 3 billion. So the translation impact of that – where would that gets reflected in the financials?

Anil Dhirubhai Ambani:

Yeah. As far as all are foreign exchange exposures are concerned, which are primarily driven for capital expenditure purposes, as per the Companies Act this will just be reflected in our capital account in terms of how we will account for the capital expenditure.

Zaharah Sheriff:

But why is that still not deployed, I mean you had cash also against that. So would that not -- I mean has this actually been deployed to fixed assets yet or... ?

Anil Dhirubhai Ambani:

Yes. I think it's on a continuous basis. We have cash both in dollars, as well as in rupees in our cash balances. And we still have a fairly conservative net debt to equity ratio and as and when the capex gets booked and committed, naturally the appropriate levels of foreign exchange rates are used appropriately in our capital account.

Zaharah Sheriff:

And also just one more thing, could you elaborate on the hedging policy if any that is being deployed?

Anil Dhirubhai Ambani:

Yeah. I think that by and large we use I would say a conservative framework in terms of both our imports and whatever are exports revenues in terms of service revenues. And you would appreciate that a large part of our capex is happened within last year and this year. And then we expect a substantial reduction downwards in capex and the intensity of capital expenditure over the next coming years. So we keep a fairly conservative framework both for exchange rates, interest rates and currency management across the company.

Zaharah Sheriff:

Okay. Thank you.

Operator:

At this time there are no further questions.

Anil Dhirubhai Ambani:

Thank you so much. And we will see you in next quarter.

Operator:

That does conclude our conference for today. Thank you for participating. You may all disconnect now.

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