RELIANCE COMMUNICATIONS LIMITED

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Transcript of Earnings Conference Call for the Quarter ended March 31, 2013

Conducted at 12.30 pm IST on May 13, 2013

Moderator:

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

This is Mamta, 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. Gurdeep Singh, Mr. Punit Garg, Mr. Arvind Narang and Mr. Hasit Shukla.

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. Gurdeep Singh. Thank you.

Gurdeep Singh:

Thank you, Mamta.

It's a pleasure to once again welcome you all to discuss Reliance Communications' financial performance for the quarter ended March 31st, 2013.

On Friday, May 10th 2013, our Board of Directors adopted the audited results for the financial year 2012-13 ending March 31st, 2013. 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 this quarter:

- **Revenue:** We are happy to share that RCOM's fourth quarter consolidated revenue stood at Rs. 5,956 crore, as against Rs. 5,301 crore, up by 12.3% quarter on quarter basis

- **EBITDA** at Rs. 2,218 crore as against Rs. 1,653 crore, a growth of 34.2% quarter on quarter. RCOM consolidated EBIDTA margin at 37.2 %, amongst the highest in the industry

- **RPM:** Our RPM continues to be healthy at 44 paisa, amongst the highest in the industry.

- **Non-voice revenue:** Our non-voice revenue contribution to wireless revenues is at 21% and amongst the highest in the industry.

- **GEBU Revenue and EBIDTA:** In our Global Enterprise Business Unit, we achieved revenue of Rs. 2,466 crore as compared to Rs. 2,454 crore with an EBITDA of Rs. 569 crore.

- **Free Cash Flow:** RCOM continues to be Free Cash Flow positive in this quarter. Against EBIDTA of 2,218 crore, RCOM invested 341 crore on CAPEX during the quarter, and as has been mentioned in the previous calls, the peak of capex intensity is behind us. RCOM has already pre-invested in a strong fiberized transport & backhaul network and future Capex requirements would mainly focus on network quality, capacity enhancement, enterprise data centers and wireless data growth.

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

- Wireless revenue stands at Rs. 4,626 crore up by 2.5% quarter on quarter basis

- Wireless EBIDTA at Rs. 1,233 crore up by 2.3% quarter on quarter basis

- We are increasingly focused on data growth, and as such provide high speed data coverage in over 1,300 towns in India

- Our data focus have led us to serve 29.4 Mn. data customers out of which 7.2 Mn are 3G customers, highest in the industry

- Total data usage on our network at 27,240 Terabyte and data usage per sub at 319 MB, still remains the best and highest in the industry.

I will now briefly talk about current status of Indian Telecom Sector. Spectrum auction was one of the important events in the past few months. The spectrum auction in November 2012 saw weaker than expected participation while the March 2013 auction witnessed negligible participation from the industry players. This clearly demonstrates the operators' point of view that the reserve price for the spectrum is exceedingly high and economically unjustifiable. Most of the operators hence stayed away from the auctions and are awaiting a feasible spectrum price that justifies participation in future auctions. The recently concluded 800 MHz auctions saw Shyam Sistema as the lone bidder, limiting its participation to only 8 circles.

Since the February 2012 SC judgment ordering the cancellation of 122 licenses issued post-2008, eight telecom operators have either shut down completely or curtailed operations to fewer circles. This has opened new revenue opportunities for Pan India players including RCOM to gain incremental Revenue Market Share.

Despite low tariff pricing in India, which is one of the lowest in the world, the telecom industry is facing high input costs thus pushing tariff rate upwards. The market driven spectrum pricing is far expensive as compared to the rates at which spectrum was allocated earlier. With increase in input costs like spectrum, power & fuel, etc., the cost to produce a minute is only increasing, which will have to be passed on to the consumer. This will lead to an inevitable increase in tariffs. Alongside, we also expect that the current phase of consolidation will reduce the competitive intensity and will bring more pricing sanity in the market place. The stabilizing competitive landscape, coupled with new initiatives to bridge gap between headline tariffs and realized rate per minute, by removing free and discounted minutes, will allow industry to bring back the pricing power and consolidate RPMs going forward. This effort is further boosted by increasing the headline tariff, and removal of per second billing & lifetime validity plans. Operators are rationalizing channel commission and drastically reducing acquisition cost leading to reduction in churn and eliminating price hopers having multiple SIMs.

However, on the devices front, India has less than 10% smart-phone penetration as compared to 35-40% in other developing countries, India needs to do a lot in catching up with data products and services resulting in substantial contribution from data in overall wireless revenues. However, calendar year 2013 has begun on a positive note for the handset ecosystem with the launch of affordable smart-phones. Leading global brands have introduced attractive buying options including discounts and EMI schemes for their flagship products in order to attract large middle class segment to adopt data service and start exploring fast internet experience on high speed data networks.

Update on Wireless Business and new initiatives: As mentioned in my previous address, RCOM in the last few months have taken various initiatives in various phases starting with retail engagement, aligning our organization structure with our "Go To Market" strategy, harmonizing our technology platforms, etc. These initiatives have started showing early positive signs and RCOM shall move towards improving its incremental Revenue Market Share in coming months.

RCOM is leading in provision of wireless broadband services in the country with its unparalleled Pan India wireless broadband network covering over 1,000 towns on high speed data and 333 towns on 3G in 13 circles including key metros of Delhi, Mumbai & Kolkata.

During the second quarter this fiscal, RCOM raised Pre-paid tariff by 25% across GSM and CDMA platforms. We have now completed migration of most of our customer base to headline tariffs of 1.5 paise per second. Very recently, we have furthers raised our Pre-paid tariffs by 20% across India on both GSM and CDMA platforms in order to enhance RPMs and bringing in more profitability. We have reduced promotional & concessional offers by as much as 65% and increased base line tariffs by 20% across all commitment plans, which are being used by a large part of our customer base.

RCOM is continuously working towards creating a healthy ecosystem for data services through 3G and High Speed Data networks, forging relationship with leading global brands for bundling of data products & services on both GSM and CDMA platforms, and entering into exclusive partnership with social media networks.

In the past we have launched proprietary GSM and CDMA tablets at a very attractive price points and tied up with leading handset providers to launch CDMA smart-phones at affordable prices. In continuation, this quarter RCOM entered into exclusive partnership with Lenovo to launch a complete range of smart-phones across screen sizes and processor speeds. These phones will be attractively priced and will work on CDMA and GSM network simultaneously using RCOM's 'Dual Core' network advantage that switch calls between the two networks automatically based on the strength and quality of RF signals.

In addition, we have also forged relationship with leading handset manufacturers like HTC, Blackberry, etc. in order to provide innovative products and services on our "Built for Internet" network.

Subsequent to our exclusive partnership with Google for Android platform, we had announced more partnerships and unique plans in the market including exclusive partnership with "WhatsApp", "Facebook Messenger", etc. Recently, we entered into a partnership with Twitter in India to launch a first of its kind bundled prepaid plan 'Reliance Twitter Access Pack' for all Reliance GSM subscribers in the country. Through this partnership, Reliance Communications becomes the first telecom operator in the country to partner with Twitter in India on the new 'Twitter Access' program.

RCOM currently serves 29.4 Mn. data customers on its network, out of which 7.2 Mn are 3G customers. Total data usage on our network has grown 21% quarter on quarter and stands at 27,240 Terabyte, which is highest in the industry. The large traction in data usage is coming from higher usage on social media sites such as Facebook, You Tube and What's App. Our tie up with Facebook and WhatsApp is also helping us in 'first timers' accessing limited data on their mobile in the initial days and later on becoming a full-fledged data customer. Hence our strategy of giving 'a teaser' at low cost to our customers of our superior HSD & 3G network and converting them into higher revenue generating data customers is working well.

New partnerships at RCOM:

RCOM has undertaken key strategic initiatives on asset utilization, cost improvement and to improve overall operational efficiency.

- RCOM has entered into long term agreements with Alcatel-Lucent and Ericsson for end-to-end managed services contract. These partnerships will further improve network performance and customer experience by offering Next Generation telecom solutions across multiple devices and platforms. Through these agreements, we are aiming to achieve cost effectiveness by introduction of next gen processes, tools and integrated management. This will help us in creating a leaner organisation, moving ~9,500 employees to partner's rolls, providing them with global opportunities. This will also reduce Investment risks with pre-defined costs, targeted towards enhancing customer experience. The contracts will deliver world-class, seamless voice and data communications services to RCOM customers. Alcatel-Lucent and Ericsson will enhance RCOM's operations and synergize independent wireless and wireline teams to form a single network management organization.

- Recently, we have unveiled plans to expand our network significantly through strategic 2G GSM Intra-Circle Roaming agreements with existing operators, offering our customers wider coverage and uninterrupted service across the country. These arrangements will help in a fast-paced expansion of RCOM's GSM network footprint at no extra cost, optimize Capex and Opex spends and allow the Company's customers a seamless roaming experience on partner networks. In addition, increased capacities will significantly improve both outdoor and in-building coverage, providing RCOM customers with an enriched mobility and data experience.

  The first such arrangement with Aircel offers RCOM customers seamless mobility and a wider footprint, while providing an impetus to the Company's yields, both in terms of revenue market share and customer market share.

  These ICR agreements will increase RCOM's national 2G GSM network foot print by 10,000 base stations and bring in an addressable market of over 150 million pops, adding up to a market opportunity of over Rs 10,000 crore. All agreements with existing telecom operators are likely to be completed by the end of the second quarter of the ongoing financial year.

- RCOM signed an agreement with Reliance Jio Infocomm Ltd. for approx. Rs. 1,200 crore as one time indefeasible right to use (IRU) fees for sharing RCOM's nationwide inter-city fiber optic network infrastructure. Under the terms of the agreement, Reliance Jio Infocomm will utilize fiber across RCOM's 120,000 kilometers inter-city fiber optic network to provide a robust and future-proof backbone for rolling out its 4G services. RCOM will in turn have reciprocal access to optic fiber infrastructure to be built by Reliance Jio Infocomm in the future. This agreement is the first in an intended comprehensive framework of business co-operation between Reliance Jio Infocomm and Reliance Communications to provide for optimal utilization of the existing and future infrastructure of both companies on reciprocal basis, including inter-city fiber, intra-city fiber, towers and related assets.

Now, let me hand over to my colleague Mr. Punit Garg to cover Global Enterprise Business.

Global Enterprise Business

Global Enterprise Business Unit has seen good traction in Q4 2013 with a new order booking of approximately Rs.900 crore.

Carrier Business

Our Carrier business continued its strong performance with order booking of over Rs. 480 crores.

One of our biggest milestones achieved this year was the activation of Hawk cable system in Egypt, which interconnects with Falcon at Suez and it's seamless integration with our global network. The 4-fiber submarine cable system spanning 3,600 kilometers has an initial lit capacity of 200 Gbps. Designed with two routes – an express route between Marseille in France and Alexandria in Egypt and a local route, with a spur to Yeroskipos in Cyprus, Hawk represents the first-of-its-kind global Mediterranean Gateway and Hub in Europe, connecting the Middle East like never before. It extends connectivity further to London, Paris and Frankfurt through our European terrestrial network and has the potential to enable 20 Tbps of capacity in the Mediterranean region, when fully lit. Hawk has the lowest latency connectivity offering high-speed diversity between Europe and the Middle East / Asia, supporting high bandwidth intensive applications. The Trans-Egypt backhaul in the form of two separate paths, fully diverse from FEA routes, ensures high reliability. The Hawk cable system demonstrated exceptional high resiliency, carrying 180 Gbps of data during the recent cable cut off between Egypt and India.

In another key achievement Reliance Globalcom's Trans-Atlantic submarine network FA-1 was upgraded using 100G technology, making us the world's first and only service provider to upgrade with 100G on this route. The upgrade enabled new high-speed, low latency 100GbE and OTN-based client services to be supported on our FA-1 network. Carrier class Ciena platform has been deployed with an initial lit capacity of 400 Gbps (upgradable to 22 Tbps) to address future bandwidth demand between Europe and the US. With the upgrade completed, we delivered the first commercially available 100 Gbps circuit between Paris and New York, on FA-1 South, to one of our large carrier customers in the US.

The compounding effect of rapid traffic growth requires carriers to make considerable investments to expand network capacity. In order to meet this demand, we successfully upgraded our global Transmission and IP backbones, spread over multiple cable systems and segments. Deployment of high-end carrier-grade Juniper routers in key business markets in Asia, Europe, the US and the Middle East regions enabled us to offer more economical and scalable services to our customers.

The International Voice segment continued its robust growth; traffic has grown by 8% on YoY basis driven by increase in inbound traffic. We continue to grow leaps and bounds in Asia where our traffic has grown by 23% on a YoY basis. Our Single Board Number (SBN) service has grown by 14% on QoQ basis with increased demand from enterprise customers. In the National Long Distance business, we have signed orders of more than Rs. 71 crore primarily for bandwidth sales to private service providers.

We have crossed 300 plus customers in Reliance Global Call Enterprise segment and expecting to grow the numbers further. We are working closely with Global Enterprise and India Enterprise sales team to leverage their reach. RGC Enterprise service is currently available in 11 countries - USA, UK, Canada, Australia, New Zealand, Singapore, Spain, Belgium, France, Netherlands and India. In addition our SIP Trunking calling option has been recently introduced to offer customers more convenient options for all their International calling needs.

Enterprise Business

In Enterprise business, we achieved record Q4 sales of over Rs 420 crores.

We launched India first, Pay per Use model for Data Centre business. With this we continue to maintain our leadership position in Data Centre business, not only in terms of market share, but also in terms of Technology and Innovation.

We continue to strengthen our focus on the SMB market through the success of new flavor of VPN as Connect PrimeTM, launched last quarter. With 'Connect PrimeTM' we strive to provide the most cost optimized and efficient connectivity option to our growing SMB and Enterprise customer base. We have added over 6000 orders of Connect PrimeTM including several big Logos like SBI, Godrej, ICICI Bank, Café Coffe Day to name a few.

Our Q-o-Q success in the government vertical continued as we bagged order from UID authority of India, MP SWAN and MP-SCADA, Webel, Corporation Bank of India and many others. We added several news logos in the Enterprise space across business verticals including financials, IT & ITES, Manufacturing and Media & Electronics.

Going forward we would continue to focus on providing the best service, technology and products to our customers both in the Carrier and Enterprise space. We would leverage our proven expertise in India and outside India to gain more wallet share of existing customer and increased revenue share with new logos.

CAPEX guidance for FY'14:

We have budgeted Rs. 1,500 Crore towards capital expenditure during FY'14 mainly on enhancing coverage & data capacity on its 2G, 3G and High Speed Data network, building additional capacity in data centers, providing fiber optic backhaul on greater number of sites. Now, we are emphasizing more on sharing network with like-minded operators in order to give our customers better network experience.

To summarise, let me reiterate:

- Industry is witnessing virtual consolidation leading to stabilizing competitive landscape and prudent market behavior by operators
- Pricing power is coming back with operators with reduction in promotional minutes and increase in headline tariffs leading to improvement in RPMs
- 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
- We have once again rationalized Pre-paid tariffs this quarter by significantly removing free minutes and increasing base tariffs by 20% in all our commitments plans in order to enhance RPMs and bringing in greater profitability
- We continue to enter into strategic alliances and partnerships to enhance device ecosystem, providing easy access to social networking, expansion of network and enhancing asset utilization.

Finally, I would like to say that RCOM will pursue strategies that shall help the company to achieve profitable growth through innovative product portfolio, forging partnerships & alliances, superior network experience and customer centric approach.

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

Moderator:

Certainly Sir.

At this time participants who wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced.

First question comes from Mr. Sachin Salgaonkar from Goldman Sachs. You may go ahead please.

Mr. Sachin Salgaonkar:

Hi, thank you for the call. I have three questions. My first question is on your revenue per minute. I understand RCOM is one of the first operators in the Indian telcos to have raised headline tariffs, but yet when we look at the revenue per minute it is not getting reflected into your RPMs, so any color you could provide, when we could see the benefits coming from various headline tariff hikes and the free minutes curtailing which RCOM is doing? That is question number one.

My second question is, could you provide any data points with respect to revenue break-up as in, how much of your revenues currently is coming from CDMA, GSM, and how much from data, and how do you see that trend changing over a period of 12-18 months?

And lastly, what are RCOM'S thoughts associated with the one-time spectrum payments, as you know it is in the newspapers that one of your CDMA peers returned the CDMA spectrum apart from two circles, so just wanted to understand RCOM'S thoughts.

Thank you.

Mr. Gurdeep Singh:

Thanks Sachin and wonderful to have you on the call.

So, let me take up your second question first and that should give you a flavor. For the first time we are going to share some revenue break up with you. If you look at the wireless growth, yes it is 2.5%, but if we dissect it and say what is the growth of our GSM and data business, which are the two growth engines identified at RCom; so, GSM business plus any internet revenue that we get put together now constitutes 64% to the wireless revenue. What was it one year ago? 59%. So, over a year's time in the four quarters we have moved 500 basis points as a contribution coming from GSM and data to the overall wireless revenues. It's happening because sometime in the middle of last year we changed course, we aligned the go-to-market strategy purely spectrum led, we divided the Indian markets from a GSM construct basis into 3G metro, 3G lit markets, and non 3G markets. We also identified our positioning with respect to revenue market share and customer market share, what our pricing needs to be, what our branding elements have to be, and what our organizational capabilities and distribution franchisee needs to be. So, we have put the entire marketing mix and go-to-market elements differently for all the three boxes and continued to pursue our traction in the market. I am very happy to share that it is beginning to pay off. So, that is one result of the fact that our GSM and data revenue contribution from being 59% to the wireless a year ago now stands at 64%, and quarter on quarter we are seeing this share go up. We visualize that this will continue to be the significant part of our revenue and our growth engine. We had consciously taken a call about 4 months ago and said that we are going to convert the CDMA network to a high speed data network by being a dominant player in the wireless broadband access large screen format market, which is largely dongles, and make a sincere effort, now that the chipset technology has enormously changed, to bring the branded handsets into the CDMA smart phones. In that pursuit we first tied up with Lenovo and we are ready to launch a couple of models this quarter, and you will see our initiatives taking place with HTC, we are making our efforts with BlackBerry, and you will see us making a number of more announcements in developing the ecosystem of our CDMA handsets. What's good about the CDMA device ecosystem is that it is coming as a C+G, CDMA plus GSM, and in future we do not rule out the possibility of rolling out HSD+GSM-CDMA phones, or dual core phones. Our idea is to lower our dependence on pure play CDMA voice customers and going forward we want to convert the CDMA usage to high speed data or dongles and smart phones, hence we will be undertaking a lot of migration plans which we are already doing, converting CDMA customer to GSM or within the CDMA upgrading them to the CDMA+GSM customer. So, I am very happy to share that our change in the strategy is beginning to pay off, and it's just been a one full quarter of implementation as we started that in the September October last year. So, last quarter it was the first full quarter impact. We are very-very overwhelmed with the response that we are getting.

Secondly, on the RPM, we had changed the headline tariff in the end September, early October. We had said that time that to migrate the entire customer base into the new headline tariffs would take 4-6 months because people buy different plans. We completed this exercise by the third week of April. . So now all our customers are on headline tariff. Secondly, it was natural as a corollary to follow from having completed the headline tariff to change the commitment plans. Our commitment plan tariffs have now been increased anywhere between 20-30% as you have seen it, and in large CUG plans or large on-net plans where we had high number of abusers, we have cut down the free or promotional minutes by as much as 65%. We believe the combination of the two, as this exercise will take again another 3 or 4 months, will really help us harden or sharpen our RPMs as we go forward. Having said that, if you were to ask me are we beginning to see the effect of the RPM on the network? Yes. We have been able to hold and harden the RPM on the backdrop of lot many operators shutting down their circles, be it in CDMA or in GSM. There was obviously a case for a good land grab at that point in time, and in land grab you don't change the consumer plans or the plans that they are used to. We have made all possible efforts to get consumers as much as we can out of the land grab at the price plans that they were used to under our MNP program. I think from the early signs of this quarter and going forward we do not rule out the hardening of RPM in line with also the traffic increase. Having said that Sachin, let me also share some more statistics which could be useful to derive this analysis. We have nearly 6 lakh abusers on the network. These abusers use anywhere between 4,000 to 5,000 minutes in a month, virtually impossible for a human being, so they really abuse the system by connecting to call centers, etc. It is our endeavor to correct these commitment plans by cutting the usage dramatically down because most of them use larger plans, 6 months or 9 months plan. We don't mind losing these customers because they are really pulling the RPM down and company's traffic goes down. So, going forward if you minus the abusers and if you look at the balance of the network, I am happy to state that our traffic is rising sharply and our RPMs are also holding good. So, once we get these abusers out of the system you will see the complete correction on the RPMs that will take place. So, that is some insights that I wanted to share. So, that is the second point.

Third point, on your one-time charge. Look, we have been legally advised and that is why we approached the Honorable Courts that we have a contracted spectrum coming under the licensed conditions being 6.2 MHz for GSM and 5 MHz for CDMA, and we hold that position and I will not be able to comment further because the matter is sub-judice in the Honorable Courts.

Hope I have answered all your three questions.

Mr. Sachin Salgaonkar:

Yes, Gurdeep, thanks a lot for those detailed answers, really appreciate it. One small follow up question, I understand your GSM + Internet revenues are roughly 64%, and I guess the internet is more like dongles + smart phones, so could you provide any color or break up in this 64%, what is more dominant, is it the GSM or is it the internet which is the dongles as well as smart phones?

Mr. Gurdeep Singh:

Sachin, there are two parts. Let me answer this question in two parts, and I forgot and my sincere apologies. The GSM + Data, which is 64% of our wireless revenues has grown last quarter 6% quarter on quarter. I forgot to mention that. And if you look at the trajectory of this growth over the previous four quarters, we have been ahead of the industry growth in this segment in the last three quarters. In Q2 we gained 100 basis points on revenue market share, then we grew in the last quarter, October-December, and we grew again in January-March. The point I want to make is that RCOM is on an accelerated growth path, we have left behind our declining phase that you witnessed for 8 to 12 quarters, and we will only get better and better as we go forward. Having said that, our large part of the revenue comes from 2G internet, which is the GPRS users, dramatically growing 3G customers, and in light of some of the operators, I will not name them, who have given up the circles in the CDMA spectrum or have reduced their spectrum holding dramatically, is also unleashing new market opportunity for our CDMA spectrum which we believe, we have been advised legally that our contracted spectrum is 5 MHz which we are holding onto right now. We believe there is a great window of opportunity and we are beginning to see the traction in that direction. So, if you put that together, GSM + Data, surely the quarter on quarter growth will be exponentially high on the data, but GSM continues to grow handsomely and beat any market leader in terms of its growth quarter on quarter. So, going forward we see the mix continues to change favorably of the entire wireless revenue towards GSM + Data and continue to lower our dependence on pure play CDMA voice business, which I am sure you will agree is a stressed ecosystem, and we will make further attempts to reduce the dependence either by migrating them to GSM, or upgrading them to CDMA smart phone.

Mr. Sachin Salgaonkar:

Got it. Thanks a lot and all the very best.

Mr. Gurdeep Singh:

Thanks Sachin.

Operator:

Thank you sir.

Next question comes from Reena Verma from Merrill Lynch. You may go ahead please.

Ms. Reena Verma:

Hi. Thank you very much for the call. Just a couple of questions. Firstly, I just wanted to understand your free cash profile on a full year basis, if you could please share with us whether you have generated free cash on a full year basis, and just walk us through the numbers please.

My second question is about the fiber sharing deal that you have signed with Reliance Jio, should we factor the entire Rs. 1,200 crores as your EBIDTA for first quarter of fiscal 2014? Have you received the money? And, I know that in the global business you had changed your accounting policy for IRU about a year ago or thereabout, so I guess you will recognize the entire revenue at one shot, is that right?

And finally, on the tariff increase that you have announced or the tariff changes, the 3-4 months that you suggest it might take, is that just the execution time to put through the changes or what is it that will happen during those 3-4 months before we start to see the impact, or is it the time line of recharge of different subscribers on your system and hence you think it will take 3-4 months? I would appreciate some clarity on these aspects.

Thank you.

Mr. Gurdeep Singh:

Thanks Reena. I will ask my colleague Arvind Narang to respond on your free cash flow.

Mr. Arvind Narang:

Reena, if you look at our annualized EBITDA on a regular basis it has been in the range of around Rs. 6,500 crores, capex spent is around Rs. 1,550 crores. In the last fiscal year FY13 we have made interest payment of around Rs. 2,500 crores, that makes the total around Rs. 4,000 crores, and barring some change in the working capital you have around Rs. 1,500 crores approximately, which is coming out as free cash flow. And very recently, on May 10th, RCOM has made the full repayment of one of the ECB facility of half a billion dollars or Rs. 2,700 crores on its due date. So, does that answer your question?

Ms. Reena Verma:

Thank you Arvind, I am unable to tally the free cash numbers which you just said with the net debt increase on a year on year basis.

Mr. Arvind Narang:

There is no increase in net debt per se, and in fact it has been coming down. If you look at the Q4 numbers the increase in the rupee debt, is on account of refinancing of some of the foreign currency loans to rupee loans, and when you look at the foreign currency loans the impact is partially negated because of the notional or unrealized foreign exchange variations. So, actually there has been no increase in the net debt, it has actually been in the range or marginally coming down.

Ms. Reena Verma:

Arvind, I am sorry to persist, but you know when I look at your March 2012 quarterly report, the net debt in that March 2012 quarterly report was around Rs. 35,800 crores, and in your March 2013 quarterly report it is around Rs. 38,800 crores, so there is a Rs. 3,000 crore swing in net debt as reported by you, and this doesn't reconcile with the free cash position when I work from top down. This is what I needed help with.

Mr. Arvind Narang:

If you reconcile, the swing is largely due to the foreign currency variation during the year. There is no increase in the net debt per se, in fact some of the payables on the short term debt side or on the current liability side has also significantly come down during this fiscal year especially during this quarter. So, this has been on a declining trend barring some of the foreign currency fluctuation which is playing the role giving an indication that it has not reduced much.

Ms. Reena Verma:

Sir, is Rs. 3,000 crore the forex swing on your overall debt position?

Mr. Arvind Narang:

Around Rs. 1,500 crore.

Ms. Reena Verma:

No, Rs. 1,500 crore was the free cash you generated, your debt has swung by Rs. 3,000 crore upwards?

Mr. Arvind Narang:

I am saying the impact of the foreign exchange is in the range of around Rs. 1,500 crore.

Ms. Reena Verma:

Okay, and the remaining Rs. 1,500 crore?

Mr. Arvind Narang:

Reena, I will reconcile that over the last 4 quarters and I will revert to you.

Ms. Reena Verma:

Yes, I am just repeating again that on a full year basis I am having problems with reconciling your free cash and your net debt profile after accounting for working capital increase.

Mr. Arvind Narang:

Yes, there has been reduction in the current liability as well, right?

Ms. Reena Verma:

Yeah, I have accounted for your working capital swing Arvind, but I am unable to tally the numbers, but anyway I am happy to take it up off-line with you.

Mr. Arvind Narang:

Sure.

Ms. Reena Verma:

Can I get some clarity on whether the one off which you put in your notes to accounts for the quarter, of Rs. 550 crore, is it okay to strip back both from the top line and EBITDA for the quarter?

Mr. Arvind Narang:

Okay, you can from EBITDA but not at a PAT level, because there are certain one offs below EBITDA, but if you have any specific question on that we are happy to answer.

Ms. Reena Verma:

Okay. And on GEBU please can you guide us on, when we should book the Rs. 1,200 crore, I mean what line item please?

Mr. Punit Garg:

Our fiber deal of Rs. 1,200 crore IRU, pertains to the current year 2013-14. When we book the sales here, all of revenue is going to be recognized as we deliver the 120,000 kilometers to the customer. More so, your question that should 100% be recognized as EBITDA, I would only add here that yes a very significant part would go into the EBITDA but there would be some minor expenses involved in terms of delivering this like, fiber testing, and all of those provisioning etc. to them. So, those are minor expenses, but yes mostly it would go into the bottom line.

Ms. Reena Verma:

Punit, I am sorry to persist, but just to be clear, when should I recognize this?

Mr. Punit Garg:

As I said Reena that this would be recognized as we deliver this 120,000 km, meaning if I deliver 40,000 km, I will recognize in that quarter 40,000 km, and when I deliver next 40,000 km I will recognize it then. Yes, it would happen over this year, but it could take around 8-9 months for us to deliver the entire capacity.

Ms. Reena Verma:

But the entire Rs. 1,200 crore you reckon will come in FY14?

Mr. Punit Garg:

Answer is Yes.

Ms. Reena Verma:

Okay, thank you very much.

Mr. Gurdeep Singh:

Coming to the tariffs Reena, see tariff is two tiered, one is the base head line tariff and then the commitment plan or tariff vouchers. The question that you asked is that do we know when the consumer's recharges are going to lapse and when they will convert to this? Answer is yes, because consumers are into weekly, fortnightly, monthly, quarterly, six months, nine months commitment plans, and that is the reason I said that on an average it takes 3-4 months to migrate the large or the significant part of the customers into the new tariff plans. So, that is why I said that.

Ms. Reena Verma:

Thank you very much Gurdeep. Thanks very much for your answers.

Operator:

Thank you ma'am.

Next question comes from Shobit Khare from Motilal Oswal. You may go ahead please.

Mr. Shobhit Khare:

Sir, good afternoon and thank you very much for the opportunity. My first question is on wireless margins and RPMs. Sir, you did mention in the last call about a possibility of 6-8 paisa increase in the wireless RPMs, so just wanted to reconfirm what you have seen in the last quarter, basically RPMs have been flat, but would you still maintain that sort of an estimate for the wireless RPM for the industry? That is first.

Second is on the wireless capex. For this quarter probably it was the lowest which we have seen, capex to sales is almost 2%, for the year also 3%. So, given that your capex guidance for the year is flat for the next year, can we sustain this low level of wireless capex to revenue?

And third is on the current liabilities. Over the last one year we have seen a significant decline there, and probably that is impacting the net debt number also. Is this level a sustainable number or we should see a further decline in the current liability numbers?

Mr. Gurdeep Singh:

Thanks Shobhit. Let me take up the questions; first one on the RPM that do we see a 6-8 paisa as a future scope of RPM increase? My answer to that is Yes. The reason? I think we have just completed the exercise of RPM correction, both headline and now the toppings, both the combinations put together will show the positive RPM swing as we go forward.

Second, contraction of players, hyper competitive stage is behind, pricing power is back to the pan India scale operators, and as I said last time as well that we are not seeing any inverse linear relationship between price hike and the traffic, we hope this will continue. Yes there will be a marginal drop in traffic coming from the abusers and they are well planned and intended. I would say that going forward it should be fair to assume that RPMs will harden in the space of the inflation or the cost of input going up. I do not think the telecom industry is at a stage where we can absorb the rise in the input material or the cost or tied against or run against the inflation in the market. So, it will be fair to assume that RPMs will increase.

Secondly, I think we need to dissect the capex and look at little more in the value chain of the capex where it is going and how. As I said last time as well, we are pre-invested in our business when it comes to transport and back haul. Much of our competitors are busy spending money to develop the back haul and transport, because you cannot transfer data unless you have a robust back haul mechanism, and I think that is an area where we have done extremely well by pre-investing. Having said that, industry today has an excess capacity on the passive infrastructure and it also has a lot of underutilized capacity with many players the moment you go out of the top 5-7 towns of any state. Our objective going forward is to be smart in deploying the capex. If you look at what we announced saying that we are in discussion with many operators to put 10,000 2G base stations on air, I mean if one were to do it in a traditional sense I am sure you can calculate well enough, it may cost Rs. 1,200 to Rs. 1,500 crores of capex, but if you put the ICR impact, which is coming without capex, where we are being smart to get revenues without committing the cost in advance, the capex guidance put together visible and invisible is anywhere closer to Rs. 3,000 crores, and I think we have been smart in this. We have been very aggressive in forging alliances, we have many of the other partnerships right on the table for signatures now which we will make announcements during this quarter. I am really confident that with the 10,000 base stations, 2G expansion coming through with the ICR, and our expansion into high speed data network, especially in our 3G dark markets, and deployment of 3G, where we have committed and said that in all our 3G markets we want to have a footprint which is a leadership footprint in 3G. So, this capex will suffice for us to meet that objective keeping in line that 3G can only go where there is a smart phone penetration.

Mr. Arvind Narang:

Yes, Shobhit, so on your question on current liabilities; the current liabilities have significantly come down. In this quarter it has come down by Rs. 2,500 crores without provision and over Rs. 3,000 crores with provision. This shall gradually keep coming down over a period of time. If you observe we have reduced the current liability numbers significantly in the last few quarters.

Mr. Shobhit Khare:

Okay, so it will reduce from this level also?

Mr. Arvind Narang:

Not a step function, but gradually.

Mr. Shobhit Khare:

Sir, over the next 1 or 2 year period if we have to look at it?

Mr. Arvind Narang:

Our endeavor would be to keep reducing it. However, there are some unbilled revenues which are part of the current liabilities and those could be there.

Mr. Shobhit Khare:

Okay, thank you sir, and all the best.

Operator:

Thank you sir.

Next question comes from Mr. Gaurav Malhotra from Citi Group. You may go ahead please.

Mr. Gaurav Malhotra:

Hi. Most of my questions have been answered, just a couple of them, we have seen little bit of a spike up in both interest as well as depreciation in the current quarter, so just wanted to get some understanding of how we should look at it.

Mr. Arvind Narang:

Gaurav, finance charges have gone up by Rs. 142 crore, but this is not the regular run-rate which you should look at. Out of this Rs. 142 crore, Rs. 71 crores are on account of one time management and arrangement fee which is paid for refinancing of certain loans, balance increase is on account of refinancing of foreign currency with the rupee loans. If you look at the average cost of the debt which has just marginally gone up, excluding this one-time Rs. 71 crores it's in the range of 6.5-6.75% on the current debt. If you look at last four quarters during the fiscal year FY13, we have paid over Rs. 2,500 crores as interest as I mentioned in the beginning, which makes the cost of debt around 6.2%. So, our endeavor would be to bring it down further by switching certain rupee loans with the foreign currency loans. So keep that one time Rs. 71 crores as one off when you look at it.

Mr. Gaurav Malhotra:

Essentially the Rs. 747.5 crore of net finance charges has Rs. 71 crores of one time charge, correct?

Mr. Arvind Narang:

Yes.

Mr. Gaurav Malhotra:

What about the depreciation?

Mr. Arvind Narang:

Let me explain that to you by each segment. In the wireless side if you look at between EBITDA and EBIT there is an increase in depreciation of around Rs. 98 crores. Within Rs. 98 crores there is a one-time impairment of Rs. 90 crores for some utility equipment including some battery packs, DG sets and old BTS. In GEBU, there is increase in depreciation of Rs. 38 crores, out of which Rs. 25 crores is one time ARO and the rest is for the capitalization of HAWK Project which Punit mentioned during the speech. In the Others segment there is a one-time increase of Rs. 19 crores which is provided for the end of life of the set-top boxes. So if you put all these three together it will give you 90+25+19, which is Rs. 134 crores. Out of this Rs. 156 crores keep Rs. 134 crores as one-off, so the regular run rate should be somewhere between around Rs. 950-960 crores on a quarterly basis.

Mr. Gaurav Malhotra:

Okay, got it. Thanks.

Operator:

Thank you sir.

Next question comes from Mr. Sunil Tirumalai from Credit Suisse. You may go ahead please.

Mr. Sunil Tirumalai:

Yes, thank you. Sir I have two questions. First one on tariffs, I heard your responses to the previous queries, but I was just wondering what proportion of your revenues would be calls made on the headline tariffs versus the discount vouchers, because it is surprising that having seen your entire subscriber base by 31st of March migrating to the higher headline tariff there wasn't any impact on the numbers that got reported.

Secondly, on the ICR agreements, I am wondering are we late into this business model because for the last 2 years many of the other operators have been following this model of network sharing and in many cases what we get to hear now is that they are actually withdrawing some of those because it is not quite profitable for the operator renting out the capacity, so I just wanted your thoughts on that. Any reasons as to why this model was not tried out before?

Mr. Gurdeep Singh:

Okay, thanks for your questions.

Let me attempt the second question first. You may be right in saying that some of the ICR agreements may not have worked. But it really depends on your commercial arrangements. If you look at a commercial arrangement on a bilateral basis then any pricing works, but if you look at it on a standalone basis it needs to justify capex case versus an ICR. So, I think we have been able to forge some very attractive commercial agreements with many of our partners which makes the business EBITDA positive from the day one of the agreement. These are all pay as you go commitments. There are no minimum guarantees in these plans, and we do not believe that we are late in it. The answer being, we are fundamentally looking at beefing up our 1800 MHz circles where we are fairly young, we have just been there for around 4 years and I think now that the hyper competitive stage is behind we feel there is a good case and justification to look at and consolidate our position as a pan India scale operator. So, we will not be running mindlessly after a population covered through a carpet roll out. I think some of those advantages accrue to the first mover, but we will be smart enough in moving the revenue corridor, data corridor and the corridors that we believe are going to be profitable and sustainable for the future. So, our intent of the ICR arrangements is to get to the market quickly, get an early hang on the revenues, make a good case to deploy our own assets as we go forward. The entire exercise that we are doing on the ICR, which is 10,000, is a very big number. It comes with an intent of the following: first go to ICR, build the revenue case, move to either IP colo or go and build your own site. So, I think we have taken very measured steps and we are confident of the final landing where we want to go in this direction because we see ourselves as one of those top 3 or 4 pan India scale operators going forward in the next couple of years.

Secondly, the question on the number of customers being in the headline tariff, the customers in headline tariff vary from plan to plan, prepaid to postpaid, and they can be anywhere between 30 or 40% customers to as low as 10% customers. It only depends on the attractiveness of the plan and the percentage of customers of that being on the commitment plan. So, on an average for the industry it varies anywhere between 25% to 45% customers being in the headline tariffs.

Have we been able to answer your questions?

Mr. Sunil Tirumalai:

Yes, I mean assuming that 30% of your revenues were from calls made on headline tariffs, it is surprising that 25-30% increase in headline tariff does not flow through into the RPM this time.

Mr. Gurdeep Singh:

As I said that if you look at our gross additions in the last quarter we have also added 4.4 million customers. So there has been this rush for the land grab, and one wouldn't want to miss that opportunity. But, having said that, in the core segment of our customers RPMs have moved up. So, as that settles down you should see the RPM movement upwards.

Mr. Sunil Tirumalai:

Got it, helpful. Sir, last question, could you give the quantum of refinance of foreign loans with rupee loans?

Mr. Arvind Narang:

I think it is already there in the report. Our rupee loans have increased by Rs. 2,184 crores, but the foreign currency loans have not showed the same impact because of the notional impact on the foreign exchange.

Mr. Sunil Tirumalai:

Okay, thank you.

Operator:

Thank you sir.

Next question comes from Mr. Rajiv Sharma from HSBC Bank. You may go ahead please.

Mr. Rajiv Sharma:

Hi, thanks for the opportunity. I have just couple of questions; first one is on your S&D cost. On one hand you mentioned that there is lot of rationality in the market but the costs have gone up, so is there any one-time stuff built into these expenses, because if I look at your normalized income this is now 200 basis points up at least to some 16.5%, so first is on the S&D cost.

Second is on your minutes, so your incremental minutes this quarter were 2 billion versus what we saw for Idea and Bharti they were 10 and 12 billion, and this was largely because there were a lot of shut down by new entrants. So is there some elasticity because of your tariff hike which you suggested No, but then why the minutes are much below Idea and Bharti, incremental minutes this quarter?

Mr. Gurdeep Singh:

Thank you Rajiv. Okay, let me answer the question first on the traffic growth. Well, as I said we have over 6 lakh customers who really abuse our network. We had actually 9 lakhs, we have been able to get 3 lakh off our back in the last quarter. If they had continued they would have added at least about 2.5 billion minutes to the network. So I would say that we have got rid of those minutes. Whether they have come back to us or gone to any other player who is offering them equal or more attractive tariff plans good luck to them, but they were seriously below cost to serve, not even giving me a yield of 5 paisa on the network. So, our intent of rationalizing tariffs and getting abusers out of the system is working and that could be one of the reasons that you see the traffic being at 2.3%. I am sure if you add another 2 or little over 2 billion the traffic would have grown nearly 4.5%.

Mr. Arvind Narang:

Rajiv, on your question on SG&A, the SG&A costs have gone up by Rs. 129 crores, but you have to look at it along with the employee cost. There has been regrouping of expenses between manpower cost and SG&A, to the tune of around Rs. 75-80 crores, which has resulted in higher SG&A in fourth quarter and lower employee cost. The balance increase there is about Rs. 50 crores, which is due to the increase in the gross addition as well as to comply with the more stringent acquisition norms the company had. We also had to spend more money on the systems, processes, manpower and so on. The second part is more common for the whole industry. If you look at other players, they also had to bear similar costs on the SG&A side, but the major part is the regrouping of expenses with the employee cost where it has come down significantly also in the case of the employees.

Mr. Rajiv Sharma:

Yes, thanks Arvind. What I am more interested in is, this whole market irrationality, is it reflecting in your SG&A, means the whole lower commissions, or you think there is scope for you to unleash some more productivity in this head?

Mr. Gurdeep Singh:

I think our experience in the last quarter has been that of gross numbers, but for the one off incremental gross that you got from the shut down operators, is now beginning to stabilize at a level that we anticipated, so we do not see the SG&A cost going up in the future.

Mr. Rajiv Sharma:

Okay, and sir quickly coming to your tower monetization, what I wanted to understand is, a large part of or at least 30,000 of your towers were built for CDMA and then are being used for GSM. Do you think that this kind of portfolio will be attractive for someone who has got spectrum in 2.3 GHz because of the height issue, and will there be a capex involved as and when such a customer profiling is done. And second, what is your focus, means will you benchmark your tower rentals to market rates or some kind of discounts or it is more about your internal profitability and cash flow needs versus benchmarking to market based pricing?

Mr. Gurdeep Singh:

Rajiv, let me attempt to answer these questions. First is the spectrum. It is true that 2300 MHz needs far more sites to a pan India player than a 2G 1800 MHz footprint. By that logic any number of sites availability will be less should Reliance Jio have an ambition to be a pan India last mile operator. In that sense our tower portfolio versus others becomes far more attractive because in the initial phase of data uptake most of our sites, up to 65% of our sites, in the top 80 or 90 cities, are fiberized, and that increases the attractiveness of the portfolio. Third, having said that, we are at an advanced stage of discussion to lease out as many towers as possible to Reliance Jio to fulfill their requirement of the network roll out and all the commercial transactions at this point are under discussion, so I will not be able to throw light on will they be at a market price or will they be at a discount, but all I can say is that we are progressing very well and we are at advanced stage.

Does that answer your question or is something left out?

Mr. Rajiv Sharma:

That answers, thanks a lot.

Mr. Gurdeep Singh:

Yes, thank you.

Operator:

Thank you sir.

Next question comes from Mr. Srinivas Rao from Deutsche Bank. You may go ahead please.

Mr. Srinivas Rao:

Thank you very much. Gurdeep just explained but I wanted to confirm that you have indicated that the fiber IRU is just phase one of a more expansive agreement which you expect to sign with Reliance Jio, is that correct?

Mr. Gurdeep Singh:

That's correct. If you look at the mention that we made to stock exchange this includes a comprehensive arrangement of inter city, which we have concluded, intra city, and then leading up to the towers and other backend assets. So, I think going forward the balance two are far more valuable than the first one that we have already done. So, you should look at it in a very positive sense that these are going to be a good revenue accrual for the company for the long term and hence increases our ability to service the debt and lower the interest.

Mr. Srinivas Rao:

Thanks. Sir, my second question is again going back to your go-to-market strategy which you highlighted. If I were to segment the market broadly as CDMA, GSM, and GSM data, I guess that's the broad segmentation you are talking of. Is my understanding correct that, you are gaining market share on your GSM revenues and internet data revenues?

Mr. Gurdeep Singh:

That's right, in fact I wanted to share a little more statistics and I am glad you asked this question. If you look at our GSM + Data business, we posted a quarter on quarter growth of 2% in Q1, 4% in Q2, 4% in Q3, and 6% in Q4 that is under discussion now, and our GSM + Data which was 59% of wireless a year ago is now 64% of the wireless, sorry it was on a year on year basis, year on year it was 59% and now it is 64%. So, if you look at any of the GSM players' growth in the market, I think we are in the top 2 leads of a year on year growth in this segment, and we see GSM performance growing in line or outperforming the market in the future and data certainly growing at an exponential rate.

Mr. Srinivas Rao:

Sir, that brings me to the second question, when do you expect this de-growth which we probably are seeing in CDMA business to flatten out?

Mr. Gurdeep Singh:

Well, this is a journey which will take over a year or a year and half time because our objective is to migrate customers to CDMA smart phones in the CDMA pure play voice customers. We have already stopped infusing low end proprietary handsets in the market, we have already raised the price of the entry level handsets that we are selling in the CDMA to now about Rs. 2,200 versus Rs. 1,100 that we were doing earlier. So, I would say that in this bucket the inflow of low end pure play voice customers is being reduced dramatically and the in-fill is happening more with the smart phones or with the high end feature phones and attempt is to get a better quality customer. So, over next 12-18 months at least we will see the complete bleed stopping and this segment also contributing to the growth while the growth in the GSM + Data will continue to perform or outperform the markets.

Mr. Srinivas Rao:

Thanks sir, this is helpful. Thank you so much.

Operator:

Thank you sir.

Next question comes from Mr. Vinay Jaising from Morgan Stanley. You may go ahead please.

Mr. Vinay Jaising:

Thank you for the opportunity. My question is on the Rs. 1,200 crores which we are expecting from Jio, Punit did suggest that it would come in the year fiscal 2014 in the next 8 months based on when Reliance Jio uses it. But the question is the other way round, what happens in fiscal 2015? Can we assume anything coming in from this part of the business next year as well, and what if Reliance Jio does not use the network as an IRU, will they still pay up entire Rs. 1,200 crores in fiscal 2014, that's my first question. Let me stop here.

Mr. Punit Garg:

I think the way it goes Vinay is very simple that, our contract is to hand over not to look after how they are using it. The Rs. 1,200 crores doesn't stop at Rs. 1,200 crores, there is some part of it comes as the O&M. I think a while ago we talked about that there are other contracts which are expected in intra city etc., so it's an ongoing journey which would start and it would be flowing for the next couple of years. But as some of the other operators also build up their infrastructure whether they got the license in 2G or in 4G would demand a similar kind of infrastructure and we are open to give them. So, this is an ongoing journey.

Mr. Vinay Jaising:

Sir, put the other way round, then when can we start looking at, what kind of revenues do we get from this deal with Jio incrementally. Do you think it will take one quarter, two quarters, you know for all these three or parts of the pie which you mentioned - inter circle, intra circle, and towers, when do you think we will get more light on that part of the business?

Mr. Punit Garg:

I think the way to look at is that the first agreement has been announced, the subsequent agreements would be announced when they are signed. You would hear in next quarter or so the further announcements on it.

Mr. Vinay Jaising:

Sure. Sir, I have two more questions. Going back to the previous question which was asked on the CDMA part of the business, if we just look at the revenues of the CDMA part of the business in FY12 and FY13, based on the numbers you have suggested for GSM and data, it seems to have declined by 10-12%. Now, you did mention that in the next one to one and half years you plan to arrest that trend. Now, if I look at your numbers this year and look at your EBITDA for this quarter especially, knocking off the Rs. 550 crore of one-off, you know I think you guys would have made a loss if I knock that off even taking into account the interest and the depreciation cost. So, you know, what happens to the next 12 months then for the company till the CDMA fall is arrested?

Mr. Arvind Narang:

If you take off that one-off of Rs. 550 crores there would not have been a loss, there would have been probably a similar or slightly lower profit than the previous quarter. There has been one off, so if you look at PBT level, there is a one-off on the interest side that we mentioned, of Rs. 71 crores, we had mentioned depreciation by segment or by business a total of around Rs. 134 crores as one-offs, there is some other minor provision of around Rs. 30 crores, making a total to Rs. 235 crores coming from that. And effect on PBT is therefore is in the range of around Rs. 300 crores versus PBT which is reported is Rs. 382 crores. So, there would have been a profit, may be marginally less than the previous quarter's profit.

Mr. Gurdeep Singh:

On the CDMA side, having said that, look what are we attempting at? We are attempting at reducing the part of the business that has been a consistent bleed because of the stressed ecosystem, and we have been successful in migrating the bulk of the business or the weight of the business towards GSM and data. As this ratio keeps increasing more and more we become less and less dependent, or the pull down factor keeps reducing. Our internal objective is in the next two quarters we want to stop the bleed. Having said that, bleed from being what it was about a year ago, to a percentage it is now coming to stagnation. So, in the sense in a next one or two quarters we should be able to see a stagnancy in this before it starts to contribute as we begin to populate more CDMA smart phones on this network. So, the point I am making is that today it is 36% of your business, we anticipate going a year down the line probably it will be less than 30% as a contribution to the business, and as the GSM and data becomes more even the ‘staticness’ or a marginal de-growth in this business will have a little less pull down factor on the overall average. So, we expect to perform in line with market and over the market in totality in the next 2-3 quarters. Having said that GSM + data will continue to perform or outperform the markets.

Mr. Vinay Jaising:

One last question if I may ask, when you look at the CDMA versus GSM, you know firstly thanks a lot for this break up because we have never had it earlier, but in terms of minutes, could you also give us some kind of clue, what would be the ARPM or the minutes coming in from CDMA and GSM, which is more and which is less, because again where we are all getting bogged down is you raising headline tariffs. Now, are you raising headline tariffs only for GSM, or is there a big differential between GSM and CDMA that is something which we are clueless on.

Mr. Gurdeep Singh:

I do not have the statistics readily with me but happy to share, may be ask my colleague Arvind to share later, but the fact is when we changed the headline tariffs we changed for GSM primarily both in prepaid and postpaid. We are currently happy and satisfied with the rate per minute that we get out of CDMA. And having said that, in CDMA, in data, the tariffs were rationalized in the month of October and November last year. So, they are they likely to stay at that level.

Mr. Vinay Jaising:

So would it be fair to say that the ARPM is very similar of the two businesses?

Mr. Gurdeep Singh:

Similar in some sense and may be better in some sense, because the data really contributes very well and data is a complete pass through and profitable business, and we lead in that segment.

Mr. Vinay Jaising:

Thank you sir.

Mr. Gurdeep Singh:

Pleasure.

Operator:

Thank you sir.

At this time there are no further questions from the participants.

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

Mr. Gurdeep Singh:

Thank you everyone for being on the call.