“Idea Cellular Earnings Conference”

November 14, 2017

Moderator: Good afternoon, ladies and gentlemen. This is Karuna, 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 – Whole Time Director and Chief Financial Officer of Idea Cellular, along with the other key members of the senior management on this call. I want to thank the 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: Thank you, Karuna. On behalf of Idea, I welcome all participants to this earnings call. Yesterday, our Board of Directors -

A) Approved the 100% stake sale of its wholly-owned subsidiary ICISL, primarily managing the 9,900 standalone tower business to ATC Telecom Infrastructure Private Limited (ATCTIPL), formally known as 'Viom'

B) Adopted the unaudited results for the second quarter –'July to September' of the financial year 2017-18

Separate press release on Idea's second quarter results and joint press release by Vodafone and Idea on sale of their respective standalone towers business in India to American Towers, along with Idea's quarterly report have been uploaded on our website and I assume you had a chance to go through the same.

My opening remarks will cover the key macroeconomic and market mega trends and their impact on company's performance, while our CFO, Mr. Akshaya Moondra, will provide details on Idea's financial performance during the second quarter.

Firstly: Idea's standalone tower business sale to American Tower.

- ICISL is a 100% subsidiary of Idea Cellular which provides passive infrastructure services on a pan-India basis to Idea Cellular Limited and other leading mobile operators. The company owns 9,900 towers across 22 service areas with a tenancy ratio of 1.80 as on 30th September 2017. ICISL has significant tower presence in Maharashtra, Madhya Pradesh&, Chattisgarh and Bihar & Jharkhand telecom circles. During H1 FY18, ICISL had revenues of Rs. 5,965 million (including energy billing) and EBITDA of Rs. 1,939 million.
- In a joint announcement with Vodafone PLC through a press release yesterday, Idea and Vodafone India agreed to sell their respective standalone tower business in India to ATC for an aggregate enterprise value of Rs. 78.5 billion in an all-cash transaction.
- As a part of this transaction, Idea Cellular Limited will sell its entire stake in ICISL.
- Further after Vodafone India and Idea have completed their merger, ~6,300 co-located tenancies of the two operators on the combined standalone tower business will collapse into single tenancies over a staggered period of 2 years without the payment of exit penalties. This will result in significant cost savings. Average cost of operation of a tenancy is Rs. 50,000 to Rs. 55,000 per site, including tower rental, energy and maintenance etc.
- This transaction follows the Vodafone India and Idea merger announcement of 20th March 2017, whereby the parties announced their intention to sell their individual standalone tower business to strengthen the balance sheet of the proposed combined mobility business.
- Both Vodafone India and Idea as customers and ATC as passive infrastructure tower vendor have agreed to treat each other as a long-term preferred partners, subject to existing arrangement.
- In the event that completion of the sale of the standalone tower business precedes the completion of the proposed merger of Idea and Vodafone India, Idea will receive Rs. 40 billion and Vodafone India will receive Rs. 38.5 billion. The receipt of these proceeds prior to completion of Idea-Vodafone India merger transaction was anticipated and provided for in the merger arrangement and hence would not affect the agreed terms of the Idea and Vodafone India merger, including the amount of debt which Vodafone will contribute to the combined company at completion.
- Adjusting for loss of 6,300 overlapping tenancies, the tower enterprise value is 13.5 times of EBITDA. Further the value per tenancy, which is the appropriate metric, is approximately Rs. 3 million, comparable to recent tower M&A deals.

- The transaction is subject to customary closing conditions and receipt of necessary regulatory approval from CCI and DoT. We expect to complete the tower sale transaction during the first half of the calendar year 2018.

Secondly: Digital wave running across the country.

- We in India are living in truly exciting times with country's economy growing at a phenomenal pace of 6% to 8%, twice the rate of global growth.
- The Indian economy is slated to reach US $4 trillion GDP in next 7 to 9 years and emerge as the world's third largest consumer market. We expect mobile telephony contribution to return back to global average @ 3% of GDP against current slippage due to price war @ 1.5% of GDP.
- Clear trends of rising affluence and continuing urbanization are evident across the country. Elite and affluent households are expected to double to 16%.
- Even emerging cities with population less than 1 million are growing at 14% nominal rate.
- India is a major user base for global internet companies with country boasting of more than 200 million users for Facebook and WhatsApp, while nearly 15-20% of Amazon and Uber global users are based in India.
- India has become world's second largest smartphone market with 'July to September' quarter sales exceeding 40 million.
- The digital wave is disrupting various categories, be it e-commerce, payments, banking, entertainment and many more.
- The country has witnessed 7x increase in number of online shoppers to 80-90 million in last 3 years and nearly a billion digital transactions were reported by RBI in October 2017.
- This strong economic growth and digital revolution is founded on the bedrock of wireless telecom infrastructure and services.
- Even though last 1 year has been painful as mobile industry adjusts to a new consolidated market structure, future augurs well for the planned Vodafone-Idea combination as we leverage the synergies of our complementary wireless services.
- Adoption of recently introduced Idea's own digital services is on the rise. Currently, over 24 million Idea subscribers use our self-service 'My Idea' App. Similarly, more than 10 million Idea customers are now enjoying Idea entertainment apps across music, movies, live TV and games.

- Presently, Idea has 29.6 million mobile broadband users, indicating that just 16% of Idea base currently enjoy company's 3G and/or 4G high-speed broadband internet services against over 100 million broadband (3G or 4G) device owners, significantly higher penetration of over 55% broadband devices against Idea's overall reported subscriber base of 182.4 million.
- As we expand our broadband footprint and neutralize rate differential, especially in bundled voice and data plans against those offered by market disruptors, higher adoption of mobile data and Idea's own digital services is inevitable.

Let me move to the third point: Introduction of unlimited plans is changing Indian consumers' mobile consumption habits.

- With the introduction of unlimited free voice and bundled mobile data price plans, the consumption habits of the Indian mobility users is undergoing a sea change. As Indian consumers graduate to higher ticket unlimited bundled plans, the mobile service consumption trends are shifting from ‘snacking’ to ‘buffet’ with marked higher per subscriber usage.
- Mobile consumers are highly engaged with their devices and spend nearly 4 hours every day on the same. Video is now the new communication language. Mobile telephony has made us and our devices inseparable, and is now defining the way we work, live and play. We have become so addicted to mobile services that we don't sleep or wake up without our mobile service at our bedside. Our devices are no longer just a source of telephony and high-speed Internet access, but have also become source of music, TV, cinema, news, information and much more.
- Idea's mobile broadband customers are now using nearly 5 GB of data per month, more than 5 times of data usage one year back. Similarly, average voice usage has expanded to 459 minutes, nearly 40% higher usage than the per subscriber voice consumption one year back. Pure 4G customers' average mobile data usage per month is even higher at 7.5 GB.
- India has thus become amongst the world's largest mobile consumption society with both voice and broadband per subscriber usage far higher than the global average.

I move on to my fourth point: Idea finally enters into mass market unlimited bundled price plan category by launching competitive offerings for all its customers.

From end October 2017, the company has shifted its earlier stand of limited aggression in the unlimited bundled plan category, which was limited to 4G customers, to offering competitive mass market unlimited free voice and bundled data price plans. The company has introduced two type of bundles offering unlimited voice with free local and STD calls, namely -

A) For subscribers with limited mobile data needs, a price plan @Rs. 179 offering unlimited voice and only 1 GB of data. The validity varies between 21 to 28 days across different telecom circles. This price plan primarily attracts Idea's strong 2G and 3G handset users and limited 4G device owners.

B) For subscribers with large mobile data volume needs, two variants are being offered. One at Rs. 357 where customer gets 1.5 GB per day bundled mobile data with unlimited free voice services for a period of 28 days, and second at Rs. 449 offering daily 1 GB per day bundle with unlimited voice services for a higher 70 days validity period. In five leadership markets, the same mass market bundled plan is being offered at Rs. 498 price point for a validity of 70 days.

The Rs. 357 and Rs. 449/Rs. 498 prepaid price plans are also bundled with free national roaming services and unlimited free SMS @ 100 SMS per day.

Similar competitive plans have also been introduced for postpaid subscriber on their monthly bill cycle. With the introduction of these mass market prepaid plans, Idea is bridging the consumer pricing differential, which existed with Jio and Bharti during the first half of the financial year 2017-18.

I move on to the fifth point: Weak consumer experience on low price smartphones

- Since September, the market is buzzing with the introduction of Jio's 4G feature phone offering VoLTE voice services, which has low memory storage and non-Android operating system, both critical for broadband services, especially to video consumers. Delivery of these Jio branded devices have commenced from October 2017.
- Other existing 4G operators, including Airtel and Vodafone have also announced partnership with existing handset suppliers, primarily offering low priced smartphones on Android operating system in the range of Rs. 2,800 to Rs. 4,500 in form of aggressive price plans, cash backs and other promotions.
- Our initial study of the market indicates a patchy consumer video experience on 4G feature phones and smartphones below Rs. 3,000, though voice services experience is good. That is a reason the contribution of below Rs. 5,000 smartphone and 4G feature phone as a percentage of the overall category continues to decline and today contributes less than 10% by numbers.

Demand for this low priced smartphone is reducing excluding Jio's new phone in overall 40 million second quarter smartphone sales.

- While Idea is in the process of introducing similar aggressive promotional tie-ups including free data bundles and cash-back offers with low-price handset brands on 4G Android smartphones below Rs. 4,000, we would continue to carefully monitor the consumer experience of these low-specification 4G smartphones, especially for mobile data and video usage before over committing ourselves. If the low-price smartphone device is primarily strong only on voice network, then alternatively existing 2G feature phones priced effectively between Rs. 600-900 offer superior value to customers with full freedom of choice of operator and no commitments of monthly recharge.
- In the meantime, we have recently partnered with smartphone handset suppliers offering attractive products and promotions for new as well as existing Idea customers upgrading in the mid-price range of Rs. 7,000-15,000, including brands like Sony, Xiaomi, Panasonic, Flipkart branded phones, and are closely monitoring the off-take of this promotion.

I move on to the sixth point: Rapid mobile industry consolidation encouraging prospects for the remaining 3 to 4 players in 2018.

The operating environment for existing Indian mobile operators has remained challenging over the last 12 months, which has also adversely impacted Idea's performance, namely -

- Unrelenting pressure on pricing due to introduction of free services and subsequently aggressive unlimited bundled plans. The industry operating tariffs tumbled and Idea's average voice realization rate per minute subsequently declined in Q2FY18 to 22 paisa per minute, a steep drop of 33.5% YoY. In mobile data, the rate drop was unprecedented - Q2FY18 blended data average realization rate per megabyte fell sharply to 2.7 paisa per MB, a steep decline of 85.6% over last one year.
- Introduction of GST at the rate of 18% against service tax regime of 15%, with effect from 1st July 2017.
- 59% reduction of interconnect settlement rates for incoming calls from other operators, from 14 paisa to 6 paisa per minute. Broad impact on Idea EBITDA is estimated to be Rs. 3 billion reduction over the next 6 months starting 1st October 2017. Efforts are on to improve OG% (Outgoing) to reduce the impact of IUC fall.

- Loss of nearly 7 million reported subscribers in last 6 months due to significant consumer price differential and trade schemes against Jio and Airtel, and company's tentative approach in the past to sale of unlimited voice and data bundled plans.
- Large investments to support exploding mobile data demand.

However, from October 2017, market has started to show early signs of repair and recovery. Some of the indicators are:

- Significant last 12 months financial pressure has forced sub-scale operators with limited or no 4G footprint to exit or combine with other operators. This is leading to faster-than-expected mobile industry consolidation and indicates encouraging prospects for the remaining three to four players in the forthcoming calendar year 2018.
- With announced closure of RCom's 2G services in most markets from December 2017 and planned merger of Tata Teleservices and Telenor with Bharti, 252 million subscriber base on VLR with rest of the industry as on 31st August 2018, excluding top 4 operator's base, is fast shifting to existing 2G, 3G market leaders in each of the telecom circles.
- Idea is witnessing return of subscriber growth in the first 40 days of the third quarter.
- Market has cheered two rounds of tariff plan corrections by Jio, once in July 2017 by 33% from Rs. 309 to Rs. 399, another 15% increase in October 2017 from Rs. 399 to Rs. 459 for 84 days product. The company remains optimistic of continuation of tariff improvement trends in forthcoming quarters.
- Consumer are graduating to higher ticket sizes and higher ARPU on back of bundled plans. Indian wireless industry is becoming a high volume, low rate bundled voice and data market with long-term trends of increasing ARPU as SIM consolidation process kicks in and consumers adopt longer validity products from current low-ticket price offerings. 'ARPU' is replacing rate (voice and data realization) as key revenue and business model driver.

I move on to the seventh point: Idea's accelerated broadband investments to support data demand.

Over the period of last 2 years, Idea has aggressively expanded its mobile broadband infrastructure and added 93,818 broadband (3G+4G) sites. Idea has multiplied its broadband sites by 3.4 times in last two years, and the overall broadband sites now stand at 133,685, higher than the unique 2G sites built over a span of last 21 years. Idea's wireless broadband network population under coverage now exceeds 568 million Indians, representing nearly 47% of Indian population across 22 service areas spread over 121,446 towns and villages.

As 4G adoption rates in India exceed initial company estimates, primarily driven by affordable smartphones, expanding 4G coverage and world's lowest voice and mobile broadband tariffs, almost all of Idea's incremental network capital investment is allocated to 4G expansion, including fiber and capacity.

Further, the planned deployment of 2300 or 2500MHz spectrum band in many of its leadership markets, during the current financial year, will further boost Idea's 4G capacity in these key markets. Additionally, the company also remains on course to introduce its own VoLTE, 'Voice over LTE' by early calendar year 2018.

In order to support the burgeoning demand of mobile broadband services, Idea has now increased its fiber backbone network by more than 50,000 kilometers from 100,400 kilometers in Q2FY16 to 150,500 kilometers in Q2FY18. On overall terms, Idea's gross investment in fixed assets has now risen to over Rs. 1,222 billion, a net addition of Rs. 486 billion, primarily in network capex and spectrum during the last 24 months.

Moving onto the eighth point: India remains a highly heterogeneous market.

While India is gearing itself to be amongst the world's largest broadband market, 4G subscriber base is expected to grow to 750 million from current base of nearly 175 million over the next 4 to 5 years at the rate of 150 to 200 million 4G new adds per year. The 2G subscriber market in the country will continue to be large, though estimated to fall, but only to 600 to 700 million subscribers by the year 2021-22 from current over one billion 2G users. This represents the dichotomy of Indian market heterogeneity as 'Voice' demand story remains robust, a bright spot against matured economy where voice usage is on the decline.

The antecedents of strong 2G market now supported only by 2 to 3 Indian mobility players as industry competitive structure consolidates, includes -

- India remains a heterogeneous market with varying mobile telephony needs across different consumer segments.

- We expect, in the next 4 to 5 years, elite population segment of 100 to 120 million Indians and aspirer population segment of 180 to 200 million Indians to fully adopt all the latest digital services, and these high-income Indians will be the heavy users of both voice and broadband services as they shift to unlimited voice and data bundles.
- In comparison, the next billion countrymen, the large base of Indian middle class with nearly 600 million population, shift from pure 2G voice usage to a balanced consumption of voice and some volume of data usage.
- But bottom of pyramid, 400 plus million Indians living both in urban and rural markets, who are currently non-users of mobile services, will adopt pure 2G voice services as India's economy prospers.

The first-time mobile phone users yet to experience mobile telephony and increased adoption of M2M services will sustain 2G network existence. New customers within lower middle class and bottom-of-pyramid population category will enter the mobile services with entry-level feature phones at Rs. 500. We estimate 2G feature phone will continue to be 30-40% of entire handset shipment. Also most of these 2G users will comprise of current large unbanked population and likely to adopt to telecom operators' payment banking services.

To summarize, going forward, country's consumer adoption trends indicate two broad mobile segments in India's heterogeneous market, and total mobile SIM user base estimated over the next 4-5 years is likely to be in the range of 1.3 to 1.4 billion, broadly split as -

- 700-750 million voice plus heavy data users on 4G platform
- 600-650 million pure voice users on 2G platform

The new merged Idea and Vodafone India is well positioned to capture largest share in both these segments, as 2G services will remain operator’s ‘Cash Cow’, and 4G services its ‘Growth Engine’.

I move to the final point: Pre merger capex synergy within existing regulatory framework initiated

In October 2017, Idea and Vodafone have entered into active infrastructure sharing arrangement. This is helping to avoid duplication of network spends by both operators and thereby optimize our capex. Today, both operators have started to enjoy expanded coverage from such active infrastructure-shared sites, with each operator using its own spectrum for capacity management.

Besides active infrastructure sharing arrangement in high mobile broadband demand markets, both companies have identified nearly 5,000 towns and neighboring villages each, where each operator has 4G capacity to accommodate other operators' mobile data demand. The discussion and field testing is in progress to close at the very earliest. New 4G ICR arrangement with Vodafone India will expand 4G coverage for each of our subscribers.

As regards, Idea and Vodafone India merger, the progress is on track. The details of the same are updated in yesterday's press release. In the meantime, Idea remains focused on execution of its market facing programs and strategies.

Now, I hand over to Mr. Akshaya Moondra – Idea's CFO, for details on financial performance for the quarter.

Akshaya Moondra: Thanks, Himanshu. A very good afternoon to participants from India and a good morning or evening as applicable to overseas participants.

During the quarter, we saw continued and increased migration of subscribers to unlimited products, resulting in significant increase in data traffic. This coupled with below-cost pricing has resulted in decline in ARPU and the implied voice and data realized rates. As a result, revenue for the quarter declined by 8.6% quarter-on-quarter to Rs. 74.7 billion. EBITDA for the quarter declined to Rs. 15 billion compared to Rs. 18.8 billion in Q1FY18, mainly due to lower revenue, higher IUC cost on account of increased outgoing minutes under unlimited bundled plans and higher manpower costs on account of annual compensation increases. The company continues to focus on cost optimization, which helps in partially containing the impact of revenue decline. Consequently, the EBITDA margin for the quarter stands at 20.1% against 23% in Q1FY18.

The depreciation and amortization charge for the quarter is higher at Rs. 21.1 billion against Rs. 20.7 billion in Q1FY18. Interest and finance cost stands at Rs. 11.8 billion, higher compared to Rs. 11.5 billion in Q1FY18. Both these have increased mainly because the 2100 MHz spectrum for Mumbai had amortization and related interest for partial period in the last quarter, which has become a full charge in this quarter.

During the quarter, Idea received allocation of 2 MHz spectrum in 1800 MHz band in Maharashtra circle acquired in October 2016 auction. Accordingly, deferred payment obligation of Rs. 3.18 billion has been recognized as debt in this quarter. With this, entire deferred payment obligation for October

2016 auction is now reflected in Idea's gross debt. Net debt for the current quarter now stands at Rs. 540.5 billion, which is similar to the level in the previous quarter.

As regard sale of ICISL stake, the agreed enterprise value is Rs. 40 billion, which is subject to closing adjustments. While there will be capital gain on account of the transaction, there will be no tax cash outflow given the current tax loss situation and also no MAT implication if the transaction concludes in FY18.

The impact of ICISL's stake sale on standalone financials of Idea Cellular will be reflected when the transaction is finally consummated. In the interim period, the net asset value of ICISL will be shown as a separate line item “Asset Held for Sale” on Idea's consolidated balance sheet.

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

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin with question-and-answer session. First question is from the line of Srinivas Rao from Deutsche Bank.

Srinivas Rao: I have a couple of questions. First, I wanted to understand is there a chance for a capex increase given that we have seen some of your peers, especially Bharti, suggesting they are going to front-end their capex? I notice that your capex for the first half is in line with your current full year guidance, but any feedback on that would be helpful. Second, it seems from the data usage that you have managed to kind of deliver competitive data bundles. Which are the key markets where you're growing and do you see that footprint expanding?

From your numbers, you suggest that 4G footprint is now almost 50% of your current overall footprint. Is that a fair assumption? And finally on the merger, if you can give some more color? You have mentioned that you have existing arrangements with Vodafone on the ICR side, but how will it pan out over the next 6 to 12 months and could we see any capex or opex synergies coming through from the merger?

Himanshu Kapania: Thank you, Srinivas Rao. I will answer the question in the same order you asked them. Number one is capex increase. You're absolutely right, our guidance has been Rs. 60 billion for this financial year. Along with this guidance, we are working within the defined regulatory framework with Vodafone to expand our coverage as well as capacity. We have introduced two initiatives, one action is already completed and the second action is underway, and there are some more initiatives which are under discussion but not ready for disclosure. One, we have started active infrastructure sharing in the towns where capacity utilization of the existing operator - Idea or Vodafone India was already full. Using the spectrum of the other operator, we have now started to deliver sites, and coverage extension has started for both the companies. Secondly, we have identified 5,000 sites each of both the operators – Idea and Vodafone India where there is sufficient 4G capacity currently. We are in the process of testing technical feasibility on 4G ICR and in parallel discussing commercial, legal and regulatory requirements for closing the 4G ICR. We are very hopeful that we will be able to initiate this program at the very earliest.

Thirdly, no doubt, there is pressure on our capex, but we believe from the range that we've seen of the two listed companies who have announced their capex spends, their cost per site is significantly higher than our cost per site and cost per MB. We have never been able to understand why it is so. And one of the reasons could be that we are a pure mobility company and others are making expenditure which is beyond mobility. As the differential is so large, analysts tend to use the averages of those companies and try to compare with us. It is thus important that analysts start utilizing the averages that we present, and these are real averages for us, to see the quantum that we are delivering at the price in terms of number of sites and quantum of capacity, vis-à-vis what others are delivering. Having said that, review of capex is a continuous process. At this point of time, we are not changing our guidance because we are working very closely with Vodafone to prepare ourselves, for what we call - 'the day zero'. We will review if there is need for any additional non-overlapping capex, but it will be some time before we take a call on that. If you are fine with this answer, I can move to the second part.

Srinivas Rao: Yes Sir. Thank you.

Himanshu Kapania: As far as our broadband footprint is concerned, we have now reached 47% of national average, and it continues to expand by the day. Secondly, in the first half of this financial year, we were cautious on bundled plans (both on unlimited voice bundled with limited data as well as unlimited voice bundled with very large quantum of data). We were not competitive enough on account of our tentative approach. We were offering these plans only to 4G customers and the prices were significantly higher than what was available in the mass market.

From the month of October, we've started to correct that, both with Jio and Bharti, by bringing the differential down. Even now, we are at a premium, anywhere between Rs. 50 to Rs. 100 depending on what market can absorb and we believe our differential is much lower at this point of time. We thus remain confident that we will deliver almost similar level of data bundle penetration as is being delivered by other incumbent operators. Obviously, Jio is delivering almost 100% of subscribers on data bundles. It is our assessment that while we are at low double-digit penetration at this point of time, most of the market is expecting this to reach 40-50%, and we are preparing ourselves to handle as many as 40-50% of total consumers moving to bundled plans. If that happens, we would obviously expect improvement of ARPU going forward. If you are fine with this answer, I'll move to your third part.

Srinivas Rao: Yes Sir. Thank you very much.

Himanshu Kapania: On the merger, we have given you an update on legal side of the merger, so I assume that there are no questions on that part of it as the merger is on track. As regards what we can do before the actual merger consummates, there are three options that we have within the ambit of regulatory and what is permitted prior to the merger being closed. One is active infrastructure sharing, second is ICR arrangements and the third is spectrum sharing. Spectrum sharing has an incremental cost and is not necessary for us. That is the reason why we are working primarily on active infrastructure sharing as well as ICR arrangements. We have completed our part for active infrastructure sharing and on the 4G ICR, we are also hopeful that we will be able to look at other additional opportunities, which we are at this point of time discussing but not in a position to disclose.

We are also preparing ourselves for 'the day zero'. That is a much larger exercise which is going on where all of us are working, within the framework of the law, along with the consultants and in the presence of lawyers to ensure that our 'day zero' plan is ready, and we have a blueprint by which we are able to deliver the synergies that we promised. This will help us to get the benefit of - a) the complementary footprint to both our customers post the merger is approved; and b) fastest way to achieve spectrum consolidation. Both this planning processes, within the framework of law, are in full progress.

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

Sanjay Chawla: My question is centered on the new Rs. 179 plan, and the industry consolidation which is going on. The first question is how you are placed in terms of 2G capacity because Rs. 179 plan obviously is an unlimited plan, which is going mainstream now for the 2G users also, and you are possibly going to see lot of volume inflow from the exiting telcos. So how are you placed in terms of 2G capacity? And what kind of a capex you are looking at in future in terms of 2G, 3G, 4G and a fiber backhaul capex? Related question is when do we see the 3G 2100 MHz shutdown and migration of 2100 MHz band to 4G? Also in terms of the ARPU impact of the Rs. 179 plan, should we brace for some initial downtrading from customers to Rs. 179 plan, which will impact the ARPU adversely in short term and then probably over the medium to long-term, would we see ARPU uptick?

Himanshu Kapania: Thank you. Firstly, you're absolutely right, we have launched Rs. 179 plan, and we are, for the first time, announcing the product through mass market advertising of the same. Company-wide, we are very bullish about the Rs. 179 plan. As regards to your worry on whether we have sufficient 2G and 3G voice capacity to take large customers on Rs. 179 plan, we can assure you and everybody on the call that Idea has sufficient voice capacity to manage large number of Rs. 179 plan customers, and we don't see this at all to be an area of worry. We have sufficient and much larger capacities than can be imagined by all of you to be able to handle significant voice volumes. And as I mentioned to Srinivas, we can handle up to 40-50% of the subscriber base moving to Rs. 179 plan and other unlimited plans. I'd like to remind you that Rs. 179 plan is primarily focused on voice customer, who also uses some quantum of data. It is thus value accretive.

As I also mentioned in my opening remark that primary response is coming from 2G and 3G customers who were earlier buying 4G smartphones to be able to buy bundled plans. Now they can retain their device and enjoy unlimited voice services. As the IUC falls, which you've seen has now fallen from 14 paisa to 6 paisa, we are hopeful that Rs. 179 plan will help us improve our OG% and the EBITDA loss that we have mentioned of Rs. 3 billion (over the next 6 months) will reduce.

Also, we are seeing a larger portion of the customers upgrading, to a smaller portion of the people downgrading. The higher ARPU customers prefer to buy bundled plans with voice and large quantum of data. It is the customers who were earlier on two or three SIMs with the 'snacking habit', are the ones now consolidating themselves and upgrading to Rs. 179 plan. And I have to remind you that for Rs. 179 plan, we are only offering 21 days validity in almost 14 markets. For a company with the ARPU level of Rs. 132, it is accretive. If you're fine this answer, I'll move to the second part.

Sanjay Chawla: We should not see any initial impact of downgrading in terms of ARPU impact?

Himanshu Kapania: There is a downgrade on an individual customer basis. There are some customers downgrading, but on an overall basis, it is value accretive because the number of customers who are upgrading is far more than the number of customers downgrading.

Sanjay Chawla: Okay. On the capex part?

Himanshu Kapania: Your second part has been on 3G. I'm not sure how you are concluding that 3G on 2100 MHz is shutting down. I think it is a very premature question, though we saw some media reports on this. Let me explain. As a combined entity while we will be discussing with Vodafone India and finalizing our plan, but you have to remember that a company like Idea has just about begun its exercise as far as 4G is concerned. We have rolled out 4G primarily on the 1800 MHz spectrum and 2100 MHz in most markets is on for 3G. In markets where we have additional 2100 MHz carrier and no 4G carrier, we will roll-out 4G on 2100 MHz (For example Mumbai as well as UP east)

Now we have three or four more opportunities for us -

> A) We have 2300-2500 MHz on almost Pan India level as a combined entity and focus of the company first will be to expand 4G coverage using 2300 MHz and 2500 MHz.
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> B) When the combined entity approval comes in, we will have a number of carriers which we could refarm. We are planning to refarm 900 MHz carrier from 2G to 4G. So that is the second area that will be the focus for the company, both at the lower end of the spectrum as well as the higher end of spectrum. The higher end of spectrum will be utilized for capacity expansion, and lower end of spectrum to improve indoor coverage. This will be the priority number one.
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> C) We have to keep reminding ourselves that India remains a very strong and a bright spot in terms of voice minutes. Idea has seen, on an annual basis, voice minute growth of over 30%, and we're expecting this minutes growth to continue at high double-digit levels over the next 1- 2 years. We have a very strong 2G network, and the 3G network not only provides data, it also provides voice. And our current assessment is that at least one carrier will be kept on 3G to supplement 2G voice for a significant period of time.

Of the 164 broadband carriers, current deployment of broadband carriers combined together is hardly of an order of 35 to 40 carriers. Only after all the 164 carriers have been deployed as a combined entity and full capacity is consumed, we will turn to refarm 3G 2100 MHz. It's very premature to talk about 3G 2100 MHz refarming for Idea or for the combined entity.

The caveat in this answer remains that the discussion still needs to be done with Vodafone. And then we will come with the final disclosure.

Sanjay Chawla: Much of this is useful. Just a last bit on the capex mix for future, going forward, within 2G, 3G, 4G and fiber. Approximately how we should look at that?

Himanshu Kapania: We have given you guidance clearly that most of our network capex will be spent on 4G.

Sanjay Chawla: And 4G and fiber, we should expect 80-90%?

Himanshu Kapania: When we do 4G, it includes both for coverage and capacity and fiber would be a natural part of 4G expansion.

Sanjay Chawla: Between 2G and 3G, you will spend relatively more on 2G?

Himanshu Kapania: None will be spent. We don't need to keep reminding you that on a combined basis, we have 275,000 tenancies on 2G with overlapping tenancies of over 60,000. 60,000 sites worth of 2G equipment will be available for expanding our capacity. We thus do not need to buy any additional 2G equipment and 3G equipment comes bundled with our 4G equipment. 4G is where almost all our network capex will be spent, and allied elements will support 4G expansion.

Moderator: Thank you. The next question is from the line of Manish Adukia from Goldman Sachs. Please go ahead.

Manish Adukia: First question is just a clarification on the ARPU comments that you've made in the previous questions and in your opening remarks. This quarter, for example, you saw about a 7% sequential decline in ARPU. Can you just tell us how much of this was attributable to the GST impact and seasonality and ex of termination charges, are you saying that you could start seeing an increase in ARPU starting next quarter? Second question is on the revenue growth, which, again on a sequential basis, was roughly about 350 basis points lower vs the market leader Bharti. How soon do you think you'll be able to close this gap in terms of revenue growth vs the market leader? And last question is on the cost. Congratulations on the cost savings you achieved. On SG&A, can you just remind us what is leading to the cost savings and is there further headroom here to reduce costs? Thank you.

Himanshu Kapania: Thank you, Manish. I don't have specifics for the ARPU, but I'll give you a broad trend which has affected us. Yes, we've not been able to raise rates, so that has impacted our ARPU on account of higher GST payments. Also, in the first round when we introduced bundled plans for 4G customers, most of the customers were downgrading. It is one of the reasons why our ARPU has been declining. Although it's a fact that over the years our ARPU has remained slightly lower than the ARPU of market leader. And the reason is that they have dominant customers in urban markets, and we have a dominance in rural markets. We also have a higher proportion of prepaid customers. And third, we have a low percentage of international roamers. These are some of the factors which affect our ARPU and the relative levels (with market leader) have remained at a similar level.

Now as per reversal of falling ARPU trend, there is one more factor I just want to remind, which will impact ARPU going forward is IUC. The IUC will fall from 14 paisa to 6 paisa and its impact will be felt in the next quarter, but the market repair process has started and more number of customers have started to adopt to unlimited plans. Earlier when a customer was buying a Rs. 10 voucher, we were never sure whether he is going to buy from us next time or decide to buy from some other operator. That is one positive factor.

The reason of market repair is not only the fact that people have started to buy larger bundled plans, but also SIM consolidation process has started. Overall structural consolidation has begun and number of deep tariff discounted operators who used to fight both at the trade level and consumer pricing level, that competition is reducing. The battle has now moved to bundled plan than for the Rs. 10 voucher customers. With this, a lot of customers who had the tendency to keep multiple SIMs are now consolidating and taking a decision for 28 days or 70 days or 84 days. SIM consolidation, adoption of unlimited plans and on an overall basis making a choice among operators will thus help overall improve ARPU, even though the IUC impact is there. We thus expect that there will be reversal of ARPU by Q4. If this is fine, I can move to your second question on revenue growth.

Manish Adukia: Yes, sure. Himanshu, just one quick follow up. The subscriber loss that you saw during the quarter of about 7 million, would you attribute that almost completely to SIM card consolidation or was there any other factor in play there?

Himanshu Kapania: That is what I wanted to answer to this revenue growth question. On the revenue growth, you are correct that our revenue decline is higher than the revenue decline of the market leader. There are two big factors or reasons for that. One factor is, and it will link to your third question also, is that we have been less aggressive on the trade in Q2 than we typically were in previous quarters. We chose to bring down our cost structures and reduce our expenditure on sales and general administration, primarily on the channel spend. And its impact can be seen in slightly lower churn, but it can be seen in slightly higher subscriber loss.

The second factor was the differential of rate that existed, especially in the bundled plans. Not only Jio, even Bharti was offering aggressive bundled plans to a much larger base, especially to consumers who had much higher ARPU, while our mass market products were primarily not so attractively or competitively priced. These two reasons had led to larger impact for us. What has happened in the meantime is Jio raised prices twice, 33% in July and another 15% in the month of October. This has given us some relief of being able to bridge the gap that existed earlier and the differential is now significantly down. That is the reason why we are seeing return of subscriber growth in the month of October and also in the first 10 days of November.

We are very hopeful that the loss of 7 million subscribers that we had in the first half, we will be able to recover most of it in this quarter itself and then we'll see if we can get market growth of subscribers in the next quarter. But whether we will be able to bridge the revenue growth, which Bharti has vs us, I think we will have to wait and see whether we'll able to achieve that or not. That also covers the SG&A part because most of the savings has come in by being lot more disciplined in the channel spends during the second quarter.

Moderator: Thank you. Next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: I have two questions. One, the sharp decline in network operating cost despite robust expansion in the broadband sites; that seems quite remarkable. Himanshu, if you can help us understand how we should look at the evolution of network costs as you expand the population coverage for broadband, particularly in light of the new active infra-sharing arrangement that you have with Vodafone? That will be very helpful. On a related note, can you help us understand how we should look at the fixed costs of running a pan India 4G network with the optimization measures that you're taking? Secondly, on the point that you made with respect to smartphone sales, you mentioned that July-August smartphone sales were in excess of 40 million. How many of these phones have been sold to new consumers or first-time smartphone users? Just in this context, I wanted to understand why the number of smartphone users in the system did not grow on a quarter on quarter basis. Was it so that we weren't that aggressive in luring these consumers? I will stop here, thanks.

Himanshu Kapania: I'm going to request Akshaya to help us understand the network costs.

Akshaya Moondra: Okay. The decline in network cost is a combination of multiple things. First is that we had some one-offs in the Q1 because there was some liability relating to industrial versus commercial rates, accumulated over a period of time, which we had alluded to in our response in Q1, which is not repeating. That is one reason for the change. There have been various optimizations done on network cost elements, one of the major ones being on the energy side. Some of the MSAs, which have expired, have been renegotiated; so that is the second large bit of cost optimization. And then there have been some write-backs, but it is more of a continuing thing.

To your question that despite significant increase in broadband sites, what is the impact of network cost and how should we look at it going forward? Fundamentally, as we have said many times in the past that broadband site doesn't result in significant increase in opex, especially now that we are coming into the era of single RAN and UBR (Ultra Band Radio) sites where all three technologies could actually come within a standard configuration. So the opex implication of new broadband sites will be limited.

Now to your question that how will this evolve going forward, I think while in the normal process this evolution was happening, however you will have to see this more in the context of the merged entity. Once we get to the merger, the largest element of synergies will be coming from network capex and opex, for which we have already given guidance in our press release at the time when the merger was announced. Those facts remain more or less similar, although we are trying to revisit synergies, but I think on the cost side, those synergies have not changed very much despite whatever is happening in the market. I would say that Q2 cost is a fair reflection as a base for the cost going forward and the large implication of cost post the merger would be based on the synergy benefits that will accrue to us. Does that answer your question?

Vivekanand Subbaraman: Yes, that was really helpful. Thank you.

Himanshu Kapadia: Moving to your question on fixed cost for pan India 4G, there are two ways to look at it. You could be a standalone operator for 4G where you'll separately pay for the tenancy cost and the energy cost on the opex side. But we are not a standalone operator, we are already paying for the tenancy on 2G. We are replacing wherever there is 1800 MHz or 2100 MHz equipment into Single RAN. When you do a Single RAN operation and a single radio, it will be possible that there will be no increase at all in space that we occupy, so there is no incremental cost on rental.

Further, with Single RAN the energy cost remains almost similar. Even if the operating costs increase because of 4G site roll out on a pan-India basis, as we move to a single RAN and modernize equipment, overall network cost will remain at a similar level compared to when we were running a standalone 2G site. I'm giving a broad-brushed answer, there may be some changes. Most of the cost for 4G operator is below EBITDA, it is about capex, it's about fiber, it is about spectrum, and it is about radio as well as about the necessary deployments at the back end. Those are the large component of the cost. Opex cost impact is quite insignificant. Are you okay with my answers?

Vivekanand Subbaraman: Yes, this is very useful. Yes.

Himanshu Kapania: Now, I want to address this question on smartphone. First and foremost, we have 100 million customers on smartphones out of 182 million customers that we reported. Thus, 55% of our base is using smartphones, but only 16% of our base has started to use our 3G/4G network. Only 30 million out of the 100 million base are using 3G/4G network, and we want to first and foremost focus on making as many of these 100 million customers to join and experience our broadband network. This is part one.

Part two, we have to keep reminding ourselves that India is a prepaid market and the difference between a postpaid/contract market vs prepaid is that in a prepaid environment, a customer at the end of every validity goes to a channel partner, and has a choice to switch the connection. The cost of switching is almost insignificant. We are the only operator who shares full data here of the number of subscribers who have got broadband devices and what is the quantum of our customers who have got devices. This information is not shared by any other telecom providers. Our belief is the trends that we show are similar to industry trends. When we say that the number of smartphone users was 100 million in quarter one and 100 million in quarter two, it means a lot of consumers who were using us in the past have moved out and started to use somebody else services and lot of consumers who are first time users on our network were using somebody else's network have come and joined us. There is a natural movement of consumers who are using others network. Once our coverage improves, which is rapidly improving currently, as well as a differential in the price reduces, it is our belief that we will have more than our fair share of consumers on our broadband network. Are you okay, Vivek?

Vivekanand Subbaraman: Yes, that was very helpful. Just a small addendum. Of the 100 million-odd smartphone consumers on your system, would you also know the number of smartphones where you are the second slot or where you are the first slot, is that also something that you are able to monitor and accordingly upsell?

Himanshu Kapania: Yes, we are able to monitor, but I don't have an answer immediately on the overall numbers, but we are able to monitor.

Moderator: Thank you. Next question is from the line of Vinay Jaisingh from ENAM Holdings. Please go ahead.

Vinay Jaisingh: I have two questions here. The tariff for data is 2.7 paisa per MB. This probably is the closest you get to Jio. What is your plan in the future? Are we planning to reduce tariffs further to match what Jio does? I understand they have increased their tariffs, but if they don't get their subscribers, we don't know what they would do. So what are we trying to do on the data tariff front? That's my first question. My second question, we did speak about Vodafone and Idea having synergies and you've sold the tower business, 10,000 odd towers each. What will be the impact of that? I understand depreciation will go down, interest will go down, but what about the EBITDA margin impact? Is it that you don't need those towers at all, and the EBITDA margin impact will be minimal? Thank you so much.

Himanshu Kapania: Thank you, Vinay. As regards the first part of your question, we're closely monitoring the overall tariffs and Idea's tariff is always at a premium of what is being offered by Jio and we maintain that distance, so that there is always space for them to be able to continue to raise tariffs. Only the differential that existed, which was over 100% in the past, are now getting reduced. So that has been the first part of the answer.

You're absolutely right, there have been 2 changes in the tariffs. The first round in month of July where there was 33% increase and then in the month of October, there is 15% increase. Our belief is that the market on overall basis for 4G, which is currently at 175 million, is now ripe. As coverage expands, as smartphones become more affordable and tariffs are very attractive for customers, the volume of growth in this market will be significantly large for all operators to live in peace rather than trying to eat each other by running below-cost tariffs. I think we're witnessing first signs of market repair process, and we remain optimistic that this will continue going forward. Yes, go ahead, please.

Vinay Jaisingh: My apologies. Where I'm coming from is, if I look at Bharti's results and try to extrapolate what their data tariff per MB is, it seems to me it's at least one and half paisa plus more than where you all stand, though they have not given the breakup, but if I take your voice decline in line with theirs. Now if that be the case, we are seeing a tariff of 1 to 1.5 paisa, 2.7 paisa and close to 4 paisa. That to me is a little fearsome. Doesn't it mean that you know the next quarter or two, not including the impact of IUC, which I'm assuming will be more in the voice part, doesn't that mean that we are here for a little bit more pain on the data ARMB front for the industry?

Himanshu Kapania: Vinay, I'd like to correct you. We have closely seen Bharti's reporting. They used to earlier report voice and data tariff separately, but they have now decided to do away with that and they're reporting one KPI, which is called average revenue per minute (ARPM). Now on average revenue per minute, if you notice the number that we have reported and what Bharti has reported, we are at a premium to them. Our belief is while we are the only company that is currently giving a split between data rates and voice rates, and the split is our own internal mechanism to allocate bundled plans revenue between voice and data. For example, in the Rs. 179 product that we sell, how much to allocate to voice and how much to allocate to data is an internal accounting system and every company follows its own accounting practice. The only way to have a like-to-like comparison is to compare the average revenue per minute that they're reporting, and we are currently at a premium of about 3% to 4% over them. So there is no danger from our side which will cause a tariff war because we have maintained a distance and keep our tariff slightly higher, which will encourage everybody to keep raising tariffs.

Vinay Jaisingh: I'll obviously get back to you on the calculation I have separately, but I'm assuming your saying that the data tariff per MB is, in your eyes, you've reached the bottom and you should be brighter days ahead. Is that a fair conclusion for this comment?

Himanshu Kapania: I'm saying that my data tariffs are highest among the three names that we have talked about.

Himanshu Kapania: Can you repeat the synergy question again?

Vinay Jaisingh: Yes, sure. Basically, what's happened is you have sold 10,000 towers and so has Vodafone. Obviously, in your earlier presentation, you had discussed that you would have tower synergies and you would be probably canceling or reducing the number of towers because of the gain of two networks becoming one. What would be your impact in the longer term for this sale of the tower for both of you put together? I'm assuming your interest and depreciation costs would come down, but what about the EBITDA margin impact, would that be minimal moving up because of the same?

Akshaya Moondra: Vinay, if you have looked at the press release, we have given that post-merger, on a normalized basis, the impact from EBITDA would be about Rs. 5.9 billion. That is a figure which is given in the press release. Now just to explain to you pre-merger, while the sales of towers was considered, all the figures given earlier were on the basis that the tower would continue because the timing was not certain. Now to the extent EBITDA goes out, it will be replaced by the cash coming in. But one important thing to be noted is that in the merger, exit penalties on the co-located tenancies, which we have on each other, would have been taken as a dis-synergy cost. Given the way we have done this transaction, there will be no exit penalties on the 6,300 co-located tenancies. That would be a saving compared to what we had projected earlier. In some ways, the saving in penalties could be looked as an additional consideration because that is a saving on cash outflow which we would have otherwise had.

Moderator: Thank you. Next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

Dheeresh Pathak: Yes. Earlier, you said your one of the priorities would be refarming 900. Can you just talk about in terms of circles or what percentage of the combined entities' spectrum you think you have additional carrier, which you can spare out of 2G or any thoughts on how you are thinking of refarming, can you just share that?

Himanshu Kapania: At the time of announcement of our merger, we had given a presentation, and we had highlighted the number of carriers that we will be able to refarm on 900. Just to remind that once the merged entity becomes a reality, 17 out of 22 circles with this merged entity will hold 900 MHz, and in a number of circles we hold more than 8.5-9 MHz of 900 MHz spectrum, and we will be able to carve out the spectrum to run both 2G as well as 4G network. And specifics have already been shared. If you can look at our investor presentation, the details are provided there.

Moderator: Thank you. The next question is from the line of Naveen Kulkarni from Phillip Capital India Private Limited. Please go ahead.

Naveen Kulkarni: My first question is what is the trend that you're seeing on the subscribers porting out of your network and subscribers porting in? And with RCOM shutting down its 2G business, do you see a significant improvement in subscribers porting into your network? That is my first question. My second question is slightly on the longer-term structure of the cost structure. How it is going to evolve, when it is going to be a four-player kind of a market? So do you see that, let's say, 1-1.5 year from now, churn reducing significantly and which can have a positive impact on the cost structure? That is my second question. And third question is could you again repeat the impact of IUC on the EBITDA numbers?

Himanshu Kapania: Thank you. As regards to subscriber MNP, Idea remains the market leader on net MNP, and we've been the leader for a number of years. The number of customers we had is net positive in comparison to port in vs port out. As regards not only to RCOM, but also to all the fringe operators who have decided to exit either by way of closing the services or by way of merger, we are seeing a very positive trend of those subscribers, who want to retain their numbers are joining us in most of our leadership markets and that was covered as a part of our opening statement. If you are fine with this, I'll move to the second part.

Naveen Kulkarni: I just wanted to understand, are you seeing any loss of subscribers porting out of your network to Jio. Is it a significant number that you are witnessing? That was what I wanted to understand.

Himanshu Kapania: There is some loss, but it is not significant at all. Now on the cost structure, I will assume that you're talking about post-merger.

Naveen Kulkarni: Yes, post-merger.

Himanshu Kapania: Post Consolidation, there are three large operators and you identified correctly, the churn reduction. One of the big areas where the cost reduction will happen, I'm leaving the synergies part as we had sufficient discussion on synergies, is the trade margins and the current battle of nine operators to tomorrow’s battle of only three operators. This is part one. Part two, in the past, acquisition of subscribers was more attractive than retention of subscribers. The good part is market is now moving towards retention of subscribers. For example, unlimited plans are far more attractive to existing customer than to a new customer who has to not only invest in the handsets for a smartphone, but also has to pay slightly more price. If this trend continues, the trade expenditures will go down. And if the trade expenditure is not very aggressive, its impact on churn is a natural event. With the number of operators coming down, we definitely believe the current prepaid churn, which is between 4% and 6%, will come down in the coming years and will have a significant impact in sales and marketing costs.

Dheeresh Pathak: Do you also see the trade channel significantly shrinking during this transition phase?

Himanshu Kapania: I have to keep reminding you that currently revenues of the industry has shrunk in the last 3 to 4 quarters. We are down to 1.5% of GDP. With the nature of investments in telecom infrastructure and overall market repair, which is an inevitable process, all of us have to come back to positive profitability. The annual industry size, which is likely to be down to 1.75-1.8 lakh crores will recover back to 2.5-3.0 lakh crores. As far as our channel partners are concerned whatever fall they will have from acquisitions earnings, a portion of that will be recovered because of larger spends by the consumers. Currently only 175 million consumers as I mentioned are using 4G in terms for voice and data. Going forward, as I mentioned, we're expecting anywhere between 700 and 800 million consumers to spend money on both voice and data, and thus their ARPU's will go up. The larger portion of customers will be using two types of services, voice and data services, which should be positive, both for the company as well as channel partners.

Dheeresh Pathak: Okay. Lastly on the IUC number, could you again repeat the impact on the EBITDA number?

Akshaya Moondra: The impact for the next 6 months is expected to be in the range of about Rs. 300 crores.

Moderator: Thank you. Next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: I have two questions. Firstly, this Tata and Reliance Communications shutting down, you alluded that in first 40 days, you're getting positive traction in the subscribers. Is that incremental subscriber base in line with the market share what you have or it is higher or lower, if you can throw some light on that? Secondly, with regard to this tower deal, if you can quantify the impact which will be there in terms of the reduction in depreciation and interest costs? That will be helpful. I would also like to know how much is the rental component vis-à-vis to what you pay to Infratel or Indus. Is there some differential in terms of how much you pay and what are the escalation charges for them? That's it from my side. Thank you.

Himanshu Kapania: Thank you, Pranav. It is very difficult to tell you in the last 40 days, whether our subscriber market share has gone up or is at the similar level. But as I mentioned to you, we're returning back to subscriber growth. We had negative subscriber growth in H1 and we remain bullish that we will add incremental subscribers. But once the industry reporting comes out, we'll be able to give comparisons on market share. I'm going to ask Akshaya to respond to the other two questions.

Akshaya Moondra: I understand your question is how does depreciation and interest get impacted for Idea post this transaction. As far as depreciation is concerned, the H1FY18 depreciation for ICISL is in the ballpark of about Rs. 76 crores. As far as interest is concerned, the impact is that the consideration that we get will reduce our net debt and to that extent, interest will reduce. As you know, there is no debt on ICISL's balance sheet.

Pranav Kshatriya: And for rental arrangement to this company vs what you pay for other operators?

Akshaya Moondra: This is a standard MSA. Let me just tell you that as far as Idea is concerned, ICISL is a wholly-owned separate subsidiary. There is an existing MSA between ICL and ICISL, which is in line with the industry practice. And similar MSA will continue once the towers are transferred to the purchaser.

Pranav Kshatriya: Okay. On what is paid, there is no differential. I just have a broader question. With decline in the number of operators, do you see operators having more power in terms of how much rent they pay to the tower companies, any aspect which can come up there?

Akshaya Moondra: You see, tower industry is different from telecom industry. Tower industry is characterized by 10-year-long contracts. The new business, which is coming in the form of new tenancies, is a small portion. Tower business would be largely represented by existing long-term contracts. While the negotiations do keep happening on renewals, but this industry will evolve in line with whatever is happening is the tower industry, which itself is in the process of consolidation which will bring in some changes. But we do not expect a significant movement either way.

Moderator: Thank you. Next question is from the line of from Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: First question on revenue growth. I understand there will be impact of IUC rate cut next quarter, but excluding the impact of IUC rate cut and considering it's a seasonally really strong quarter, should we be expecting you to get back to mid-single digit revenue growth QoQ? That's one. Second is would you look at investing in fixed broadband at some stage? Both Jio as well as Airtel already have a presence there and it's a potentially large market. So at some stage, would you consider that? And thirdly, on branding strategy, on day zero, what brand should we be looking at? That's it.

Himanshu Kapania: Kunal, yes, handful of questions. First, we do see revenue growth in Q3. If we would exclude the impact of IUC, the answer is yes, single digit growth, answer is yes, definitely yes. Coming to the second part, fixed broadband services, I think the merged entity will evaluate this, which we have alluded to as a part of our presentation of merged entity. I want to remind you that each of us have over 1,50,000 km of fiber each or overall 3,00,000 km of fiber. Adjusting for overlap, we have anywhere between 2,50,000-2,75,000 km of fiber. And only a last mile action will have to be done. Our current focus has been on enterprise broadband, where we are doing I&L services, MPLS, and Fixed broadband for Enterprise is growing at a very good rate. We will evaluate whether we now want to invest in the consumer side of the fixed broadband. As nothing has been yet decided, it will be premature for me to give a definite answer.

Kunal Vora: Okay. And on the branding, sir?

Himanshu Kapania: Branding, we have already mentioned in the announcement that initially, we'll start with dual-brand strategy. And once the company is formed, new management will join, it has first to focus on becoming one network, one system, and then subsequently we will see how the branding process evolves. On day zero, it will be two-brand strategy.

Kunal Vora: Okay. So both the brands will co-exist. And at some point in time, it can become a single brand?

Himanshu Kapania: That is a philosophical question that has to be answered by the new management.

Kunal Vora: Understood. And the question on revenue growth, how's October been and how's November been so far, are you guys getting back to growth now?

Himanshu Kapania: Kunal, now you're pushing me more. I have already confirmed that we had positive growth.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand over the floor to Mr. Kapania for his closing comments. Over to you, sir.

Himanshu Kapania: Thank you so much for all your observations and comments. Look forward to speaking to you in the next quarter.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Idea Cellular, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.