



RELIANCE COMMUNICATIONS LIMITED

Registered office: H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai - 400710

Transcript of Earnings Conference Call for the Quarter ended June 30, 2012

Conducted at 12.30 pm IST on August 13, 2012

Operator:

Thank you for standing by and welcome to Reliance Communications' global earnings conference call on the Reliance Audio Conferencing platform.

This is Hema, the moderator for this conference.

At this time, all the 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 *1 on your telephone. Please be advised, this conference is being recorded today.

Today, we have the senior management team from Reliance Communications namely Mr. Punit Garg, Mr. Gurdeep Singh, Mr. Arvind Narang, Mr. Suresh Rangachar and Mr. Ashutosh Srivastava.

The call will begin with some key observations by the management followed by a question and answer session. I must remind you that the overview and discussions today may include some forward-looking statements that must be viewed in conjunction with the risks that the company faces.

I hand over the call now to Mr. Punit Garg. Thank you.

Punit Garg:

Thank you, Hema.

It is a pleasure to once again welcome you all to this earnings call to discuss Reliance Communications' financial performance for the quarter ended June 30th, 2012.

On Saturday i.e. August 11th 2012, our Board of Directors adopted the un-audited results for the quarter ending June 30th, 2012. The Media Statement, Quarterly Report and The Results have been uploaded on our web site and I hope you have had a chance to go through the same.

Let me start by sharing the key highlights of a very satisfactory quarter:

- **Revenue:** RCOM consolidated revenue stood at Rs. 5,319 crore, as against Rs. 4,940 crore, up by 8% year on year basis
- **EBIDTA** at Rs. 1,650 crore as against Rs. 1,602 crore, a growth of 3% year on year. RCOM consolidated EBIDTA margin at 31%, amongst the highest in the industry
- **Net profit** of Rs. 162 crore, against Rs. 157 crore in Q1 FY12

- **Wireless Revenue:** RCOM wireless revenue stood at Rs. 4,527 crore up 7% year on year on a comparable basis.
- **RPM:** Our RPM stood at healthy 43.1 paisa, amongst the highest in the industry.
- **GEBU Revenue and EBIDTA:** In our Global Enterprise Business Unit, we achieved revenue of Rs. 2,451 crore as compared to Rs. 2,292 crore, a growth of 7% year on year basis. EBITDA increased to Rs. 592 crore as compared to Rs. 564 crore, up 5% year on year. Global and Enterprise Business Unit contribute a very steady 36% of RCOM's business.
- **Free Cash Flow:** RCOM continues to be Free Cash Flow positive in this quarter. All major projects have been implemented and capex intensity is behind us. All future Capex requirements are only incremental in nature, and focused on network quality, capacity, enterprise data center and wireless data growth.

Let me now share with you the financial and operational performance of our wireless business:

- Wireless revenue for the quarter stands at Rs. 4,527 crore
- EBIDTA stands at Rs. 1,209 crore, up by 14% year on year on a comparable basis
- We have continued our increased focus on data: we now provide high speed data coverage in over 1,300 towns in India
- We serve 4 Mn active 3G customers, which is highest in the industry
- Our non-voice revenue contribution to overall revenues is at 20.2% and amongst the highest in the industry.

Data

- We continue to focus on enhancing wireless broadband penetration and maintaining our leadership position in providing wireless broadband products and services in the country.
- We are very positive about the data growth opportunity driving the revenue growth for Indian telecom industry going forward.
- Today, the data market is estimated to be around Rs. 7,000 Cr. and this is expected to grow over Rs. 35,000 Cr. in the next 4-5 years. We clearly see an additional data revenue market opportunity of Rs. 30,000 in the near future. This is likely to be approximately 60% of total incremental industry revenues over the next 5 years, and RCOM will be targeting a leading share in these revenues.

- We have led the Wireless Data Card market and are now focusing on the Wireless Mobile Data market.
- RCOM's network is "Built for the internet".
 - Given our asset base across 2G, HSD and 3G, we believe RCOM is best positioned to tap this data opportunity going forward.
 - Our 3G network has the capacity to deliver 21 Mbps across 13 circles
 - Our Common packet core will deliver a seamless experience across 1X, 2G, HSD and 3G
 - We have deployed e2e IP enabled across our transport + access and backhaul including microwave i.e. " Ethernet Super Highway"
- We believe that in the next 3-5 years feature phones would become marginal.
 - Smartphones, which are presently 15% of total handset sales, will grow to 80% by 2015.
 - We already have a tie-up with Google Android, which is having over 70% sales in India.
- RCOM continues to provide a nationwide seamless Wireless Broadband experience on its own network, in over 1,300 top towns across the country as of June 30, 2012, including key metros. This includes 333 towns in 13 circles (including Delhi, Mumbai and Kolkata) in 3G, and over 1,000 towns on our High Speed Data Network. This, coupled with our extensive 1X Data presence offering high quality internet connectivity in 20,000 towns, has positioned RCOM extremely well to take advantage of the expected rapid increase in data consumption across the country.
- We have a continued relationship with 36,000 large and small medium enterprise and 190,000 RKms of national fibre optic back-bone, further enhancing our capability to lead the Indian data market. The key pillars of execution of our data strategy include leveraging our infrastructure; providing innovative products and solutions in narrow band to broadband; and forging preferred partnerships with application developers and device makers.
- RCOM is also continuously focusing on making available 3G/ HSD devices at affordable prices to the consumers. In the past, we have introduced feature rich Reliance 3G and CDMA Tablets at very attractive price points. The market is witnessing an explosive growth in the Tab market, and with the launch of 'Reliance 3G Tab' and the 'CDMA Tab', we are now an established player with substantial market share of the Tablet market. Reliance, being the first telecom

operator in the country to offer Tablets on both, its 3G and CDMA networks, has now launched a new Android Tablet with exciting advanced features to further strengthen its leadership position. The Reliance 3G Tab is attractively priced at Rs. 14,499 and comes with attractive plans providing data and voice benefits, and is available at over 350 Reliance exclusive stores, and in leading retail chains in 13 3G circles and major e-commerce sites.

Voice

- We are focusing on accelerating GSM revenue growth, particularly in our 14 new GSM circles.
- We have now adopted a deeply segmented approach to maximize revenue growth in the coming quarters. During this quarter, we have adopted a differential approach for our
 - 900 MHz circles,
 - The metro markets of Delhi and Mumbai and other metro like markets
 - 1800 MHz circles in our emerging markets.
- We have adopted a localized approach and revamping the “GO TO MARKET” strategy in terms of
 - Products
 - Services
 - Retail engagements
 - Point of Sales visibility
 - GIS based distribution to map retailer productivity and profitability to improve our width & depth of distribution
- We have also worked actively to improve the range of our CDMA devices, and will launch a complete portfolio of mid range and Smart-phones.
- Post our Android tie-up which was promoted this quarter, there has been a significant increase of Android customers on our network.

We believe our Revenue Market Share will be enhanced through these several initiatives.

The industry has paid a high price to acquire 3G spectrum, and to roll-out the 3G network. In addition, the industry is bearing high interest costs, which are impacting the

bottom-line of the operators. However, by making these investments, RCOM has made its operations future proof, as far as spectrum and the network are concerned, and we are now fully geared to participate in the 3G/ data growth opportunity of the near future. The profitability of our business should be seen in the light of the above. You may recall that 2G networks started turning profitable only 8-10 years after they were rolled out. 3G is barely a one year old story and we are confident that the 3G/data growth story will contribute to future revenues and profits, just as we saw exponential growth in the voice segment of the Indian telecom industry in the past.

Let me now cover the non-wireless businesses.

Our Global enterprise business unit participates in Subsea business, Enterprise Data and Voice services, and has established a leadership position in each of its businesses.

Carrier Business

In subsea segment, the global business owns and operates the largest subsea cable system connecting 27 countries. We also own a metropolitan network connecting 45 cities across 25 countries.

- With explosive growth in smartphones, and launch of 3G and 4G, the internet demand is doubling every 18 months. This growth is faster in Middle East and Asia Pacific where we have a leading presence.
- The total global market is estimated at US\$ 3 billion (Rs 16,500 cr) per annum. At present, we carry approximately 12% of the world's data traffic.
- With no new entrants in the market due to multi-billion dollar capex involved, our growth will be at a faster pace in terms of capacity and revenue, year on year.

The first quarter of this fiscal year witnessed strong sales order booking in Carrier Data business. During the quarter, we have booked new sales orders of Rs 408 crores.

We have announced the service launch of the Al-Faw cable landing station (CLS) in Iraq, which was built in alliance with the Iraqi Telecommunications and Post Company (ITPC). With this development, we are the first private subsea service provider to connect directly to Iraq. The Al-Faw CLS will connect Iraq to all the key Middle East countries – Oman, Iran, Kuwait, Saudi Arabia, Qatar, Bahrain, UAE, Yemen, and Egypt – through Reliance Globalcom's Falcon submarine cable.

Built with an initial design capacity of 640 Gbps with two diverse routes, we have lit an initial 50 Gbps on each route to cater to the existing market demand. The two diverse routes are integrated into the Falcon network, thereby offering resiliency.

The compounding effect of rapid traffic growth requires carriers to make considerable investments to expand network capacity. In order to meet this demand, we have upgraded our global IP backbone and added 70 Gbps of additional IP backbone capacity, spread over multiple cable systems and network segments. In the near future, we are planning for an additional 30 Gbps IP capacity expansion. Deployment of high-end carrier-grade routers in key business markets in Asia, Europe, the US and the Middle East regions enables the company to offer economical and scalable services to its customers.

We are the largest International Voice traffic carrier in India and rank among the Top 15 in the world, carrying nearly 20 billion minutes on the network.

- We have an unmatched retail voice brand “Reliance Global Call” used by millions of customer to connect to family and friends.
- We are extending our Voice services to include conferencing and other Value Added Services.
- The Global Voice market is over US\$ 12 billion, and with less than 3% share presently, we expects to increase our market share, especially with Value Added Services.

In our Global Voice business segment, we are now connected to iBasis’, a growing IP eXchange (IPX) network. IPX offers a next-generation alternative to the public Internet. It provides the flexibility and efficiency of IP with the security and reliable quality associated with traditional TDM networks. This is particularly significant for Reliance as we transition to IP to improve quality, capture efficiencies and support new services, such as voice over LTE, IP videoconferencing, and HD voice.

With the forthcoming advent of LTE and other innovations in the country, we are confident that IPX will be an important component that will enable us to support and deliver the next generation of high quality voice and exciting new data services and provide a unique experience to our subscribers.

In the National Long Distance business, we have signed orders of more than Rs. 97 crore primarily from bandwidth sales to private service providers.

Enterprise Business

We are the #1 player in the Enterprise business in India catering to 850 of the Top 1,000 customers in India. In addition, we have the widest presence in the Small & Medium Enterprise customer segment, with over 36,000 customers.

- As you are aware, the Enterprise business is an approximately Rs 20,000 crore market in India, and this is expected to double to Rs 40,000 cr in the next 3 to 4 years.

- Enterprises are the heaviest data users and pay premium for reliable services. As a result, we enjoy the high EBITDA margin of more than 40%, which itself is higher by 1,000 to 1,500 basis points compared to competition.
- This is because we have created an unmatched end to end network comprising over 190,000 route kms of fiber; we directly connect over 1 million buildings; and we have the largest data center footprint in India with over 750,000 sq.ft..
- To put it in perspective, the Company's infrastructure base is higher than the rest of our competitors put together.

Across India, the US and Europe, we have received sales orders of over Rs 224 crores in Q1 FY2012-13.

The Enterprise service business continues to win big deals in India. We remain the preferred integrated solution provider for Enterprises and Multinational companies in India and abroad.

We continue to bring in leading edge services like Application Aware Networking, Managed Security services and Cloud based services like Managed Storage Software as a Service for our Customers. We have been awarded the Managed Video Conferencing Service Provider of the Year by Frost & Sullivan.

Our Q-o-Q success in the government vertical continued as we bagged an order to setup the Data Center for Department of Post and provide connectivity for Madhya Pradesh Border Checkpost Development Company. We have acquired several other logos in the Enterprise space across business verticals including renowned banks, IT & ITES and electronic OEMs companies.

We expect strong and continued growth in the Carrier and Enterprise space from both India and outside India. A strong sales pipeline in the carrier business driven by an increasing demand of bandwidth in Europe, Middle East and Asia will drive top line and profitability. The India business will continue to focus on winning key orders and projects in its key verticals, the Government and Financial services.

Capex:

With capex intensity behind us, we will continue to stretch and sweat our assets to produce higher productivity, and invest optimally in high growth areas like data services, to enhance value for all stakeholders. We are expecting to spend Rs. 1,500 crore on capital expenditure during FY13 and shall continue to generate free cash flows. All our future capex requirements will continue to be met through internal accruals.

To Summarise:

1. We continue to focus on the high growth and profitable data business, both, on GSM & CDMA platforms, leveraging our leadership position in the market place.
2. We have initiated a deeply segmented approach to maximize revenue growth.
3. We continue to maintain healthy RPM for the last 9 quarters.
4. We maintain a healthy trend in our Global Enterprise business, backed by robust demand for bandwidth, managed services and enterprise outsourcing
5. We continue to deliver strong margins at 31% EBIDTA and are FCF positive for the quarter.

Finally, I would like to emphasize that RCOM is looking forward with renewed optimism to achieve profitable growth across all its businesses.

Thank you.

And I would now like to hand you back for the Q&As.

Moderator:

Thank you Sir.

At this time, participants, if you wish to ask a question please press * and 1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request please press # or the £ key.

The first question comes from Srinivas Rao from Deutsche Bank. You may go ahead please.

Srinivas Rao:

Could you throw some light on two things, number one, how your EBIT margin has increased quite dramatically in the wireless business this quarter, on a quarter-on-quarter basis? And secondly, I have a question on the capex for the full year FY12. If I look at the last four quarters of cash flows versus the capex which is put in investment, then from a cash flow perspective your capex is almost more by Rs. 3,000 crores

compared to the Rs. 1,500 crores which is reflected in every quarter. So where is it different?

Arvind Narang:

Srini, is your first question on the EBIT margin?

Srinivas Rao:

Yes. At the segment level it has gone up quite dramatically. The EBITDA margin also has increased on a consolidated basis which seems to be on account of network cost, any light on that also would be helpful.

Arvind Narang:

The depreciation and amortization in the wireless business has reduced by around Rs. 124 crores. The reason is that, during the last quarter there was a one-time impairment on some of the assets. That has got normalized in this quarter resulting in reduction in the depreciation and thus increasing the EBIT margin for the wireless business.

Punit Garg:

On your second question on capex, the capex as per quarterly results indicate actual capex incurred by the company. However, in the annual account capex also includes CTR of overseas assets and notional foreign-exchange variations as per accounting policy.

Arvind Narang:

For the capex on Quarterly report versus the Annual Report you have to look at two consecutive years to get the correct picture. If you remember in FY11 we had spent Rs. 8,585 crores on the 3G auction. We also spent Rs. 4,300 crores on 2G and 3G deployment thus making a total capex of around Rs. 13,000 crores. But in the Annual Report we reported capex of around Rs. 9,960 crores resulting in a difference of over Rs. 3,000 crores, which is getting spilled over in FY12. That is why there is a variation with Rs. 1,500 crores reported quarterly versus around Rs. 5,800 crores mentioned in the Annual Report.

Moderator:

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

Vinay Jaising:

I have three questions here. Firstly when I look at your depreciation cost and I go back to the last two quarters and look at the comments then, you have mentioned it was net of reversal on account of change in SLM method for Reliance Telecom Limited otherwise the depreciation would have been higher in the last one or two quarters. When we are in a growth phase, how is the depreciation of the company reducing, and you did mention about impairment? What is the depreciation number going to be in the next couple of quarters? Is this a good base number or should the depreciation number have any one-off in this quarter? The second question is very similar but it is on the interest front. Last quarter you had an interest of about Rs. 579.5 crores, and that time you had CDB loans which were paid out. When you pay this loan and take other loans you would have to pay interest on them but this quarter your interest is only about Rs. 550 crores. Is there any element of forex or any element of other income in this as well or is this the run rate which we should take in the longer term? A sub-part of this question is your current liabilities which have moved up a lot and which is why your rupee loan in my eyes has been maintained as last quarter. When do you need to pay back those current liabilities? The final question I have is on tower. As per media, you addressed that you are going to list your towers in Singapore. Any update on that would be very helpful.

Arvind Narang:

On your question on the depreciation, referring to the last quarter earnings call discussion, we had mentioned that as per the MCA guidelines the life of the tower has been increased to 35 years which is in line with the other major infra and tower companies who depreciate over similar period of time. The other point which we had highlighted last quarter was that this is also to align the RITL policy with the parent company depreciation policy on the SLM method. There was also a minor impairment done in that quarter. That is the reason for the variation in the depreciation. Barring any

exceptional or extraordinary or one-time, the depreciation should normally remain in this range in the coming quarters. Your second question on the interest side, in Q4FY12 the net finance charges were around Rs. 580 crores and in this quarter it is Rs. 553 crores. This quarter's interest expense of around Rs. 550 crores is approximately 5.5-6.0% of the debt of the company. That is the range in which it should remain on a quarterly basis. Regarding your question on the current liabilities, the increase in the current liabilities is mainly on account of the notional provision for the foreign exchange fluctuations on the foreign currency monetary items.

Finally, on the tower side we continue to engage with the investors. We have mentioned that even earlier, and at an opportune time if we find the market and the opportunity, we will do it. We have also mentioned earlier that we don't need the proceeds for our operational cash flow but, we will use it to deleverage RCOM.

Moderator:

Next in line we have Rajiv Sharma from HSBC Securities. Please go ahead.

Rajiv Sharma:

My question is regarding the Capex. When most of the companies, particularly Bharti adding a lot of towers, we do not see a capex intensity at your end. Moreover, if I am correct, the number of BTS which you have is close to 52,000 of GSM versus 120,000 what Bharti has. I agree that there are some balance sheet specifics which prevent you to do additional capex with this kind of investments in tower but, will you be able to achieve the desired growth of 12-15% revenue growth and improvement in margins? Is that indicating that the only option with you is tariff discounting and maybe data cards, or am I missing something?

Gurdeep Singh:

When we set out on the rollout of the 3G we took it as a single project and we expanded our network in one go. That intensity of the first phase of our 3G rollout is behind us and we are now beginning to experience traction on our network, and as and when we

approach reasonable utilization we will A) look at enhancing and augmenting capacity and B) further roll out in the area of 3G. Coming to your question on 2G, we strongly believe that there is an overcapacity in the industry and you can still meet your requirement of geographical expansion by leveraging on to the capacity held by others through intra circle roaming arrangement. We have already begun action in this direction. We have a partner with whom we are working right now on a bilateral basis and going forward we wish to strengthen this area to achieve our desired goal of GSM 2G coverage.

Rajiv Sharma:

Just a follow-up there. Could you help us with your 3G BTS numbers and also give us some color on how many BTS you have on 2G and with which operator?

Gurdeep Singh:

In 3G we have over 11,240 base stations radiating at this moment. This was a part of our phase one exercise. We have only added about 200 base stations in the last quarter. We have already done an intra-circle arrangement with Aircel which is already on ground on a bilateral basis and we are exploring with the other partners as we speak.

Rajiv Sharma:

So does it mean that the Aircel GTL towers are also on to that consideration or it is only Aircel owned towers which are some 3,000 odd numbers?

Gurdeep Singh:

Let's not get into the specifics but it could be a mix of both.

Rajiv Sharma:

I did not get the understanding on the capex, the Annual Report difference and the quarterly difference, if you can just run through that once again please?

Arvind Narang:

For the capex, you have to look at two consecutive years to get the correct picture. If you remember in FY11 we had spent Rs. 8,585 crores on the 3G auction. We also spent Rs. 4,300 crores on 2G and 3G deployment thus making a total capex of around Rs. 13,000 crores. But in the Annual Report we reported capex of around Rs. 9,960 crores resulting in a difference of over Rs. 3,000 crores, which is getting spilled over in FY12. That is why there is a variation with Rs. 1,500 crores reported quarterly versus around Rs. 5,800 crores mentioned in the Annual Report. There is also a small variation because of the CTR of our overseas assets and notional foreign exchange variation impact. However that could be a very small difference. You have to combine both the years to see the collective picture.

Moderator:

Next in line we have Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora:

The net additions during this quarter have been weak for the company so just wanted to get your views on the reasons for the same. And can you just share some views on how is the competitive intensity in the market and how have the trends been in terms of marketing and dealer commission side?

Gurdeep Singh:

As you would have noticed from the net additions trend line, the net additions over the period have been coming down for the industry. For us it is because we are beginning to focus on quality of acquisition and quality of net additions. Second, I did mention that we have segmented our market particularly the GSM market into three areas, the 900 MHz, second is metro-like markets and third is the emerging circles in order to align our go-to market strategy be it products, services, dealer margin, dealer engagement and the distribution. So it is the cost which has been optimized across these three verticals and we do not see any intensity of increase in the spend on those areas.

Kunal Vora:

Just a follow-up on this, do you think there is enough juice left in the 2G space and the voice space? Have you seen market saturations in most of your markets?

Gurdeep Singh:

There is a juice left in the voice market. The question is, how sharply you can segment your customers, create products and solutions which excite them. We have taken lot of initiatives in this regard to create exciting products for the consumers, be it in the voice or data and we are beginning to see a traction in that direction. However, there are some market opportunities that may exist. For example, Uninor is on record wanting to exit four markets and we are well positioned in those three Southern and one Orissa as a market to capture the voice growth.

Kunal Vora:

Finally how are you approaching the upcoming spectrum options, do you require any spectrum or you would just sit on the sidelines?

Gurdeep Singh:

If you scan our license renewal you will recollect that our earliest renewals are in December 2015. Hence we do not see any meaningful outlay with respect to the spectrum requirement over the coming three years unlike other incumbent operators who have major metros and A&B category circles coming up for their renewal.

Moderator:

Next in line we have Rahul Singh from Standard Chartered. Please go ahead.

Rahul Singh:

I have two questions firstly, is it possible to share how much is the data or value-added services as a percentage of your wireless revenues. And second question is on the capital work-in progress, while it has been coming down its still very high around Rs.

5,000 crores, now that all your capex is done and you are saying that it is a fairly mature network what exactly is it and when you do we expect it to reduce?

Gurdeep Singh:

To answer your first question our non-voice revenue contribution to the wireless revenue now stands at 20.2%, highest in the industry, versus the previous quarter where it stood at 19.9%.

Arvind Narang:

CWIP actually has been coming down as you rightly mentioned. In the last quarter it decreased by around Rs. 3,500 crores but Yes, it is still there. This is because we are currently looking at the projects which are related to our transport network or our backhaul network which are part of our Phase-2 expansion which is going to happen on the 3G side where significant amount of this would be utilized to increase our transport and the backhaul capacity, and there is some CWIP which is related to the towers as well and as we expand more towers based on the requirements of the business that may also get utilized.

Rahul Singh:

Would it be fair to say that bulk of it would be right now unused backhaul or backhaul which has not been commissioned?

Arvind Narang:

Largely Yes, but we will use it in some of the other cities as we expand from the top 330 cities which we have already launched on the 3G side. There is a part of CWIP which is also linked with the IDC expansion which is going on.

Moderator:

Next in line we have Ganesh Duvvuri from Edelweiss Securities. Please go ahead.

Ganesh:

My first question is based on your strategy of accelerating growth in the GSM services. How do you plan to achieve that, you have alluded to Uninor opening up some of the market. Should we expect you to be more aggressive, so far you have been focusing a lot on margins and RPM, should we expect any dilution in RPM in terms of market share increase and acceleration in growth? Second question is on the 3G usage, any color would be helpful in terms of what is the incremental ARPU, what is the usage in terms of MB that the customers are consuming and what are the kinds of applications they are using?

Gurdeep Singh:

Let me answer your first question. As you would see that we have 900 MHz which we call the RTL circles and then we later acquired 2G spectrum in 14 other circles which have been rolled out over the last 3-4 years. If you look at our GSM positioning in the market we have a different position and a different relative market share in different markets. So we are very clear that one-size-does-not-fit-all when you approach the 2G GSM go-to market strategy. So what we have done is we have looked at our competitive positioning, our CDMA strength in that business, and our 3G presence of the network, put that together into the opportunity of the market size that exists, and re-calibrated our entire go-to market which is nothing but an optimization of our efforts between 900 MHz, metro circles and the emerging circles. To answer your question straight whether there will be an issue on the RPM dilution going forward, I would say it is more of an exercise to do optimization of our efforts and grow our usage, nothing short of taking a circle as a country strategy.

Ganesh:

So would you be looking at migrating the high end CDMA customers to GSM as well?

Gurdeep Singh:

We at this moment are strengthening our CDMA ecosystem. We have partnership with Samsung where we have launched some proprietary handsets and we are already beginning to see in a global ecosystem lot of CDMA smartphones coming up. Our efforts would be to migrate our customers to a better device as we go forward as they continue to enjoy excellent coverage and a data experience on CDMA. The 3G usage, I will not be able to share specifics but I can share with you the fact that we now have 4 million active 3G customers which makes our total data usage customers on the network as 24 million with an average consumption of 240 MB.

Moderator:

Next in line we have Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra:

If I look at the Others segment the top-line has actually de-grown this quarter and I believe that most of the Others segment relates to the DTH business. Could you just explain how the revenues have fallen quarter-on-quarter in this segment?

Arvind Narang:

There is a small decrease in absolute numbers, though the DTH business has increased. The Others segment income also includes revenues from our Retail stores and also the Reliance Tech Services and so on. There is a small variation which is causing the minor reduction in the Others segment revenues but, DTH business has grown.

Moderator:

Next in line we have Paras Mehta from Goldman Sachs. Please go ahead.

Paras Mehta:

I have a question on the competitive outlook. Now with the incumbent operator getting more aggressive recently how should we expect RCOM to respond if the tariff competition intensifies in the coming quarter?

Gurdeep Singh:

We have always maintained a competitive position in the market and we will continue to do so. What I can add here is that, if you look at what we are doing in the 2G GSM space which is to have a circle as a country strategy, go by the thrust of our market share presence, CDMA strength and look at our GSM catch up that we need to do, so we are more than open to playing a strategy that suits more for the system and to the level that it needs to be competitive to garner more than fair share in the market.

Moderator:

Next in line we have Srinivas Rao from Deutsche Bank. Please go ahead.

Srinivas Rao:

Would you have an estimate or your view on your revenue share on the data side relative to your voice customers, your RMS on data would be helpful? Secondly the intra-circle roaming which you mentioned, just wanted to clarify, does that include sharing of active infrastructure, the BTS', or it is just the towers?

Gurdeep Singh:

I will answer your question. As I said in the opening speech that data revenue market today is estimated to be around Rs. 7,000 crores out of the total Rs. 135,000 crores of the total mobile services industry. Going forward, five years from now, we may see a whopping increase of Rs. 30,000 crores delta being created in the data revenue and we believe that given our asset base and given our thrust on the data market, given our position on the data card access market and now focusing also the wireless handheld market, we are well positioned to garner a significant share in the segment and that is our thrust and that is our core drive going forward besides building up the voice capacity utilization through a segmented approach. On the intra-circle roaming it is pure bilateral sharing between the two operators on the existing infrastructure of both the operators.

Moderator:

At this time there are no further questions from the participants. That concludes our conference for today. Thank you for participating on Reliance Conferencing Bridge. You may all disconnect now.