Idea Cellular Limited Earnings Conference Call

Q4FY15

Moderator: Good Afternoon, Ladies and Gentlemen. This is Inba, the moderator for your conference call. Welcome to the Idea Cellular Conference. For the duration of this presentation all participant lines will be in the listen-only mode. After the presentation a question-and-answer session will be conducted.

We have with us today Mr. Himanshu Kapania – Managing Director of Idea Cellular and Mr. Akshaya Moondra – Chief Financial Officer of Idea Cellular, along with other key members of the senior management on this call. I want to thank management team on behalf of all the participants for taking valuable time to be with us. Given that the senior management is on this conference call, participants are requested to focus on the key strategic and important questions to make sure that we make good use of the senior management's time.

I must remind you that the discussions on today's call may include certain forward-looking statements and must be viewed therefore in conjunction with the risk that the company faces. With this I hand the conference call over to Mr. Himanshu Kapania. Thank you and over to you, sir.

Himanshu Kapania: On behalf of Idea, I welcome all participants to this Earnings Call. Yesterday, our Board of Directors adopted the audited results for the fourth quarter and full financial year 2014-15. The detailed Press Release, Quarterly Report and Company Results have been uploaded on our website and I assume you had a chance to go through the same.

The company has reported trailblazing financial performance in FY15. On 'Consolidated' basis including 16% contribution from Indus, the company has achieved 19.1% Gross Revenue growth, 1.8 times the pace of industry growth in Calendar Year 2014, strong EBITDA growth of 30.4% with 300 basis points improvement in EBITDA margin to 34.2%, an absolute EBITDA value at Rs.108.1 billion helping deliver 62.5% growth of 'Profit After Tax' at nearly Rs.32 billion.

The Board of Directors are pleased with the performance and have recommended Idea's third and increased dividend payment to the investors at 60 paise per share, an overall distribution of Rs.2,598 million including Dividend Distribution Tax. The company wishes to thank each one of their 200,000+ retail and institutional investors for having reposed confidence and faith in Idea management through the difficult times and displaying remarkable patience and encouraging us to stay course on our long term profitable growth journey.

Idea is today positioned as a 'Thinking Operator' focusing on category building so as to extend the life of Mobility Voice business in the under penetrated markets, while helping aspiring Indians to transition to exciting digital lifestyles. We believe our success is the outcome of Idea leadership team focus on customer centricity, creating brand differentiation, rigorous attention to execution details with sustained sprint of capability building.

All throughout last year there was market speculation on Idea's ability to renew its Key licenses expiring at the year end of 2015 and early 2016. We, thus, heaved a sigh of relief on the final outcome of the March 2015 DoT Spectrum Auction winning back our 'In Use' 900 MHz Spectrum. In the recently concluded Spectrum Auction, Idea won 79.4 MHz of spectrum, successfully ensuring continuity of services for its 107.6 million customers – 68% of the total company consumer base in 9 Service Areas where licenses are expiring in December 2015 and April 2016. With the current Auction purchase, Idea Spectrum holding across 900, 1800 and 2100 MHz is now 270.7 MHz quantum of spectrum. The company has acquired 237.1 MHz of liberalized spectrum out of the total holding from the last 5 Auctions between 2010 to 2015 with a capital expenditure of Rs. 483.6 billion, placing Idea competitively against Telecom Market leaders and laying foundation to further expand Idea services in rural voice and improve presence in emerging wireless broadband market.

Including 7 new licenses and spectrum acquisition in 2012 and March 2015 outcome, Idea has achieved amongst the highest renewal of 16 out of total 22 Indian telecom licenses, providing the necessary impetus for profitable growth of business till the year 2035/36. Besides, the retention of existing efficient 900 MHz spectrum, the company has managed to expand its 3G spectrum footprint to 13th Service Area - Kolkata Metro, with ability to offer 3G Services for 80% of Idea revenue base and second carrier for 3G Capacity enhancement in Maharashtra and Madhya Pradesh on 900 MHz.

Additionally, the company has acquired the right to launch 4G Services on 1800 MHz spectrum in Service Areas of Tamil Nadu (including Chennai) and Orissa, expanding Idea 4G 1800 MHz continuous spectrum footprint to 10 Service Areas covering most of its strategic markets with the ability now to offer LTE 4G Services to 61% for Idea existing revenue generating subscribers. With license renewal behind us, the company intends to keep a close watch on the adoption of 4G Services in key global markets and competitive moves of Indian operators on launch of 4G High Speed Data Services in the country. The company would shortly place necessary orders for 'POC' i.e. Proof of 4G Concept, in key markets where we do not provide 3G Services, thereby improve our understanding of 4G technology and its likely long term impact on Idea and Industry business.

In March 2015 Auction, on overall basis, Idea has won 54 MHz of efficient 900 MHz band across 9 key Circles, 20.4 MHz in 1800 MHz band for 6 Service Areas and 5 MHz in 2100 MHz band, a total quantum of 79.4 MHz spectrum across 14 Circles for a total bid valued at Rs. 301.4 billion. The company has opted for DoT's deferred payment option and made upfront payment of Rs.77,342 million with interim instalment of Rs.19,350 million on March 31, 2015 appearing on the balance sheet as part of Debt as on 31st March 2015 and rest instalment paid on 9th April 2015.

The other key regulation changes during the quarter were two TRAI Orders. Firstly, the TRAI – 'Telecommunication Interconnection Usage Charges (XIth & XIIth Amendment) Regulation' in February 2015 has reduced, effective 1st March 2015, the incoming termination charge from other operator's mobile settlement rate of earlier 20 paise /minute to 14 paise/minute. Further, the incoming calls to and from Wireline, the termination charge has been revised to zero from earlier 20 paise /minute. The negative one month revenue impact on Idea was nearly Rs. 1,050 million, though the impact on EBITDA was minimal. Our internal assessment is due to the IUC regulation change, industry overall revenue at constant prices will be negatively affected by 4%+ and voice revenue of the industry will decline by 4.3 to 4.5%. The FY15 double digit industry revenue growth may slip in FY16 to mid-single digit and voice realized rate may decline further by 1.4 to 1.6 paise /minute on full year basis at current prices. The IUC rate revision will apply pressure on all dominant voice operators as growth will slow down, though margins may appear better unless the voice tariffs are revised to compensate for growth loss.

The second TRAI Regulation is TTO Order in April 2015 on revised ceiling for Roaming tariffs, change comes into effect from 1st May 2015. We will have to adjust promotion schemes and discounts on Roaming to counter balance the 20 to 40% fall in Roaming Tariff ceiling changes. We will update you next quarter on the impact of Roaming Tariff revision and effect of increase in Service Tax from 12.36 to 14.0% due after Union Budget is announced on our financials.

Leadership today needs courage, dogged determination and human emotional resilience. To meet all challenges post the Auction, Regulation changes and high shrill campaign by activists on Net Neutrality, the company is gearing itself and be future ready with a five pronged approach.

- Firstly, a vision with a purpose to remain relevant in tomorrow's world while driving consistent, competitive, responsible and sustainable growth.
- Secondly, embracing technology for operational excellence and meeting customer needs across all socio economic pyramids.
- Thirdly, customer centric by transforming the nature of marketing using the power of Big Data, Social Media, Cloud and Mobile Applications.

- Fourthly, building future talent and capabilities by providing a continuous learning environment; and
- Finally, offering agile, honest, transparent, diverse and inclusive work place which encourages entrepreneurial mindset and culture of meritocracy.

Moving on to Business Performance Update

Based on latest TRAI gross revenue release for the period 'October to December 2014', Idea has improved its 'Revenue Market Share' (RMS) to 17.5% in Q3 FY15, an improvement of 140 basis points over the last year same quarter. On a separate analysis for Calendar Years, the Mobile industry revived to double digit @ 10.6% in CY2014 over 2013 and reached absolute industry revenue value of Rs. 1,787 billion. Idea has grown by 18.7% in Calendar Year 2014, 1.8 times the industry growth. The company improved its RMS from 16.0% in Calendar Year 2013 to 17.1% in the last calendar year driven by higher % of incremental Revenue Market Share of total industry growth at 28%. The performance of Idea on five standard parameters for the period January to March 2015 and Financial Year 2014-15 is presented first for the quarter and then full financial year as follows:

1. Gross Revenue: The 5% sequential quarterly revenue growth in Q4 FY15 when normalized for one month IUC downward revision rises to 6.3% growth. This strong quarter revenue growth on the back of 5.9% sequential revenue growth in Q3 FY15 is driven by –

a. Highest industry subscriber addition on VLR basis of 9.2 million in fourth quarter v/s. 7.7 million in Quarter-3 FY15.

b. Sharp Q-o-Q Voice Minutes growth @ 8.4% to 185 billion minutes.

c. 18.3% Mobile Data Volume growth blended on 2G & 3G platform to 54.5 billion megabyte v/s. Q3 FY15.

But, the 'Average Realised Rate Per Minute' fell on sequential quarter basis by 1.5 paise /minute to 44.8 paise /minute led by fall both in Voice Rate and Mobile Data Realised Rate per Megabyte. Due to competitive pressure, increasing contribution from Idea's emerging & new service geographies, and IUC settlement rate fall for one month, the voice realization remained under pressure for the third successive quarter, fall by 1.7 paise /minute on sequential quarter basis to 33.9 paise /minute. However, Idea estimates, the last year trend of falling realized rate has to be reversed as company has to focus on recovering the Cost pressure below EBITDA due to Rs.301.4 billion commitment in March 2015 Auction. In the last 5 Spectrum Auction since 2010, the Telecom industry has committed Rs.2,780 billion for spectrum and increased spectrum outlay per MHz cost has to be compensated partially by scale and remaining by inevitable rate revision of Voice & Mobile Data.

For the financial year 2014-15, Idea maintained its enviable track record of being amongst the fastest growing Indian Mobile Operator with 19.1% growth in standalone gross revenue in FY15 at Rs.315.5 billion v/s. 17.3% growth rate in Financial Year 2014-15. The drivers for FY15 high growth are –

- Firstly, subscriber growth momentum of 23.5 million net subscribers on VLR against 17.7 million in FY14.
- Secondly, highest ever absolute Minutes growth of 95.7 billion Minutes @ 16.3% Y-o-Y growth, elasticity of volume demand compensating for 7.1% decline in Voice realized rate during the year; and
- Thirdly, 96.3% Mobile Data Revenue growth to Rs.45.4 billion primarily driven by 117% traffic growth.

The Value Added Services contribution improved for the year to 21.7% against 16.2% in FY14. In comparison, the January to March 2015 quarter VAS Contribution has risen to 24.5%, Y-o-Y improvement of 8% v/s. Q4FY14.

2. Cash Profit & EBITDA: The 5% sequential revenue growth has translated into 11.9% standalone EBITDA growth of Rs.27.83 billion in Q4FY15 with margin improvement by 2.1% to 33.1%.

For the full year inspite higher network expansion of 16,500 sites in FY15 and other cost inflationary pressures, Idea standalone EBITDA grew faster by 33.0% to Rs.97.68 billion helping margin improve by 3.2% to 31%. 48% of incremental annual gross revenue of Rs.50.5 billion growth between Financial Years '14 & '13 has translated into EBITDA incremental growth of Rs.24.2 billion.

The double bottom line drivers of Voice and Data business, scale benefits and cost optimization has helped Idea improve its standalone 'Profit After Tax' by 94% from Rs.17.9 billion to Rs.34.8 billion including Indus dividend of Rs. 6.25 billion this financial year. This profit growth is inspite company reducing useful capital life of all key Network RF and transmission equipment from 10 to 9 years.

On consolidated basis, including 16% Indus contribution, Idea EBITDA for the quarter is Rs.30.7 billion at 36.4% margin an improvement of 4.8% margin v/s. Q4 FY14 and full year EBITDA of Rs. 1,081 billion at 34.2%, growth of 30.4% and margin improvement by 3.0%.

In the '15 Established Service Areas', Idea blended RMS has improved to 20.6% in Q3 FY15 against National RMS of 17.5%. The standalone EBITDA for these 15 Circles is at an all time high of 37.4% comparable to Indian Telecom Market leader margin. The 7 New Service Areas revenue growth is picking up with sequential quarterly revenue growth of 12.4% and annual growth at 39.6%. The losses from the 7 Circles remain high at Rs.1,749 million, though there is a fall of EBITDA loss in comparison to previous quarter. The Q3 FY15 '7 Service Areas' RMS is at 5.1% showing upward trends as incremental Q3 FY14 v/s. Q3 FY15 'Revenue Market Shares' blended for these 7 Circles was at an encouraging level of 17.3%.

The Q4 FY15 standalone Cash Profit for the company stands at Rs. 26.1 billion, a sequential growth of 29%. The FY15 Cash Profit of Rs.84.8 billion has grown by 31.8% against FY14 Cash Profit of Rs. 64.3 billion, providing company sufficient headroom to meet the obligation arising out of the 2014 and 2015 Spectrum Auction and meet Capex demand to sustain the growth momentum and emerging challenges in Mobile Data Market.

3. Active Subscribers: Idea has clocked 23.5 million Net VLR in FY15 against 17.7 million Net VLR addition in FY14, now servicing a strong 161.4 million quality consumers across India. Competitively, Idea has improved its Customer Market Share on VLR to 18.6% in February 2015 against 17.3% in February 2014. The industry subscriber growth during the period March 2014 to February 2015 stood at 71.7 million against 67.6 million in FY14. 'One out of every three' New Indians buying Sims during last one Year has joined Idea on its Network, as company clocked highest ever incremental VLR share of 32.9%.

Inspite strong subscriber additions to the base at 17% level, the quality of Idea overall consumers improved with Average Revenue Spend per User – ARPU steady at Rs.179 this quarter v/s. Rs.173 in Q4FY14.

4. Minutes of Use: Voice Minutes grew on sequential quarterly basis by 8.4% from 170.7 billion to 185 billion Minutes, strong growth of 14.3 billion minutes, corroborating Idea repeated pronouncement there is sufficient opportunity in Indian Mobile Voice Market.

On a full year basis, Idea carried 683.4 billion Voice Minutes in FY15 against 587.8 billion in FY14, highest ever increase of 95.7 billion @ 16.3%, primarily driven by elasticity of demand in a falling rate environment. The company is witnessing robust minutes growth across all large population centers and rural India. Similarly, inspite huge 17% Net Subscriber addition, the Minutes of use per subscriber in Q4FY15 grew by 3 minutes /user to 400 minutes against 397 minutes /user in Q4FY14.

On Network GSM investment in FY15, Idea integrated 7,589 additional 2G sites expanding the footprint to 112,367 GSM BTS covering 7,475 census towns and 357, 500 rural villages pan India. Similarly, the Fibre spread by March 2015 reached 93,400 km, an addition of 11,400 km during FY15 and nearly 20,000 km over last 2 years. Idea has now over 5,000 OFC POPS and company engineers are working hard to upgrade identified 500+ towns to handle future 3G capacity and 4G services, whenever we are ready for launch.

5. Mobile Number Portability: Idea continues to strengthen its position in the MNP market. As on March 31st 2015, Idea leads the overall portability space and has extended its lead over next operator with net MNP gain of 13.4 million customers from other existing Telecom Operators. 'One out of four' existing Indian Mobile Customers who choose to port out from their existing operator prefer to shift to World Class Idea Services.

Moving on to Wireless Data Business: In line with the emerging Digital Services connectivity trends, Mobile Data Volume grew to 54.5 billion megabyte, a sequential quarterly growth of 18.3% at 8.4 billion Megabyte and annual traffic growth of 100%. But, due to competitive pressures, the Wireless Data blended Realised Rate per Mb fell by 4.5% i.e. 1.2 paise/Mb to 25.7 paise per Mb in comparison from 26.9 paise/Mb in Q3 FY15. Consequently, the sequential quarterly Mobile Data revenue growth is much lower than traffic growth at 12.9% reaching quarterly revenue of Rs. 14.0 billion.

The company has further revised Mobile Data Subscriber definition, eliminating from its reporting all incidental Data Users of less than 10 Megabytes/month. Due to revised definition, the company Mobile User Base as on 31st March 2015 is dropped to 33.4 million. The Mobile Data subscriber penetration is now at 21.2% on the overall Idea Subscriber reported base at 157.8 million.

Consequently, all subscriber led Mobile Data KPIs have improved. The Wireless Data ARPU has now reached a respectable level of Rs.150/- per User against blended 2G+3G Data ARPU in Q3FY15 of Rs.126 and last year Q4FY14 levels of Rs.104. Similarly, the Wireless Data Usage per subscriber has risen to 586 Megabytes /user, an improvement from 410 Mb /user in Q4FY14.

The overall VAS as a % of Service Revenue has increased from 16.5% in Q4FY14 to 24.5% this quarter, an improvement YoY basis of 8.0%. The Mobile Data Contribution in overall Revenue has also risen to 16.9% from 10.1% in Q4FY14. The 'non-Voice Revenue' contribution to overall service revenue is in line with most developing countries trend and as Wireless Data User penetration improves and Voice incoming settlement rate revenue declines, the VAS increasing contribution may accelerate.

Moving on to 3G business: 3G Services is clearly the reason for explosion of Mobile Data Services. Just in four quarters, 3G Data Volume contribution to overall Wireless Data traffic has risen from 48% in Q4FY14 to 56% in Q4FY15. Idea nearly doubled its 3G subscriber base adding 8.5 million new 3G Data Users in last one year, now servicing overall 18.7 million 3G consumers using Voice & Mobile Data Services. During the year, 3G Data volume exploded by nearly 2.3 times from 13.1 billion megabytes in Q4FY14 to 30.7 billion megabytes in Q4FY15.

The pace of existing Idea customers upgrading their devices to 3G smartphones has accelerated during the second half of FY15. During the year 19.3 million Idea subscribers upgraded their device to new 3G phones. As on 31st March 2015, 36.5 million Idea subscriber own a 3G device, a penetration of 23.1% of the base but only 51% of these 3G device owners use Idea's 3G Services platform. Availability of 3G devices in the Idea system augurs well for future growth of 3G Services and company plans to accelerate its 3G network expansion in the 13 Key Markets where Idea owns HSPA Spectrum.

Once the 3G device owners start using Idea 3G Services, the customer delivers healthy usage of 777 Megabytes user and their 3G Data ARPU has reached Rs.209.

In March 2015, Idea launched its 12th Service Area Delhi Metro with its own 3G Services on 900 MHz. During FY15, the company has integrated 8,910 incremental 3G sites, taking the overall 3G Node B count to 30,291. The revenue per 3G Node B is steadily rising and has now reached Rs. 115,000 per month of owned 3G sites and usage per 3G sites at 8.5 Gigabytes per site per day. With the acquisition of 3G spectrum in 13th Service Area, the company intends to launch the services in FY16 in Kolkata Metro and continue the present plan of upgrading all 2G Idea sites in the 13 Service Areas which generate over 2 Gigabytes of 2G Data per day to 3G Services. On overall basis in these 13 Service Areas, Idea will have integrated over 81,000 2G sites but only 30,000 sites have been upgraded with 3G services, i.e. at 37% level. The company plans to accelerate 3G coverage expansion to mid-sized and small towns and target to upgrade 60 to 65% of 2G sites with HSPA Services in next 2 years.

To conclude, Mobile Industry consumer growth opportunity is expanding as pace of new first time user entry increase in the Voice segment while existing Mobile customer is adapting and increasing their mobility spends by accessing newer application on Mobile Data Network. Idea with growing consumer affinity, expanding 2G & 3G Network footprints, competitive spectrum profile including 4G spectrum, high brand salience and accelerated free cash flows is on course towards performance driven leadership. We are preparing to live in new volatile and uncertain world demanding agility, adaptability and innovation, while we further consolidate our position in the Indian telecom mobility Voice and Data market.

I now handover to Mr. Akshaya Moondra for details on financials.

Akshaya Moondra: Thanks Himanshu. Good Afternoon to participants from India and Good Morning or Evening as applicable to overseas participants.

During the quarter, while the reported revenue grew by 5%, after normalizing for change in IUC rate, the growth in revenue is 6.3%. This was driven by highest ever addition of 14.3 billion minutes in Q4 for Idea, giving an 8.4% quarter-on-quarter growth in Voice Minutes, and also Data volume growth of 18.3%. The realization for both Voice as well as Data remained under pressure during the quarter.

The revenue growth along with scale benefits improved the standalone EBITDA margin by 2% to 33.1% compared to last quarter EBITDA margin of 31%. Again, if this was normalized for change in IUC rates, the improvement in EBITDA margin gets moderated to 1.6%. The absolute EBITDA of Rs. 27.83 billion registered quarter-on-quarter growth of 11.9%. Standalone net profit for the quarter stands at Rs. 10.1 billion including Rs. 1.6 billion received as dividend from Indus, the cash profit for the quarter is Rs. 24.5 billion excluding dividend from Indus compared to Rs. 20.3 billion in the last quarter, a growth of 21%.In consolidated financials, contribution from Indus to net profit stands at Rs. 943 million in this quarter as against Rs. 887 million in the previous quarter.

On a full year basis, the standalone revenue of Rs. 315.5 billion grew by 19.1% compared to FY14. The EBITDA grew at a faster pace of 33%; year-on-year growth and stands at Rs. 97.7 billion for FY15, resulting in EBITDA margin of 31% against 27.7% in FY14, an improvement of 3.2% during the year. The cash profit of Rs. 78.6 million excluding Indus dividend of Rs. 6.2 billion grew by 23.7% in comparison to FY14 cash profit of Rs. 63.5 billion excluding Indus dividend of Rs. 838 million.

With the capex of Rs. 17 billion during the quarter the total capex for the year stands at Rs. 40.5 billion excluding capitalization of interest cost and forex loss. For the Spectrum won in the March 2015 auction, the company has chosen the deferred payment option, the upfront payment amount under the option due on April 09, 2015 was Rs. 77.34 billion, of which Rs. 19.35 billion was paid on March 31, 2015 and the balance amount of Rs. 57.99 billion was paid on April 09, 2015. The amount of Rs. 19.35 billion paid on March 31, 2015 has been disclosed as capital advances and the balance amount of Rs. 282.03 billion has been disclosed under capital commitments.

We had drawn down loan of Rs. 80.5 billion in March 2015; however based on our actual fund requirement for the auction payout, we expect to repay most of this loan in the current quarter (Q1FY16). Consequent to the drawdown of the loan, both our gross debt and cash and cash equivalents increased to Rs. 258.7 million and Rs. 130.7 million respectively. However, the net debt has increased by only Rs. 17.2 billion on account of the upfront auction payment on March 31. The net debt stands at Rs. 128 billion and the Net Debt-to-EBITDA ratio based on the annualized EBITDA for the quarter stands at 1.15. Our capex guidance for FY16 is Rs. 50 to 55 billion.

With this I will hand over the call back to Inba and open the floor for questions.

Moderator: Ladies and Gentlemen, we will now begin the question-and-answer session**.** Our first question is from Sachin Salgaonkar of Bank of America. Please go ahead.

Sachin Salgaonkar: Thank you for the opportunity. I have three questions: First question is on the Voice RPM. I was wondering what led to around 5% QoQ decline in 4Q apart from the IUC rate cut. Related to that earlier Idea believes that directionally tariff will go up, so does that still holds true? Second question is on competitive intensity into the market. Has it increased or decreased in last six months and how do we see it panning out post auctions? And third, any breakup on your new capex guidance, i.e., how much you want to spend on 2G versus 3G or rural versus urban areas?

Himanshu Kapania: Thank you, Sachin, let me start with your first question on Voice RPM. Yes, there is an overall decline of 5% on a sequential quarter basis of Voice realized rate. There are three factors which is driving the voice realized rate down: One obviously is competition, the second is proportion of new circles and emerging circles minutes in overall minutes. As you are aware, Idea is not a very secular company on pan India basis. There are established circles which are primarily in the West and South India. We are trying to improve our presence in North and in the Eastern belt. Now, these markets have much lower realized rate than the markets of West and South, because they tend to get lot more incoming calls. Once the proportion of weak market increases as a percentage of subscribers, as a percentage of minutes, we are finding that the overall realized rate falls. The third factor which you had correctly mentioned is on account of drop in IUC rates, which we believe is about 30% has driven the rate down.

If I continue on this, we had mentioned post March 2015 auction that directionally the tariffs should go up, we still hold the same view. In the same call we had mentioned that whatever is going to be the results of Q4, was not in the control, and all activities on improvement of realized rates will be in the year FY16. As all of us are aware, Idea Cellular has spent over Rs. 30,000 crores for renewing its licenses, and so as industry spend nearly Rs. 110,000 crores and the cost pressures are below EBITDA, both in form of interest as well as in form of amortization, and all of this cannot be compensated primarily through scale benefits. It has to be a combination of scale benefits as well as Voice & Mobile data rate improvement.

I will move to the second part of your question is, "what about industry dynamics, do we have pricing power in our hand". Definitely, we do not have pricing power in our hands. We, as one of the industry players, we will make serious attempts to reverse the current trend of falling Voice prices as well as to some extent falling Mobile Data prices. The competition has remained at similar levels and there is no change in intensity of competition. However, the dynamics of the industry has undergone a change post March 2015 Spectrum Auction, and the total quantum of Spectrum payment as a percentage of the total gross block of all top telecom operators has increased. We believe that the discounted players are coming to a stage where they will have to now get ready for renewal of the Spectrum, and if they continue to have losses, they will have to take a long-term calls. Based on this, the grounds may be right for reversal of the falling rate trend that we have seen in FY15, but we will have to wait and watch. The above is our belief. But we run competitively in the marketplace and whatever happens, we will come and report the same to all our investors. If this is fine as far as tariff is concerned, I can move to the third part of your question.

Sachin Salgaonkar: Sir, one small follow-up, going forward obviously, the proportion of minutes from your new circles is going to increase. Form the points which you mentioned, again it will lead to some pressure on the realized rate. So how do we reconcile that with directionally tariffs moving up?

Himanshu Kapania: The ratios definitely and hopefully will change for us. If the realized rate is lower in these weaker markets, the price pressure will remain, but if the overall trend of realized rates going up across the board by reduction of promotional minutes is ensured, definitely, the overall realized rate should go up. That is the way we see this.

Akshaya Moondra: Sachin, if a weighted average gives you seemingly adverse result, I think we have to look at it independently. If the volume is growing in newer circles and the weightage is increasing and it affects the overall realized rate adversely, I do not think that is a cause for concern; that is the statistic. Overall increasing volumes in new circles will improve the profitability. I think we would prefer to look at it separately, and the weighted average figure is more of a statistic, which one has to track.

Himanshu Kapania: We come to the third part of your question, which is on capex guidance. As you notice in FY14 we have spent about Rs. 3500 crores, in FY15 we spent Rs. 4,000 crores and FY16 our guidance is Rs. 5,000 crores. So first and foremost let us spend a minute on FY15 capex of Rs. 4000 crores, a little higher than our guidance. The reason for that has been that the volume growth has surprised us as well as subscriber growth has been a positive surprise. When we had given guidance we had not anticipated this massive volume growth. As you are aware we have to do capital injection if we have to support the large growth of 17% by volume of subscribers, and 95 billion of incremental Voice Minutes. Now as far as going forward capex of Rs. 5,000 crores is concerned I have alluded to that in my opening remarks, there are two or three big trends, which I am sure all analysts are tracking. First trend is, post-March 2015 auction, there are about 25 new markets, which have been opened up for 3G on an overall basis, and this will be almost 50% expansion of 3G markets. In our leadership circles, as we mentioned, as far as 3G is concerned, about 35% to 37% of our existing 2G sites have been upgraded to 3G. We need to now move 3G to markets where there is no high speed internet services available, in the mid-size towns, in the small towns, and in some rural areas, and given the fact that now 3G is delivering revenue of over Rs. 1,15,000 per 3G site, and 8.5 GB of volume we will have to make sure that the 3G service expansion takes place and we are competitively placed. This is one factor which is incremental to whatever expenditure that we committed in past. We have also made an assumption in our guidance that the robust growth that we saw in subscribers, minutes and Mobile Data volume will continue. The last equally important factor is that at some stage we will have to launch our 4G Services. But before we start installing 4G electronics, there is a lot of preparation as a company we have to do; we have to prepare the 500 towns that we have identified, where High Speed Data Network will be made available either or on both 3G or 4G, we have to expand our OFC backhaul link, as well as increase our throughput capacity. There has been a little higher allocation that we kept so that we can get our ground work ready as and when we are going to start installing the electronics; the fiber part of the activity we are doing now, electronics part of it we will do at a later point of time. I hope it gives you the sense.

Sachin Salgaonkar: Absolutely very clear. One other minor follow-up. You mentioned about volume and subs growth surprise. I presume it is all on Voice right or also there was a bit of surprise on Data?

Himanshu Kapania: Yes, on Data as well. If you look at, we had a 5 million 3G subscriber growth in FY14, we had almost a 9 million 3G subscriber growth this year (FY15) on 3G, more than that we had not anticipated that about 20 million subscribers will upgrade themselves to 3G devices. The pace of device adoption, we are very pleasantly surprised. Only 50% of our current subscribers who upgraded their devices to 3G, are using 3G Services. It gives us a lot of confidence to go ahead and make the investment in 3G now, which we were a lot more conservative and prudent at an earlier stage. Now the confidence is increasing because we feel there is sufficient ROI. I have to remind everybody that as far as Idea is concerned, for us the capex investment is ROI-led, and we believe there is a reason why we are increasing our guidance, because we believe there is sufficient ROI available, and this higher capex allocation will help us in our growth journey that we have set for ourselves.

Sachin Salgaonkar: Okay sir. Thank you and all the best.

Moderator: Thank you. Our next question is from Aditya Soman of Goldman Sachs. Please go ahead.

Aditya Soman: Congrats on really good set of numbers. My first question is on your network operating cost. Sequentially on standalone as well as consol numbers, network operating costs reduced significantly. Is this largely because of lower fuel costs or is there any other specific reason that network operating costs have come down? My second question is on Data growth. I think if I heard you right, you mentioned that the Data usage per 3G user was about 777 MB. Can you just highlight what services are using most of the Data growth, and what is the average handset price that you are seeing the users take up?

Akshaya Moondra: Aditya, on the network cost there are a few things. One is, during this quarter there is a further benefit of reduction in diesel price, so that has helped. Also traditionally Q4 is seasonally a good quarter in terms of energy cost. Today, the industry has a mix of fixed energy cost models, where the benefit does not come, the seasonality is not there and pass-through models where the benefit of seasonality comes, and varies from quarter-to-quarter. Traditionally we have seen that in Q4 because it is a financial year ending, there are some write-offs of provisions which were made for earlier quarters or period, and that is also there. I think all this combined together results in not a proportionate increase in the network cost as you would see based on the number of sites, but I would say that if you look at on an annual basis, the overall cost is fairly representative of the way the sites are growing.

Your point about IUC, that is not a part of network cost, so that does not have any impact on the network cost.

Aditya Soman: One follow-up there actually; you mentioned that the full year number was a representation. So is that what we should sort use as a benchmark to make assumptions?

Akshaya Moondra: Subject to change in energy prices, that should be fairly representative.

Himanshu Kapania: As regards Mobile Data growth, you are absolutely right, the usage per subscriber has gone up to 777 MB, and what we are observing that there is all round improvement in usage. The applications which consumers are now accessing is far more varied, and a lot more new applications.

The largest application consumer accessing is video applications across various kinds of sites, the second largest is obviously time being spent on social media, there is also a significant usage of subscribers on e-commerce activities, mobile banking activities as well as specialized services, which is a new trend. In terms of handsets, primarily, the lower end of the 3G handsets are the ones which is fueling the growth within the range of 4 to 4.5 inch screen size in a price bracket of Rs. 4500 to Rs. 7000. These are the ones which is driving the growth and more and more consumers are upgrading their current 2G phones which cost about Rs. 1500 to Rs. 2000 to these Rs. 4500 to Rs. 7000 3G phones.

Moderator: Thank you. Our next question is from G.V. Giri of IIFL Capital. Please go ahead.

G.V. Giri: Your subscriber addition have accelerated quite sharply. So what is exactly driving it – rural ads or what change have you done in the last few months, which has driven this? #2 in this quarter, the 3G-enabled handsets in your EOP base increased from 18.7% to 23% in a single quarter. So what drove that jump? It is much more than the jump of the last few quarters. This item other expenses went down in absolute terms and of course in percentage terms, so what should we treat as a trend?

Himanshu Kapania: Giri, I will try to address the first two questions and I will request Akshaya to address the third question. As regards subscriber growth, you are right, we have had addition of 23.5 million subscribers this year against 17.7 million subscribers in FY14. The factors which is helping such robust subscriber growth is Idea's presence is improving, in 2012 Idea was present only in 15 circles, and then we acquired seven new licenses, with the improved presence of Idea we are able to get subscriber growth from new markets as well as we are getting subscriber growth from existing markets. Large geographies like UP, Bihar, Bengal, Tamil Nadu, besides our traditional geographies of Madhya Pradesh and Maharashtra are delivering the higher consumer growth and most of the states that I have mentioned, are underpenetrated markets thereby India has overall penetration only at a level of around 70%. These markets still have VLR penetration of between 40% to 60% and that is where the growth is coming in. That is the reason and we have said it in the past that there is still opportunity for growth in rural voice telephony for another 300 to 400 million. This is the reason why industry overall subscriber growth has been higher this year versus last year.

As regards devices jump, specifically on a quarter-on-quarter basis, we ourselves are pleasantly surprised. We are finding a lot more customers have started to upgrade their existing handsets to 3G. One of the reasons is, there is a sharp decline in the device selling prices in the last two quarters, especially from Diwali onwards, with now 4G handsets available at Rs. 7500 price points, 3G handsets now available below Rs. 4,500. We believe we are reaching a sweet spot where this device upgrade process may only accelerate going forward.

Akshaya Moondra: Your third question was the reason for decline in other expenses. That is because we had made some provisions in the earlier quarters mainly relating to some CSR expenses, the expenses have not been to that extent, so those provisions have been written off and that is the main reason for decline in other expenses. I think going forward for the next year we are likely to spend the CSR spend as per the Company's Act requirement, and to that extent these expenses will increase in FY16 over FY15.

G.V. Giri: Sure. Thank you very much.

Moderator: Thank you. Our next question is from Kunal Vora of BNP Paribas. Please go ahead.

Kunal Vora: Thanks and congrats for good set of numbers. Two questions: First is what is the long-term strategy in the seven loss making circles? Larger operators have acquired additional spectrum for data, while Idea is not being able to do that. So incrementally it might get difficult to compete in these circles, how are you approaching this, one? And second is your thoughts on Voice over IP, OTT apps, how do you see it, do you already see it impacting the Voice revenue, your Voice have been fairly strong in minutes growth, but are you seeing any underlying shift towards OTT voice?

Himanshu Kapania: Thank you, Kunal and appreciate your comments and encouragement. The first part is our long-term strategy on the seven circles. Our focus will remain of being able to provide ubiquitous voice. Currently, there are large population areas in these seven circles where Idea services is not present, and we want to finish that task and improve our presence, and increase our overall subscriber base in these markets before we turn our attention to Mobile Data. We do not believe that Mobile Data business is there for a short period. There is sufficient and more time available to grow Mobile Data business over the next 20 to 25-years. The current focus for the company is first and foremost to take Idea presence to as many geographies and population centers as possible. Once Idea presence improve and our revenue market share reach to levels where we can start generating profits out of this, then we will review our mobile data strategy. Are you okay with the first part?

Kunal Vora: Is it possible that the customers who want Data might start shifting towards larger operators, is that a risk which you are seeing or you think that customers which you currently have like they are not really very keen on Data Services at this point in time?

Himanshu Kapania: Given the fact that India has a 950 million subscriber base and still growing, in terms of VLR subscriber 870 to 880 million users, another 300 million are getting added. Yes, there is a segment of customers who will select an operator only for Mobile Data, but that segment of customers is currently small. So, if you look at last TRAI report, only 70 million Indians today access internet on their 3G Services, another 200 million mobile users who access internet from their handsets, all happens on 2G services which we are offering in the new markets. So given the fact that Wireless Broadband still has abysmal low levels of penetration at 7%, there is sufficient and more time available for us to be able to grow our presence in these markets before we turn our attention to 3G and 4G service in these markets.

Coming to the second part of the question on Voice over IP, first and foremost, Idea Cellular has been in discussion with most equipment suppliers, we have been carrying out our own tests, and our belief is that the technology of circuit switch for Voice is far superior to the technology over IP. In the long run, Voice over IP technology will improve. The technology which is coming in, is Voice over LTE, but that is where high quality work is being done, where a lot of research and development is happening. Current quality of VOIP services does not compete very well with the mobile operator's circuit switch quality that we offer for such large mass of subscribers, where 683 billion minutes were generated in FY15. Thereby, we are not currently over worried for a short run on present offerings of VOIP. Having said that it is important and we have said it in our document that we submitted to TRAI as response to regulators consultation paper that telecom operators get level playing field. It is important that the same type of service, and specifically we are discussing Voice here, should have the same set of rules. If the same rules that apply to us currently in the form of the customer protection norms as well as security norms, as well as records keeping that we have to maintain for our customers and multiple taxes like USOF, SUC and License fee etc, are also the norms should be applicable to OTT operators, we welcome competition. We are fairly confident to be able to compete in the marketplace. Our requirements to be able to compete is only 'same service, same rules'. Will VoIP be able to take away a larger portion of Voice? We are not seeing that trend at this point of time, but we will keep reporting going forward on this. Please note that has not been seen in any part of the world as of now.

G.V. Giri: Thank you sir.

Moderator: Thank you. Our next question is from Jimmy Chen from Sanford Bernstein. Please go ahead.

Jimmy Chen: Thank you for opportunity. I have got two questions. First, management described how the deferred payment for spectrum from the last auction would show up on your accounts going forward as a liability, when and on what accounts? And also how interest expenses will be incurred from when and potentially how much, especially during the two years moratorium period before you have to make the actual payment? And then also to follow up on that, in terms of the cash flow payment, are there only on the deferred amounts, would that only happen after three years, including the interest during the two years of moratorium time period, if any? And then my second question on the 3G base station. What proportion of that has already got fiber transmission and what is the target that you are aiming to achieve?

Himanshu Kapania: I will answer the second part, Jimmy. As I mentioned in my opening remarks, 37% of our 2G base stations have been upgraded to 3G and we have 5,000 overall OFC PoPs. The methodology that we are following whenever we upgrade a 2G base station to 3G is that we have to make sure that sufficient backhaul capacity is provided so that 21 Mbps speeds are available for customers to surf. It is not necessary to be able to have a fiber PoPs in all the 3G base stations, because all that is required, we have a single 2100 MHz spectrum carrier at this point of time, on an average 6 to 8 stations are connected to a PoP so that 21 Mbps of speed is consistently delivered. You can see from the volume of data that is growing on Idea 3G network, which is 2.3x volume data has grown on 3G services that Idea consumers have been able to use, and are fine with the quality of services that we are offering.

Jimmy Chen: A follow-up on that; any of the fiber transmission that has been built is that owned by Idea or is that leased, and also going forward, for the rest of your 3G upgrade plans, are you going to do the same, strategy of the mix between fiber and other kinds of transmission?

Himanshu Kapania: The quantum of fiber that we show on quarterly details that we provide on our website is the fiber that is on our books. The mechanism for recoding of this fiber, followed across Indian industry is, this fiber either we build on our own or we do an IRU swap on a sharing mechanism and this fiber become very much part of our books. We have 90,000 Kms fiber route. As regards going forward, will we do 100% of our existing 2G size, upgrade and have a fiber PoP? The answer is definitely no. We will continue to follow the current pattern, which we believe is the right thing to do, because we have no intention to expand role of this fibre like fibre-to-home or any intention to enter enterprise business or fixed line business etc. We will remain a pure mobility player and we will build capacities just in time for where the consumptions demands. Following above fibre strategy, it has worked very well for us and we will continue to follow the same going forward. Further, our backhaul strategy will always be a mix of fiber and microwave equipment to deliver the speeds that the consumer expects from the individual technology that we introduce.

Akshaya Moondra: Jimmy, on the question of deferred payment, firstly, the deferred payment obligation relating to March '15 auction will be of the order of Rs. 224 billion for us. As and when it is crystallizing it will be reported under long-term borrowings as we are already doing for the earlier deferred payment obligations of earlier auctions. In terms of the time when it will be recorded as debt? A large part will be some time during FY16. As you are aware, the large chunk of this spectrum is relating to renewal, the licenses, seven of those actually expire in December '15 and two of them expire in April '16. There is a procedure to be completed at DoT with reference to getting a letter of intent and letter of spectrum allocation from them. Once that process is completed and DoT allocates the spectrum to us that is the time when the borrowing will be recognized.

In terms of servicing of the debt, you are right, the interest would start accruing from 9th of April, which was the date for upfront payment, but there is no servicing or no payment of either principal or interest in the first three years and the first payment happens at the end of third year. Till then the interest continues to be accrued, and after every 12-month period, the accrued interest is added to the amount of the loan. That is the methodology being followed. While this may not have been a part of your specific question but I think I would like to repeat that, after the auction we had investors call and there we had indicated that the extent of capitalization of interest in FY16 would be of the order of about Rs. 1800 crores and we just continue to reaffirm that the level of capitalization in FY16 would be of that order. I hope that answers all your questions.

Jimmy Chen: Just to clarify, so of the 224 billion in deferred payment that goes onto liability, with the 10% interest rate, that is being accrued in FY16, so around 20 billion, most of that, if not all, will be capitalized until some stage, is that what do you mean?

Akshaya Moondra: Because the large chunk of spectrum is the renewal spectrum, which as I said, some of it will actually start getting used in December '15, and some of it will start getting used in April '16. Also since the spectrum mix has changed between 900 and 1800, we also need to reconfigure our network for that purpose, and as a result then we will be capitalizing our interest till these activities are completed. So, largely the capitalization of interest will continue until the time we actually get the spectrum and the reconfiguration of networks is completed to be in line with the revised spectrum mix.

Jimmy Chen: Thanks.

Moderator: Thank you. Our next question is from Rajiv Sharma of HSBC. Please go ahead.

Rajiv Sharma: Thanks very much for the opportunity and congratulations on good set of numbers. My first question is on the Voice RPM. So this quarter we had one month of impact of IUC charges. I am just trying to understand what will be the full impact of this – IUC plus this 20% to 40% cut in roaming charges, if you do, if nothing else changes keeping everything cautioned, what will be the full impact on the Voice RPM of all these charges? And second is, Himanshu, I understand that you said that you want to increase your 3G coverage from 37% to 65%. But, is there any element of getting into pure sites for Data or is it just leveraging because yesterday only Bharti Infratel said that they are seeing telcos going for pure data sites. But then, while the underlying is Data driven then they are going with integrated decisions. I am just trying to understand what your approach is in that case.

Himanshu Kapania: Let me answer the second part of the question; as we mentioned we will be upgrading our existing 2G sites mostly to 3G Services, standalone sites will be so insignificant number, and it is not worth mentioning. The second part, as far as Voice RPM is concerned, we had given the information in my opening remarks, I had mentioned that the impact of Voice RPM as per our internal calculations will be overall on industry revenue, which includes both Voice and Data of about 4% at constant prices and about 4.3% to 4.5% on Voice revenue. We maintain that stand. At the current prices, there will be a drop anywhere between 1.4 to 1.6 paise per minute, if there is no price revision.

Rajiv Sharma: Incremental question I am chipping in, your capex guidance of 50 billion to 55 billion, so I understand you want to invest a lot in the back end in terms of fiberation but does this include any kind of meaningful 4G capex deployment, or that is for FY17, you may do some trials but no real deployment of 4G Services?

Himanshu Kapania: Meaningful capex, if you were to use the word for 4G launch, which is the correct word to use, the answer is No. We will do POC (proof of concept), and wait to study what is happening across the world especially in large markets which have low ARPU levels as well as see moves of the competition. Unless there is a competition dynamics which undergo a change, in our thinking we will prefer to do a larger portion of our 4G investments in 2016-17.

Rajiv Sharma: Thank you very much. That's very helpful.

Moderator: Thank you. Our next question is from Sanjay Chawla of JM Financial. Please go ahead.

Sanjay Chawla: Thank you for the opportunity. My first question is, Himanshu, what are your thoughts on industry's ability to offset this roaming rate reduction and also the service tax increase which is about to happen? Also a related question is could you share the exit voice RPM in the fourth quarter in the last month? Secondly when you have indicated, the impact of recent IUC changes is Rs. 1.05 billion on the gross revenue, does this calculation or number includes the benefit of ILD termination rate increase. Third question is FY 2016 capex you have given Rs.50-55 billion. What is the amount of one-time capex that you would need to incur for your GSM network reconfiguration?

Himanshu Kapania: First and foremost will we be able to recover the roaming rate reduction in headline rates or the ceiling rates? As a company we are attempted to do that. We are not budgeting for a rate fall on account of roaming ceiling tariffs that have been reduced by the TRAI, hopefully by adjusting the promotional minutes for roaming we should be able to do that, as I mentioned in my opening comment. As far as service tax is concerned, we are hopeful to be able to pass on all the service tax increase on to the customer. There will be a very small portion which pertains to value vouchers and rate cutters, which we will find it difficult to be able to pass on to the consumers. On the voice RPM Rs. 105 crores impact on account of IUC change includes benefits on ILD rate change.

Sanjay Chawla: The exit, Voice RPM, can you give some indication, how much below was it compared to the average for the fourth quarter?

Himanshu Kapania: We have been sharing our numbers on a quarter wise basis, we do not concentrate on a month-by-month basis. I do not want to mislead the market by moving from a current practice of a quarter numbers to month numbers.

On the capex of Rs. 5,000 crores, yes, there is going to be a certain reconfiguration as I had mentioned in the call that we had done on the post-Spectrum auction, especially in our main markets of Maharashtra and Madhya Pradesh, we are going to carve out of the spectrum that we won 900 to be able to use some of it on GSM, and other portion on 3G. We have to use a larger quantum of our spectrum on 1800 in these markets. Similarly, there is some reduction of spectrum in 900 in markets like Andhra Pradesh and in UP West, and we will have to put up 1800 TRX to manage the volume. It (capex guidance) does include reconfiguration capex, though I do not have a specific number which I can give you.

Sanjay Chawla: Are you including bulk of your 3G ICR revenues in non-Data VAS portion or is it distributed across the three segments that you report?

Himanshu Kapania: You are right, we are including a large portion of it in non-Data VAS.

Sanjay Chawla: Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Srinivas Rao of Deutsche Bank. Please go ahead.

Srinivas Rao: Thank you very much. Just two questions on this: First, your opening comment and during the call you did mention that you would look to see if Data pricing can go up. Is that something which we should expect over the next one year? Second, we have seen that your churn is generally higher than peers, though, of course, it has not made any material impact on your financials. Is that something we should take note or of something internally you take note of or that is something which is just part of your business model? Finally sir, you have mentioned on your capex, the increase in capex, does it largely reflect your expectation of a better demand and the robust demand which you are seeing or there is a portion where because of the spectrum which you now have is slightly different from what you had, and that is also in impacting your capex?

Himanshu Kapania: Let me answer the third part first. As I mentioned earlier in one of the answers given to one of your colleagues, capex expenditure for us is ROI-led and we are allocating a larger capex because we believe the mobility services demand that we are estimating will be much higher than what we had witnessed in FY13 and FY14. It is impossible for us to be able to tap the larger percentage of the demand with current assets. That is the reason where why we are allocating higher capex. Most of it is going for preparing ourselves for Mobile Data as well as for new markets where Idea is expanding its 2G presence. Yes, there is a small component that will be allocated to reconfigure our spectrum, but that configuration of our spectrum is also going to help us to be able to refarm the second carriers for 3G business. So it is all demand led is the way I will position Idea capex plan.

Srinivas Rao: You have mentioned that the cost of moving from 900 to 1300 is not material. How do we reconcile that with a very large bid for 900 versus 1800 in most of the markets, if you can help us think about it?

Himanshu Kapania: Srini, to the best of my recollection, we have never said that the cost of moving from 900 to 1800 is not significant and forget the money value cost, I think the cost of disruption in trying to build up a new network itself. The only thing we might have said something is, that if some 900 Mhz reduces, and we have to substitute it by 1800 Mhz, that may not be significant, and if that is what you are talking about, then that statement is right, but not a shift from complete 900 MHz existing network to new 1800 MHz network. The example is circle like Andhra Pradesh, we earlier had 6.2 Mhz of 900 spectrum quantum, which is going down to 5, and we have to add few additional more TRX on 1800 MHz spectrum to use 1MHz we acquired for balancing the GSM capacity needs. So that is not a material impact.

I will ask Akshaya to give you an input on churn, but I will focus on Data pricing. As we said earlier, as far as costs are concerned, there is a larger cost especially below EBITDA that needs to be compensated for telecom operators, and we want to do it through a 3-step process; one, increase the scale of Idea business and to capture the larger demand; second, through voice tariff improvement, and we cannot take all the increase in voice tariff, then there will always be danger of the gap between Data pricing and Voice becoming unrealistic. That is why we have to improve the mobile data prices. So this is the strategy that we want to pursue. Let us see how successful we are in the next financial year on this approach.

Akshaya Moondra: Srinivas, on the churn, I do not really have a specific comment. We would be happy to have a lower rate of churn, but I think given our positioning in certain circles where we are a new entrant, this kind of churn is currently a part of our business model. As our market share in these circles improve, we should be able to manage churn better.

Himanshu Kapania: The only incremental point on churn I will make that we have much tighter reporting. If you look at Idea VLR ratio to reported subscriber EoP number, it always have been more than 100% VLR over the reported base.

Moderator: Thank you. Our next question is from Naveen Kulkarni of Philip Capital. Please go ahead.

Naveen Kulkarni: Thank you for the opportunity. If you look at Voice RPM in this quarter it was 33.9 paisa and the industry leader is at 36.2 paisa, in 2013 we were similar to the industry leader, and probably one quarter we were even at a premium. So how do you see this – do you see this to be sustainable, this kind of spread between us and the leader, or do you think that this presents us with a more room to raise tariffs? That is my first question. My second question is on the need for a second carrier in 3G circles. So we already acquired the second carrier in Maharashtra. But do you think that in more circles we will have that requirement coming up very soon, or how do we decide this requirement, could you shed some light on that, that would be helpful?

Himanshu Kapania: Yes, this is a question that has been asked to benchmark our voice RPM versus the leader in the marketplace. But, I would like to remind all the listeners, that the present accounting methodology that is followed by Idea vis-à-vis that of Bharti may not be the same, and hence these comparisons may not be of like-to-like numbers. There can be different accounting practices followed. Having said the same, you are right, a few years back, we were primarily a 15-circle company, and we did not have emerging and new markets in our fold. We have seven markets where our revenue market share is around 5%, our standing in those markets is anywhere between No. 5 to No. 7, and we are still trying to build our business from behind. But, as the proportion of minutes from these markets improve, as the proportion of subscribers from these markets improve, these are obviously at a much lower realized rate, its impact can be seen on an overall Voice RPM. That is the reality, and it will remain for some time until these markets come up to levels which brings us to the similar levels where Idea is at least a reasonable challenger at a No. 3 position. The above factor impact has to be kept in mind when comparing.

To your second part of the question, yes, we have acquired second carrier in Maharashtra, and would we need second carrier in few other markets. That is the reason when I mentioned that we are going to do a POC for 4G. We have acquired 4G spectrum in ten markets, out of these most of the acquisition is in Idea's leadership markets. It is our stated intention once the volume of data grows on 3G platform, those would be the places that would be in the long run the right circles for us to upgrade and provide additional capacity from 4G services rather than to look only for second carrier on 3G as an option. We are preparing ourselves for a time in the future, where a combination of 3G and 4G sufficient capacities will be available to be able to meet the burgeoning demand of mobile data consumers.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints that was the last question. I would now like to hand the floor back to Mr. Kapania for closing remarks.

Himanshu Kapania: Thank you so much, Inba. As always the questions that we receive from all the analysts are incisive. They make us think all throughout the quarter, and help us to be able to execute some of the thoughts in the marketplace. I thank each one of you for giving the specific time and your inputs, for us to be able to continue on a growth journey and objectives that we have set for ourselves in the future. Once again, thank you so much and hope to hear from you next quarter.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Idea Cellular that concludes this conference. Thank you for joining us and you may disconnect your lines.