"Idea Cellular Limited Q4 FY17 Earning Conference Call"

May 15, 2017

Moderator: Good Afternoon, Ladies and Gentlemen. This is Karuna, the moderator for your conference call. Welcome to the Idea Cellular Earning 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 -- Wholetime Director and Chief Financial Officer of Idea Cellular, along with 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 the 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 risks that the company faces.

With this, I would now like to 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. On 13th May, Saturday, our Board of Directors adopted the audited results for the fourth quarter and full Financial Year 2016-17. 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 Indian Wireless Industry witnessed an unprecedented disruption in the second half of Financial Year 2016-17 on account of free voice and no charge mobile data promotion by the new entrant in the sector. The September to April 2017 interval can be best described as 'Period of Telecom Discontinuity', permanently changing mobility business parameters. Consequently, the revenue KPIs and financial parameters for all mobile operators have sharply declined in H2FY17. For the first time in its history, the flourishing Indian Mobility industry is trending towards an annual revenue decline of approximately 2% in FY17 v/s FY16 . With the new entrant starting to charge for its services, albeit very slowly, the sector is expected to return to growth in the next financial year.

Therefore, Idea's overall financial performance during FY17 is muted. Idea, for the first time since its IPO, is reporting a revenue decline of 1% at Rs.355.8 billion during the period April 2016 to March 2017 v/s revenue of Rs.359.5 billion in FY16. While the company remains optimistic on India Telecom growth story and continues to expand its scale of operations, this tumultuous phase subdued Idea's EBITDA during the current Financial Year by 14.1% to Rs.102.8 billion v/s Rs.119.7 billion in FY16. Further, last two years of high investment in 'Spectrum and Equipment' has increased the 'Depreciation & Amortisation' charge to Rs.78.3 billion and 'Net Interest & Financing Cost' to Rs.37.3 billion, thereby Idea PAT stands at a loss of

Rs.4,075 million in FY17 on standalone basis – first ever annual loss in last 11 years since the company IPO during Financial Year 2006-07. The company has decided to skip payment of Dividend in this Financial Year.

The main reason for the decline in Gross Revenue is the free fall in mobility realised rates during second half of the Financial Year. In an effort to retain its existing mobile subscribers, Idea was forced to reduce on sequential quarterly basis in Q4FY17 its voice rates by 12.5% to 25.9 paisa /minute v/s 29.6 paisa voice realized rate in Q3FY17. Similarly, there is a steep drop in mobile data rates by 27.6% to 11.5 paisa /MB against 15.9 paisa in Q3FY17. In the mobile voice market, the lure of free offerings by the new mobile operator resulted in lower than normal volume elasticity with sequential quarterly voice minutes growing by 10.3% to 231.4 billion minutes. The higher blended voice realization rate fall was also an outcome of the tsunami of minutes terminating on Idea network from the new operator, resulting in overall higher ratio of incoming minutes recorded at below cost IUC rates.

The impact of free extended promotions was even more pronounced on mobile data business. Idea witnessed a sequential quarterly decline of 6.4 million mobile data customers on the back of 5.5 million loss in Q3FY17 v/s Q2FY17. The overall Mobile Data Customer base has receded to 42.2 million v/s 48.6 million in Q3FY17. The mobile data volume elasticity was negated by massive mobile data rate drop of 27.6%, though overall mobile Data Volume grew by 16.7% v/s Q3FY17 to 127 billion MB across all technology platforms. However, the company remains optimistic on revival of mobile data subscriber addition and data revenue in FY18 as Wireless Broadband prices become more affordable for higher adoption by the Indian masses across all socio economic and geographic segments.

With rapidly changing market dynamics and introduction of disruptive business models like unlimited plans, we stand at the threshold of another market upheaval. Sensing the path ahead will be tough, arduous and needs to be carefully crafted, we at Idea devised a three pronged focused approach to the business namely –

(A) Focus on Cost optimization
(B) Ensuring Robust Subscriber Addition; and
(C) Building Wireless Broadband infrastructure and capacities for tomorrow.

The specific update on all the three programs is as follows :

A. <u>Cost Optimisation</u> : As shared in the last quarter Earnings Call, Idea has embarked on a substantial cost saving initiatives across most line items of 'Operating Cost' in an effort to optimize costs, eliminate wastage and duplication, digitize processes, simplify and work hard to bring in efficiencies. Hence, due to this focused cost optimization measures and partially assisted by Forex gain during the January to March 2017 period, the company was able to hold its EBITDA at Rs. 21,965 million, Q-o-Q growth @ 1.4% inspite quarterly revenue decline of Rs.5,366 million.

B. Subscriber Addition Sustained : On Voice Subscriber addition, Idea withstood the unprecedented attack by new entrant, adding a healthy 6.2 million new customers on VLR during the quarter on back of 5.6 million addition in Q3FY17, taking the company 'End of Period' Subscriber base on VLR to a robust level of 198.3 million as on 31st March 2017. Near 200 million customers portfolio provides Idea the platform for growth in Mobile Voice, Wireless Broadband, Digital Content Services and Mobile Banking, post this disruptive phase.

C. Infrastructure Build out on Track : During period April 2016 to March 2017, Idea integrated highest ever network telecom site count of 50,004 sites, expanding its network sites on GSM (2G), HSPA (3G) and LTE (4G) to an overall EOP of 241,540 sites.

During the same period, there was a 70% count increase in Idea's Wireless Broadband site on 3G and 4G technology from 64,703 sites as on March 31, 2016 to 110,054 broadband sites as of 31st March 2017. The wireless broadband population under coverage now expands beyond 500 million Indians in 21 Service Areas on Idea's own broadband spectrum. The company's Gross Investment in Fixed Assets has risen to nearly Rs.1,185 billion, an addition of Rs.198 billion in last 12 months.

The monetization of this front loaded large investment in spectrum and equipment is inevitable as Digital India mission gathers momentum. The capex guidance for FY18 is Rs.60 billion, an investment earmarked for expanding broadband coverage, increase wireless data capacity with planned launch of 2300 MHz spectrum network and introduction of Voice services on VOLTE etc. The introduction of 2500 MHz spectrum LTE 4G Network is presently planned during FY19 or as and when Wireless Data Demand outstrips the Broadband supply.

Further, inspite short term challenges, Idea remains committed to the process of building world class mobile broadband services. With the slated launch of Mumbai 4G services by end of May 2017, the company will be offering broadband services Pan India on 3G and or 4G platform using its own spectrum across all 22 Service Areas. During January to March 2017 quarter, Idea launched its 4G services in 8 Service Areas of Gujarat, UPW, UPE, Rajasthan, Bihar, West Bengal, Assam and J&K, thus expanding its 4G broadband services to 19 Telecom Circles. The company also introduced 3G Services during Q4FY17 in Bihar and Rajasthan Service Areas, expanding Idea 3G product offerings on its own spectrum to 15 Service Areas besides offering 3G Services in remaining Service Areas on 3G ICR except Orissa.

Merger Update : On 20th March 2017, Vodafone Group Plc and Idea Cellular announced an agreement to combine their operations in India excluding Vodafone 42% stake in Indus Towers to create India's largest telecom operator. The merger of Idea and Vodafone is founded on the shared commitment to deliver substantial stakeholder value, offer strong consumer choice to 1.3 billion Indians and contribute towards realizing the Prime Minister's vision of 'Digital India' and financial inclusion goals. The combined company would become the leading communication provider in India with 400 million customers, 35% customer market share and 41% Revenue Market Share based on Q3FY17 TRAI release. The merger transaction is subject to approval from the relevant regulatory authorities and Idea's shareholders. Vodafone and Idea have initiated necessary steps to obtain regulatory approvals. A joint merger notification has been filed with the 'Competition Commission of India' – CCI and the Scheme of Arrangement has been filed with SEBI & Stock Exchange for their approval.

It is well known, the top four to five incumbent Mobile operators have driven connectivity revolution in the country and helped drive Indian economy by transforming Indian Mobile Voice telephony. Everyone acknowledges Mobile has been the vehicle for delivering unparalleled 'Inclusion' across Bharat unifying India much beyond any political party or even immensely popular Bollywood or Cricket can ever dream to achieve. The mobile voice highway today delivers ubiquitous services across the length and breadth of our country and connects across 500,000 towns and villages.

But all this characterizes the Pre-2017 Mobile Era. We are now witnessing the dawn of a 'New Wireless Telecom Age'. That is the reason I describe Year 2017 the 'Period of Telecom Discontinuity' permanently changing mobility business parameters. Recently, we all witnessed the entry of a Goliath – well capitalized new 4G operator creating unparalleled disruption in the sector with unprecedented upfront large investment & year long free voice and Data promotion. The incumbent Telecom Operators are also shedding the age old approach of incremental approach towards building telecom infrastructure and fast forwarding their mobile broadband investment. For example, Idea during the last two years has spend over Rs.155 billion on Equipment Capex primarily for building Mobile Broadband infrastructure and is allocating additional Rs. 60 billion capex for FY18. The company is also hopeful to start Active Infrastructure sharing in the new financial year with top 2 to 3 incumbent operators to further expand its services. I believe the substantial coverage expansion, presently underway will provide a 'Billion' Indians Internet access on Mobile Broadband using 3G and 4G platform in the shortest possible future. High speed Broadband services at over 100 Mbps will be available to over 250,000 towns and villages Pan India in the next 2 to 3 years. The overall industry capacities being build will be 10 to 15 times the current paid usage volume on Mobile Broadband. For example, Idea this year will have primarily Wireless Broadband capacities 5 to 7 times its Q4FY17 paid Data Usage. From Mobile Internet Services being sold between Rs. 200 to Rs.300 per Gigabyte in Year 2016, we expect the Indian masses to enjoy affordable data rates at Rs.75 to Rs.100 per Gigabyte in Year 2017-18. It is inevitable thus Internet Access will be democratized in India. Wireless Broadband usage is slowly but surely moving from 'Elite' and 'Knowledge Worker' represented by Urban Youth to mass market attracting all socio economic segments like small businesses, housewives, senior citizens and shopkeepers etc and all geographical segments across Metro, Small towns and Rural areas. The foundation of a Pan India 'Digital India' is being laid with Ubiquitous 3G & 4G coverage and World's lowest Mobile Data tariffs after lowest Mobile Voice Tariffs which catapulted India to the 2nd largest Mobile Market in the world.

We, at Idea have always believed, democratization of mobile data services will lead to a billion Indians to transition over next 3 to 5 years from their current analog lifestyle towards a digital way of life. Once again mobile operators, will deliver unparalleled inclusion unifying India on Digital. The entire ecosystem led by internet and Mobile companies will break the language barriers, drive digital adoption by a simple and intuitive consumer experience. This simplicity of design will drive relevance among non users of internet services. We are reimaging India going Digital on Banking, Entertainment, Education, Health, Ecommerce, Governance, etc., much beyond current usage limited to Social Networking, Messaging and Video Application. We imagine a billion Indians in Year 2020 using '3 to 4' Gigabyte per month on Indian Operators' Mobile Broadband platform from current levels of only around 200 million Indian using paid Mobile Data services and meager usage @ 900 Megabyte per month.

Further, Indian Mobile operators will contribute beyond Infrastructure in the Digital Services revolution by participating in Internet economy through Services like in case of Idea Cellular Payment Banking services, Digital Content Services, Cloud based programs and opening Telecom Assets through 'API Access' to the entire development community, etc. We are quite pleased how government drive for Cashless economy is yielding early results with excellent initial consumer response to UPI based services App like BHIM. We believe, on the power of Telcos' USSD Services for Feature Phones representing 75% of India, Mobile Banking Companies primarily driven by Telecom Operators will drive Digital Wallet, UPI based transfer, transform remittance & bill payment market while Payment Banking Services will attract the unserved and under banked customers using the combined interplay between Aadhaar and Mobility platforms.

Digital India is on its way from slogan to reality permanently changing how India banks today, all sectors tomorrow operate in the new environment. All citizens will experience new way we live, work, play and socialize in this exciting digital world.

We at Idea have taken number of baby steps to help company transform to this next phase from a pure play operator to an integrated Digital Services and solutions provider. What you see on the surface is the launch of Idea's suite of Digital Entertainment services across Music, Movies & Games, etc., with over 1 million users acquired in the first 60 days of launch. But to transition the company to new Digital World and offer simple and intuitive experience to its strong 200 million users such as seamless compatibility across devices, single click omni channel experience recharge, personalized insights, real time and contextual offers and content, Idea is working hard towards Digital backend. The company is integrating a range of new technologies such as Web and Mobile App Analytics, CEM, Social CRM and Live Chat, Advanced E-Commerce Store and experimenting with 'Artificial Intelligence' – AI and improving its Digital Campaign Capabilities as we prepare for the new world.

We are really excited with this change. India is on cusp of digital revolution. This is a crucial moment for all our businesses and a crucial moment for India. No single stakeholder can lead this major transformation of the nation. We invite the investors to join us and help take our fellow countrymen online and enjoy the new Digital life.

Moving on to Business Performance

Competitively, Idea continues to strengthen its market position with its Revenue Market Share – RMS expanding to 19% in Calendar Year 2016, an increase of 0.4% compared to CY15. The company also maintained healthy Subscriber Market Share on VLR at 19.4%, inspite the new entrant acquiring 75.7 million customers as per latest TRAI February 2017 release. Idea also captured 34.7% of incremental revenue generated by the industry in CY16, reminding the RMS growth story for the company is fully intact.

The performance of Idea on three standard parameters – Gross Revenue, Active Subscribers and Volume of 'Minutes Use' for the period 'January to March 2017' is as follows, while the Company CFO will subsequently provide more details on 'EBITDA and Cash Profit' :

1. **Gross Revenue** : As a result of the current industry upheaval, with new entrant extending its free Voice & Mobile Data promotion for nearly 1 year beyond 15th April, the standalone Idea revenue dropped to an unforeseen level in Q4FY17 at Rs.81.3 billion, a sequential quarterly decline @ 6.2% on the back of 6.9% decline in Q3FY17 v/s Q2FY17.

   The broad breakup of the gross revenue decline on sequential quarterly basis is as follows :
   Starting with Voice, from Q3 to Q4FY17 Voice Revenue decline is 3.5%, due to –

   (a) Voice Realisation Rate decline @ 12.5% from 29.6 paisa in Q3 FY17 to 25.9 paisa per minute this quarter.
   (b) The steep rate fall was partially compensated by Voice Minutes volume growth of 10.3% from 209.8 billion in Q3 FY17 to 231.4 billion minutes in Q4FY17. However, the volume growth was led by far higher growth rate in incoming calls recorded at below cost IUC rates.
   (c) The minutes growth was supported by a robust 6.2 million New Customer addition on VLR during January to March 2017 quarter.

   In contrast, for the Mobile Data business, the sequential quarterly revenue decline was 15.5% led by –

   (a) Mobile Data rate decline @ 27.6% from 15.9 paisa in Q3 FY17 to 11.5 paisa per Megabyte in Q4 FY17.
   (b) Data Volume elasticity partially negated the massive rate fall with Mobile Data volume growing by 16.7% v/s Q3FY17 to 127 billion Megabytes.
   (c) One of the key reason for slow Mobile Data Volume growth is decline of 6.4 million Data Customers. But, the per subscriber data usage grew by 36.2% to 957 MB against 707 MB in Q3FY17, therefore the Data ARPU of Mobile Data Subscribers remained flat in Q4FY17 at Rs.110 against Rs.111 in Q3FY17.

(d) The new entrant claims to carry over 80% of the Industry Internet Access Data traffic volume primarily due to its free Mobile Data Services promotion. With the new entrant starting to charge for its services, albeit very slowly, it is inevitable the Industry Mobile Data traffic volume will be redistributed among the top four Pan India Wireless Broadband Operators. Idea remains optimistic on revival of Mobile Data subscriber addition and Data revenue growth in FY18.

The third factor suppressing gross revenues is drop in ICR Revenues due to full quarter impact of the revised lower 3G ICR contract settlement rates. Thus, the Non Data VAS Revenue on sequential quarterly basis has declined by 11.2%, primarily due to 3G ICR reduced collection.

The 'Non Voice Revenue' (including Data) contribution to the 'overall Service Revenue' fell to 24.9% as Company's Mobile Data revenue contribution declined to 18.3% v/s 20.2% in Q3FY17.

2. **Active Subscribers** : In the Financial Year 2016-17, Idea New VLR subscriber addition is 14.4 million. The latest TRAI subscriber release is available till February 2017. During the period February 2016 to February 2017, Industry added 85.4 million with new 4G entrant reporting 75.7 million customers on VLR and 'Other Operators' excluding 'Top 3 incumbent Operator' reporting a decline of 32.9 million, a loss of 6.1% 'Customer Market Share' over the trailing 12 month period, indicating the industry consolidation process has set in, even though rest of Mobile Operators still control 27.7% Subscriber Market Share.

   In compassion, Idea maintained a healthy subscriber market share @ 19.4%, a meager loss of 0.3% over the year inspite of extreme stress from free promotion.

   With aggressive free Voice & Data promotions by the new entrants in Q4FY17, the phenomena of multi sim usage by an individual Indian customer is on the increase in comparison to earlier fall in multi sim usage during Years of 2013 to 2015. It is evident, the usage of the customer is being shared between incumbent Top Operators and the new entrant. Therefore, the blended Average revenue per subscriber – ARPU fell by 9.2% from Rs.157 in Q3FY17 to Rs.142 in Q4FY17. Also, Idea maintained highest quality of subscriber reporting with 101.4% of reported company subscribers on VLR. The company reported blended churn @ 6.1% similar to last quarter trend.

3. **Minutes of Use** : While the voice realized rate fell by 12.5%, surprisingly the leading No.1 Indian Telecom Operator decided to turn aggressor and dropped its voice rates as well as Mobile Data rates much faster than Idea. The company while matching all market moves has decided not to lead the rate drop. Idea as a policy will always follow any aggressive paid moves including unlimited plans by the new entrant on 4G devices or introduction of new discounted plans by No.1 Indian Mobile Operator, Therefore company results may have a lag factor by a week to fortnight. However, when we compare results over a period of 1 year, Idea performance remains benchmarked against the best and company

continues to improve its competitiveness in the market. We intend to continue this practice to be reactive to new tariffs and promotions though never leaving gap in the market while maintaining our differentiation on strength of Brand, Distribution, Customer Service, Network and superior execution.

The quarterly sequential Voice Minutes grew by 10.3% to 231.4 billion in Q4 FY17 but led by higher ratio of incoming calls primarily from the new 4G entrant compensating below Cost IUC rates. Even today ratio of incoming calls to Idea from new entrant is 92 to 93% against only 7 to 8% from Idea to new entrant an unprecedented asymmetry of traffic. Idea continues to bear the cost of Free Voice promotion by the 4G operator.

With introduction of unlimited plans, the 'Minutes of Use per Customer' has risen by 27 minutes when measured over entire 189.5 million Idea reported subscriber base to 412 minutes level in Q4FY17. We expect this phenomena to accelerate in FY18, as unlimited plan penetration percentage to total customer base increase from low single digit to double digit in the next financial year. During the last 3 years, Idea focused 2G investment and recent phenomena of Voice movement of 3G device owners to 3G platform, the company current low capacity utilization of GSM 2G infrastructure is expected to easily absorb the volume gain from higher adoption of unlimited plans. Also, the old 2G equipment being released due to -

(a) exit from 2G low utilization sites and
(b) introduction of single RAN on 1800 MHz spectrum for 2G and 4G services and
(c) single RAN in select 900 MHz markets for 2G & 3G Services, will be fully utilized in the new minutes growth phase.

The company has sufficient capacity to meet the expected exponential Voice traffic increase as penetration of unlimited plan improve and industry Voice rates operate at new levels of 25 paisa / minute against 33 to 35 paisa per minute price point in Year 2016.

Idea Fibre coverage expanded by 29,100 kms during Financial Year 2016-17 with overall company Backbone Fibre presence extended to 144,600 kms. Also, Fibre POP reached 9,840 Nos. to support rapidly expanding Mobile Broadband demand.

Moving on to Wireless Data Business

As impact on sequential quarterly Wireless Data business was more pronounced due to Free Mobile Data promotion, this quarter the KPIs are being presented on a YoY basis but will revert back to sequential quarterly basis reporting when we compete against each other on chargeable basis.

(a) Between April 2016 to March 2017, Idea lost 1.8 million Data Users mostly on the 2G & 3G platform while company added Mobile Data Users on 4G platform. Out of 42.2 million Mobile Data User Idea has 17.5 million Data Users on 2G platform which will continue to deplete even in FY18. But, as only

22.2% of Idea quality consumer base access internet from their mobile, this low Data User ratio will improve post this disruptive free phase.

(b) The Mobile Data volume grew by 54.5% from 82.3 billion Megabytes in Q4 FY16 to 127 billion MB in Q4 FY17.

(c) The blended Data ARPU has fallen from Rs.147 by Rs.37 to Rs.110, primarily led by significant Wireless Data Rate fall by 50% from 22.9 paisa to 11.5 paisa per Megabyte this quarter. The internet services are becoming affordable for masses and should encourage non users to enter the category.

(d) The blended Data Usage per Data Subscriber has nearly improved 50% from 641 MB in Q4FY16 to 957 Megabyte in this quarter.

Moving on to the 3G & 4G business

Similarly, Wireless Broadband KPIs have suffered on sequential quarterly basis, hence only for this quarter the performance is being shared on YoY basis between Q4 FY16 to Q4 FY17.

1st. 17.7 million Idea Consumers upgraded their 2G phones to smartphones in the Financial Year 2016-17. Out of this 17.7 million, 13.2 million - nearly 75% customers upgraded their phones to 4G capable smartphones.

2nd. The total smartphone EOP at Idea has risen to 78.1 million, over 41% of Idea strong reported 189.5 million subscriber base now own 3G or 4G smartphone. The 4G device split of the smartphone is 24.3 million @ 12.8% of Idea base but 4G handset upgrade is expected to accelerate in FY18, as Idea expands its 4G coverage.

3rd. Due to free Mobile Data promotion, encouraging smartphone users to experiment with new entrant Services, only incremental 1.1 million in FY17 started to use Idea 3G or 4G Network, far lower than the planned target for the year. 24.7 million of the smartphone owners use Idea Wireless Broadband Services, a meager 13% of Idea reported subscriber base. But, the company is confident to reverse this loss in FY18.

4th. Idea 4G User base is 3.1 million out of the 24.7 Broadband Users, but the growth is expected to multiply many times in FY18, as company expands its 4G presence and matches market 4G tariffs. Idea added 26,209 new 4G sites in FY17, offering 4G Services to 272 million Indian population i.e.23.6% of population spread over 20,000 towns and villages in 19 Service Areas. During this quarter, Idea launched its 4G Services in 8 Service Areas including Idea Leadership Markets of UPW & Gujarat, Idea Emerging Markets – UPE, Rajasthan and Bihar and Idea's New Service Areas – West Bengal, Assam and J&K. The final 20th Telecom Circle for Idea 4G Services – Mumbai Service Area is slated for launch by end of May 2017.

5th. The Mobile Broadband Data Volume on 3G & 4G platform has grown @ 80.9% from 57.6 billion Megabyte in Q4 FY16 to 104.2 billion Megabyte. The usage per Wireless Broadband User improved 61% YoY from 857 MB to 1,381 Megabyte, indicating Indians Usage will increase as Wireless Broadband rates become more affordable.

6th. The Data ARPU per Wireless Broadband has been steadily falling from levels of Rs. 191 in Q4FY16 to Rs.138 per Mobile Broadband User.

During the Financial Year 2016-17, Idea extended its 3G Network by 19,142 sites to overall 3G site count of 69,202. The company also introduced 3G services during Q4FY17 in Bihar and Rajasthan Service Areas now offering 3G Services in 15 Telecom 3G ICR arrangement.

Post Mumbai launch, Idea Wireless Broadband Services will be available Pan India on Company's own 3G and 4G spectrum block. The Broadband services can now be enjoyed by over 500 million Indians across 100,000 towns and village across 21 Telecom Services Areas.

On 30th January 2017, Idea announced its arrival into the digital world with the launch of 3 new exciting Mobile Apps – Idea Music Lounge, Idea Movies Club and Idea Games Spark. Music, Entertainment and Sports have always been at the core of Idea's brand building and customer engagement strategy. As on 31st March 2017, within 60 days of introduction 550,000 customers are using Idea Music App, 275,000 Idea Movie Club App and 500,000 Idea Games App. Effort is on in FY18 to increase the penetration of Idea Digital Content Services as more Indians go on line and adopt new affordable wireless data services.

To conclude, Vodafone & Idea has initiated necessary steps to obtain regulatory and shareholder approvals to complete the Merger process and combine their operations in India excluding Vodafone 42% stake in Indus Towers to create India's largest telecom operator. In the meantime, Idea will remain nimble, agile, adaptive and focused on its execution capabilities. The company remains confident to capitalize on the emerging opportunities in mobile voice, digital content, mobile banking and wireless data business etc., as telecom market invariably moves towards consolidation with 5+ major providers.

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

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

The revenue for the quarter stands at Rs. 81.3 billion, lower by 6.2% compared to last quarter despite growth of 10.3% in voice traffic and 16.7% in data traffic, as the company was forced to offer aggressive tariff plans in order to retain its subscribers and effectively compete amidst the evolving market dynamics. Despite the fall in revenue, company could maintain and marginally grow its EBITDA to Rs. 21.97 billion compared to Rs. 21.66 billion in Q3FY17, thereby, registering an EBITDA margin of 27% as the company focused on cost management and optimization across all operating costs.

The EBITDA change includes Rs. 1.03 billion favorable impact of foreign exchange gain, compared to last quarter which had an exchange loss of Rs. 0.26 billion under G&A expenses, and the usual write backs and network costs in last quarter of the financial year.

The 'Depreciation and Amortization' charge for the quarter stands at Rs. 19.9 billion versus Rs. 19.7 billion in Q3FY17 and 'Interest and Finance cost' at Rs. 10.1 billion versus Rs. 9.2 billion in Q3FY17. The increase in both items is mainly due to launch of 4G services in 8 new circles and 3G services in 2 new circles as spectrum acquired during October 2016 auction worth Rs. 62.3 billion was put to use. Hence, full quarter impact of these costs will be visible from next quarter.

The company registered a loss of Rs. 4.3 billion on standalone basis during the quarter. The contribution of Indus and ABIPBL (the payment bank) to consolidated PAT after adjusting for tax on undistributed profits of Indus is Rs. 1.02 billion. Accordingly, the consolidated Total Comprehensive Income stands at negative Rs. 3.3 billion against negative Rs. 3.9 billion in Q3FY17.

Effective 1st February 2017, 4.85% stake in Indus Towers Limited has been transferred to P5 Asia Holding Investments (Mauritius) Limited, resulting in consolidation of Indus Towers at 11.15%.

The conversion of CCPS into equity and extinguishment thereafter has resulted in an increase of consolidated reserve net of losses in the quarter by Rs. 15.1 billion.

In order to provide perspective to Idea's position on consolidated basis and comparison with earlier reported consolidated financials, we continue to provide the pro-forma profitability break-up, including Indus and Payments Bank contribution to the respective line items in our quarterly report.

Capex spend of Rs. 78.5 billion during the financial year 2016-17 was largely funded by Cash Profit of Rs. 69.4 billion. The Capex guidance for FY18 is Rs. 60 billion which would be largely focused towards building Pan India Broadband Network Infrastructure.

The net debt at the end of Q4FY17 stands at Rs. 500.7 billion, including the liability on account of October 2016 Spectrum Auction except for Rs. 3.18 billion related to 1800 MHz spectrum for Maharashtra for which the allocation will happen in September 2017. The Net Debt to EBITDA for the financial year 2016- 17 stands at 4.87.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the Question-and-Answer session. First question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: My first question is, how have April and May been so far? Has the revenue bottomed or should we expect some more pressure in next quarter? And second is on your low share in 4G customers currently. How would you look to change this? What would be the strategy to gain 4G market share?

Especially when you are launching in a market like Mumbai where competition has already launched, what is the strategy we would need in pricing? That is it, thank you.

Himanshu Kapania: Yes, Kunal, From the month of September till the month of January, we have witnessed a decline in revenues. However, from there we are seeing stability in revenues and we remain very hopeful and optimistic that FY 2018 onwards, the industry will return to growth and we will be able to recover the losses made in FY 2017. Having stated that, it is essential to remind ourselves that we have to grow from the Quarter 4 levels and not from an average of FY 2017. If you are fine with the answer, shall we move to the second part?

Kunal Vora: Are you factoring the launch of LTE feature phones in this when you are expecting the revenue to start recovering?

Himanshu Kapania: Yes, we are definitely expecting the arrival of LTE feature phones, which we believe, will help increase the uptake of 4G devices in the country. It should be overall positive for all telecom operators who have their own 4G network. As regards 4G market, incumbent operators are different from a pure 4G operator. We are going to offer our 4G services to our existing subscribers in 20 circles and additionally focus will be to attract new 4G customers. Most of our existing users, who were earlier high user of 3G services, are now are upgrading their phones to 4G. As mentioned earlier, we have nearly 25 million customers who have 4G device and we are going to offer them high quality service at competitive prices. Since the new 4G operator has started charging for their services, there is an equilibrium that is getting established which is why we are now seeing stability in revenues. Once this equilibrium is established, we will be able to take certain premium owing to the voice quality that we offer is better due to its fallback available on 3G and 2G network. Hence, we are witnessing the return of large number of users who were erstwhile using only voice services with us and the data services with the new entrant. These users have started using our 4G services. You will have to wait for few more quarters to see the actual results. However, early trends show a reasonable growth of 4G customers on a daily basis.

Kunal Vora: Sir, just to follow-up on this, of the 25 million customers who have 4G devices, how many might be using competitor's 4G services? There is only 3 million using your 4G services so what about 22 million other customers?

Himanshu Kapania: At least 12 million to 15 million of them are using our 3G services on the 4G phones and we are making an effort to upgrade them to use our 4G services. Nearly the other half of 25 million 4G customers are using new entrant's services which were being available free of charge. However, we are witnessing a significant number of them returning to our services.

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

Srinivas Rao: First question is on your cost developments which you have seen on the network cost side. Are there any write-backs or anything for this quarter? Can you give some color on the likely trends on the network cost for next year? That is the first question. Second, in terms of competitor activity you have kind of signaled that you will continue to sort of match the tariffs either by Jio or even Bharti. In your assessment, till what time you think this particular race to the bottom would continue. Thanks.

Himanshu Kapania: I would request Akshaya to respond on the cost side before I respond on the competitive dynamics.

Akshaya Moondra: There is a reduction of about Rs. 1.3 billion versus the last quarter on the networks cost and a little over half of it is because of write backs which normally happen in Q4 of every year. But as Himanshu mentioned earlier, there is a focus on cost optimization and management. A number of initiatives are being taken in that direction which will lead to an improvement in the future. Some of these initiatives are surrender of non-profitable 2G sites, then we are looking at indoor to outdoor conversion. Further, there is a better focus on energy management and reduction on energy costs. We are trying to optimize managed services. So, these are some of the initiatives amongst the many that we have taken and this will continue in the coming year to get a better cost position.

Himanshu Kapania: To summarize, barring the forex gains and write backs which is a small portion of the total saving, most of it is sustainable cost savings because there is an identified program across the company to bring down cost and that is not limited only to network cost. You can see we have reduced the G&A costs. We have brought down sales and marketing cost as well as cost of servicing the customer. Accordingly, there will be a continued effort during the new financial year to keep reducing our cost and maintain it at the current level to the extent possible. However, having said that, the cost increase due to a hike in outgoing minutes volume would be considered healthy since the same would also lead to higher revenues in future. Do you have any follow-up question?

Srinivas Rao: No, sir, this is helpful. Could you provide inputs on the competitive side?

Himanshu Kapania: On the competitive side, let’s break the business into two parts: the first part is the Voice business while the second part is the Data business. Before we get into separate breakup of these two businesses there is the introduction of unlimited plans. There are a total of 1.1 billion mobile phone users. Out of the total mobile phone users, there are only 140 million to 160 million 4G device owners in the country. So approximately 950 million are 2G, 3G device owners. And obviously, we would expect the 4G device owners to grow at a rapid pace last year it grew by anywhere between 70 million to 80 million. However, with the introduction of low cost 4G feature phone, it is possible that 4G device owners would grow between 100 million to 125 million in this year. The market pricing for unlimited plans will be decided by the new entrant. We believe that the new entrant has bottomed out in terms of pricing. His announced rate was at a level of Rs. 300 per month for unlimited Voice and 1 GB per day or 28 GB per month, which is currently being offered at one-third the price for the next three months. In our own assessment and budgeting, by the second-half of this year, the prices would rise from these much lower levels. Therefore, by end of this financial year, the prices are likely to be stabilized at a level of Rs. 300 per month for unlimited plans. As regards the 2G and 3G market, there still remains 950 million customers where competition was not only among the top 3 incumbent operators but also there was a huge competition from other operators. Earlier, these other operators were controlling as much as 35% of the subscriber market. Now, it is down to 27.7% as I mentioned in opening speech. These operators are the maximum affected as the voice rate has fallen from previous year levels of 35 paisa per minute to current voice realized rate of 25 paisa per minute. With the incumbent top operators selling unlimited plans or similar plans at 25 paisa per minute, several volume seeker customers will move to a superior telecom operator. This is why despite 75 million customers being added by the new entrant the losses by the top 3 operators is almost insignificant and they continue to add subscribers. We expect a double digit minutes growth, as much as 20-30 percent in FY18. Further, the early trends in April 2017 demonstrate a possibility of triple digit growth rate, as much as 2 to 3 times the existing minutes. We are entering an era where volumes are going to grow. We believe that the unlimited plan rate at the current levels of volume being offered have bottomed. However, there may be introduction of other kinds of unlimited plans in the future which will be more focused on voice and low volume of data. As mentioned earlier, all incumbent operators are fully geared. There are large capacities underutilized on voice as well as data, further the consolidation of the market will allow the telecom operators, the top telecom operators, to wholly consolidate their position. There will definitely more rate fall in the next two quarters. However, as free services offered from September, 2016 to March/April, 2017 are over, revenue this year is expected to return back to growth from lower levels what we have seen in the last year in 4FY17. Does it help?

Srinivas Rao: Yes sir, this is extremely helpful. Thank you so much.

Moderator: Thank you. We have next question from the line of Sachin Salgaonkar from Bank Of America. Please go ahead.

Sachin Salgaonkar: I have three questions. My first question is on the capex guidance which looks a bit low when compared to historical spend and the competitors' spending. I understand the pending merger, but just wanted to know from you how should we look at it? Further, are there any active infrastructure-sharing plans? Secondly, Himanshu, you did mention, while answering to Srini that the market appears to be moving towards bundled packages and clearly smaller Telco's market share is reducing. So, the question out here is do we see multiple SIMs reducing in the market or increasing given the fact that most of the consumers opting for new entrant services are having multiple SIM? So, how should we generally look at impact on ARPU? And lastly, you alluded about a low cost feature phone coming to the market. I just wanted to understand how incumbent operators like Idea are looking at this opportunity, i.e. are you also planning to launch your own VoLTE Voice? And I did see in your Press Release mentioning that a bit of the capex will be spent on that. That is it for me, thanks.

Himanshu Kapania: Thank you, Sachin. I can see your anxiety on the capex level guidance of Rs. 6,000 crores. I think the absolute amount is not so critical. I would like to provide the break-up of capex spends last year amounting to Rs. 7,800 crores . We rolled out 50,000 sites of which 45,000 were Broadband site. However, this year we are not going to roll out any 2G sites, so that expenditure is eliminated. We are very confident that with the current capex spend of Rs. 6,000 crores as well as active infrastructure sharing, Idea will be able to roll out anywhere between 37,000 to 43,000 Broadband sites, primarily on the 4G front. We have done our calculations that these sites will be sufficient to cover the metros as well as large towns, small towns, and rich rural areas. We believe, the time has not come in year 2017 to reach into deep rural markets with low population densities. So, we will have ability to roll out 40,000 sites through a combination of capex and active infrastructure sharing, which will provide the required 4G coverage. Active Infrastructure Sharing agreement is being signed out with one operator but…… Secondly, Idea has currently low capacity utilization of our voice & wireless broadband network. By the end of this year, we will have the capability to accommodate 5 to 7 times the current paid usage. Our own assessment is that the usage will go up to 2.5 to 3 times from current levels and then only capacity sites will be required. That is why we deferred our investment required to deploy 2500 MHz to next year. We are very confident that the coverage expansion that we have underway will help us reach anywhere between 700 million to 750 million Indians. I understand that this will be large enough coverage for 4G primarily to reach where the maximum demand for data will come in this year. Any follow-up questions on this?

Sachin Salgaonkar: Sir, just one follow-up. You mentioned about low capacity utilization so does that mean that the majority of the fiber rollout will happen next year instead of this year considering fiber is a substantial part of the capex?

Himanshu Kapania: I think, there appears to be a lot of concern on fiber. There are always two parts to fiber. One is the expanding kilometers of fiber and the second is the introduction of POPs in between the fiber which will be rolled out. If you notice, we have been very transparent with the information we provide on fiber. On an average, we have been rolling out every year approximately 25,000 kilometers of fiber. Now instead of focusing on the kilometers of fiber rolled out, our focus is moving to increase the number of POPs, so that we can fiberize more of our towers. We are currently at the count of 9,800 POPs. We believe that we will be able to add 3,500 to 5,000 POPs with the current investment outlay we have guided through a combination of our own POPs and sharing with the likeminded operators which will be sufficient enough to be able to take care of the additional capacity that is required.

As regards your second question on bundled plans, we are now entering a new era which is why we are seeing that the past is not going to be the guiding force for future. The bundle packs will be order of the day and from a single-digit penetration of unlimited bundled packs, we are expecting double-digit penetration of bundled packs. We further believe that multi SIM will reduce once consumers want to decide on any operator's bundled pack. However, we are still not witnessing the same currently. It appears that currently consumers are using the services of two or more operators. There could also be a possibility that the customers are using multiple devices. While retaining his old number he is buying new devices one for use for its voice, another to be able to use for its video application. However, this is a phenomenon that we are still trying to study. In the long run, we all believe that the multi SIM environment should reduce. In reality what we saw in quarter four and we continue to witness in the early days of the first quarter FY 2018 is that most of the consumers continue to use multi SIMs, this is contrary to our belief. As regards the impact on ARPU, our erstwhile high ARPU customers have reduced the usage thereby resulting in the decline of ARPU. Currently, they have reached to level of Rs. 300 to Rs. 400 ARPU and the number of customers who are now left with Rs. 300 - Rs. 400 of ARPU is much lower. Since the low end customers are now upgrading themselves to unlimited plans, the situation has become positive from ARPU perspective and revenue perspective for us as compared to the downgrades that we saw in quarter three and quarter four. It is one of these reasons why we believe that our revenues will reverse in FY 2018 versus that of FY 2017 because of the fact that downgrades has played itself out to a certain degree in the last two quarters and some degree will play out in the coming quarters. From now on, customers who were erstwhile from lower ARPU category will upgrade themselves to Rs. 350 or above price points. This situation will result positively from an ARPU perspective though it is negative from a rate perspective. Are you with me?

Sachin Salgaonkar: Yes, one small follow-up on this. Would we see similar downgrades what we saw in the smartphone when a VoLTE feature phone is launched? Is your consumer with Rs. 200 - Rs. 250 predominantly pure voice ARPU moving to a let us say Rs. 150 - Rs. 140 package and hence, a downgrade in ARPU may continue?

Himanshu Kapania: There have been two downgrades which has happened in the previous two quarters. One downgrade has happened from a pure data customer where the attraction for large volumes of data grew. In case of data you can use multiple times volume as compared to the current usage, earlier which was with incumbent operators at level between 750 to 900 MB. From there the customer started using 28 to 30 GB data, which is 25-30 times higher than the existing usage. Second, in the case of voice, one may not see the magnitude of growth in minutes usage as compared to data usage. For instance, a customer using an outgoing of about 400 minutes to 500 minutes in the postpaid category would go up to 700 to 800 minutes i.e. about 2 times the current level. Hence, for this reason, the unlimited plans on Voice have already been introduced and they have been for a longer period than data unlimited plan which was only introduced in the last week or fortnight of March and its impact you will see much more in the coming quarters. From our expectation, when the VoLTE feature phones are introduced in the marketplace, pure voice customers will not be driven towards VoLTE phones because they are already enjoying unlimited calling benefits. But you cannot hold me to this point. We have seen unpredictability of the new entrant and he may spring a surprise. But as far as currently we believe, that the unlimited voice offerings by incumbent is fairly strong and the reduction in rate has already been factored in it and customers are very happy to use their existing 2G, 3G network.

Sachin Salgaonkar: Got it. This is clear. And last question on your VoLTE launch, if any?

Himanshu Kapania: Yes, we are going to introduce VoLTE. We have completed our testing. We are in the process of contracting at this point of time and over the next two quarters, we should introduce our VoLTE services. We are initially planning to build VoLTE for 20 million - 25 million customers which is sufficient enough to take care of all our 4G volume expectations.

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

Dheeresh Pathak: First question is on your deleveraging plans which were shared earlier at the time of the merger announcement by stake sale in Indus and the standalone towers? That is the first question. Second question is on any updated thoughts on CCI approval time lines? Because I understand that we can have more network integration post that approval.

Himanshu Kapania: The deleveraging plan is on track as a lot of back-end work is being carried out both for sale of our own towers as well as the Indus sale that is under progress. Accordingly, if there is anything substantial for us to share we will definitely get back to you. What we have committed in the previous call, during merger update, we hold by the information that we shared. But remember, deals take a little longer time to happen and it will be very difficult to give you specific dates. As regards the CCI time lines, we have filed our applications and we received a series of queries. We are in the process of responding to those queries. We remain hopeful for early approval by CCI but given that it is a regulatory authority it will be difficult for us to be able to commit any specific time lines.

Dheeresh Pathak: Yes. I mean, just on the second point, can you just share a little bit more in terms of post the approval, like active sharing you are doing even now and that was allowed among operators as you mentioned? But post the CCI approval and before the closing of the deal I think you can do more integration processes of this can help reduce network cost more. So, can you just share some more details on that as well?

Akshaya Moondra: I think we will address it when we reach that point. It is still a few months away and I think, we will have to see what is permitted and what is not and we will decide at that point of time. Right now, we are focused on getting the CCI approval in the first place.

Moderator: Thank you. Next question is from the line of G. V. Giri from India Infoline Capital. Please go ahead.

G. V. Giri: Couple of questions on your cost saving. What proportion came from any reduction in ad spend that you may have done? And second question is that you also benefited from the e-KYC, so can you give a little bit of color on what the saving per customer could be? And roughly, what proportion of this SG&A reduction of around Rs. 124 crores quarter-on-quarter happened because of e-KYC?

Himanshu Kapania: As far as sales and advertising expenses are concerned we had three parts that helped us reduce our cost. One is capping our expenditure on advertising. Second part is the introduction of e-KYC. We have now moved to a plan in which we are not accepting any customer's physical forms who are in the same State and are only accepting Aadhaar based eKYC verification. This process will also help us keeping a focus in the long run in case there is a need to re-verify our existing customers. Thirdly, we have renegotiated our contracts with the channel partners and brought down our cost with our channel partners. So, it is a combination of three activities which helped us bring down our overall sales and advertising expenses anywhere it can be in the ratio about 40:40:20 as you can see.

G. V. Giri: So if 40% comes from e-KYC, Himanshu then I would like to know what proportion of your base in terms of your gross adds or your additions during the quarter coming from e-KYC?

Himanshu Kapania: About 95%.

G. V. Giri: Already in the quarter gone by was it 95%?

Himanshu Kapania: Yes. Only 20 to 35% of the customer base is out stationed. So, while almost 75% of our channel partners have moved to e-KYC we are accepting only e-KYC documents moved to 100% in certain states like AP & Kerala etc. But in metros like Delhi, Bombay etc there is larger migrants population, the E-KYC adoption is at a lower percentage. By March we reached to 95%. In April, we are operating at that levels.

G. V. Giri: And the last 20% cost saving that you said is because of tougher negotiation with your channel partners. Is this not a difficult time to implement that because the pressure on the channel must be more because of the new entrant?

Himanshu Kapania: No. Earlier, channel partner would spend time to fill the physical forms. Owing to the new market trend, the practice no longer exists which made it easier to negotiate with our channel partners.

G. V. Giri: Okay. So does that mean that this savings is also related to the e-KYC?

Himanshu Kapania: It is essential to understand that channel costs are not only what we pay to trade partners but it also includes distributors who have runners to pick up the forms. Since currently runners are not required to pick up the forms, we no longer require any agencies to carry out the movement of the form. Further, scanning and storage of these forms is not required. Consequently, these are the various costs that we saved. So it is not the front end payments to channel partner but a result of the back end activities which has helped to reduce the sales cost.

G. V. Giri: Understood. And of the ad spend reduction how come you chose this quarter to go easy on the ad spends? Because now the intensity in the marketplace for attention seems to be picking.

Himanshu Kapania: We have two reasons. We believe that in FY 2018, the overall advertisement spends will contrary to belief of various telecom analysts who expect it to go down as the overall stress in the system will remains high. And secondly, we are transiting ourselves from being a balance between voice and mobile data, and we wanted to first acquire significant coverage on the 4G site and launch all our 4G networks before we start advertising it. We believe by next year, cost on advertising will be lower than last year's cost on overall annual basis rather than looking at quarter-on-quarter basis.

G. V. Giri: Understood. Are you getting any savings from electronic recharge itself rather than the exclusive payment to a trade?

Himanshu Kapania: Yes. However, while that is true, given that electronic recharge has practice of making more promotions to consumers I would prefer not to give too much credence of cost saving on account of that.

Moderator: Thank you. Next question is from the line of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra: Most of my questions have been answered, just one follow-up on VoLTE. You mentioned that you have enough capacity on 2G, 3G networks and which also has ubiquitous coverage what would be the reason for launching full VoLTE network at the current juncture?

Himanshu Kapania: We are preparing for the future. We believe that by year 2020, the number of broadband users in the country will touch nearly a billion. I have alluded to that in opening speech and if the consumers were to move to complete 4G and VoLTE network, it will ease out a lot of spectrum blocked for 2G & 3G usage. A large portion of our spectrum is being used in 2G. So, if the spectrum gets eased out, we will be happy to do that in the long run. Further, we did not see any jump of voice minutes on 2G in the last quarter and in the early days of this quarter. VoLTE is a natural extension and Idea has to be in line with the long term technology trends.

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

Sanjay Chawla: Himanshu, my first question is on the revenues. You are expecting fiscal 2018 revenues to be higher than fiscal 2017 for your company.

Himanshu Kapania: I would like to correct you on that. I mentioned that the revenues would be higher than the 4 times multiple of quarter four. I believe that the industry has bottomed itself in quarter four. Accordingly, we are referring to H2 levels and not referring to H1 levels.

Sanjay Chawla: So is it more than two times the second-half level?

Himanshu Kapania: Yes, that is right.

Sanjay Chawla: This is for the industry? Or this is for your own company also you expect?

Himanshu Kapania: We are expecting it to happen to industry as well as to our company since the industry is also to absorb the revenue of the new operator.

Sanjay Chawla: Okay. But most of the revenue increase could come from the new operator. So, the industry growth if it happens would probably be taken up by the new entrant and the rest of the operator still end up losing revenues?

Himanshu Kapania: Which part of our revenue are you referring to? Are you referring to quarter four or our second-half or the full year?

Sanjay Chawla: I am referring to the full year, on a full year basis. You had almost 36,000 crore revenues.

Himanshu Kapania: On a full year basis, we are expecting that the industry would be between flat to slight growth. This means that the industry will recover from quarter four of FY 2017 to quarter four of next year by 15% because it has declined by around 14% to 15% over previous quarter four to quarter four FY 2016. We are expecting to be able to continue to improve revenue market share and we are expecting in this period to be able to grow over second-half and sustain our FY 2017 revenue numbers.

Sanjay Chawla: Okay. And also, you mentioned your revenue per GB of Rs. 75 to Rs. 100 range on an average in fiscal 2018. Is that what you expect for your company?

Himanshu Kapania: Yes.

Sanjay Chawla: Okay. And the 2 times to 3 times growth in data volumes that is again for Idea on a full year basis?

Himanshu Kapania: That is right.

Sanjay Chawla: Okay. Just one more housekeeping question, what kind of increase do you expect in spectrum amortization expense next year on a Y-o-Y basis including the 2300 launch and also the Mumbai 4G rollout?

Akshaya Moondra: So, Sanjay, I will not be able to give you specifically for spectrum. But roughly, depreciation and amortization cost would be somewhere around 8% to 9% higher year-on-year.

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

Manish Adukia: Most of my questions have been answered. So, just two quick follow-up questions. First question is on the sequential decline in the total number of towers that you saw this quarter versus the last quarter. Can you just throw some more color on that as to what is driving that? And second question is again a follow-up on the capex guidance that you provided which is roughly about 60% lower than the market leader Bharti's guidance. Just wanted to understand, how confident are you of being able to hold on to your revenue market share in FY 2018 given your spend in the network is significantly lower than the market leader? Those are my two questions. Thank you.

Himanshu Kapania: Your first part is a decline in our 2G networks, 2G tenancy, right?

Manish Adukia: Yes, that is correct.

Himanshu Kapania: On analyzing our 2G tenancies over a period of three years to seven years, we found certain tenancies that have very low utilization. Further, the business team was not very confident to be able to get return out of these towers. So, we identified these tenancies and we had the benefit from our contracts to be able to exit 3% of our overall tenancies and we availed the same in the previous quarter. We will continue looking for such cost saving opportunities wherever the business is not confident to get return from the tenancies. We will pursue the same methodology next year either on full exits or through active infrastructure sharing.

Manish Adukia: Understood. That is very helpful.

Himanshu Kapania: As regards your question on capex guidance, first and foremost, I will have to remind that Bharti is currently about 1.6x to 1.8x our size and we are not seeing us to be able to reach Bharti's revenue market share in the next 1-2 years on our own on a standalone basis. Accordingly, our capex spend has to be in line with our ambition for revenue market share. Let us look at the absolute gross block that Idea and Bharti have spent. So Idea's gross block is Rs. 1,18,000 crores. Bharti's overall gross block is Rs. 2,95,000 crores and we assume that anywhere between 60% - 65% of its gross block has been spent for India mobility business. It has a larger presence in the marketplace and our ambition remains linked for the revenue market share that we are fighting for. We believe that the current capex guidance that we have given will be sufficient for us to be able to expand our 4G footprint and our broadband footprint from a current level of 500 million customers to a level of 700 million - 750 million customers by the end of FY 2018. Our utilization of broadband infrastructure is at a level of 18% to 20% and we have sufficient capacity available. We have to expand our coverage. Last year, we added 45,000 overall broadband sites. This year, as I already mentioned, we are confident to be able to add anywhere between 37,000 to 42,000 overall broadband site through a combination of capex and active infrastructure sharing.

Moderator: Thank you. Next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: I got two questions, first is on the revenue market share. One of the operator has mentioned that their top priority is getting the market share and interim we are building network and probably we may slow down in the market investment. Do we see some dip in interim in our market share? Number two is on the ARPU. How do you see ARPU? Do you see ARPU has bottomed out? And how the ARPU construct is changing between top end customer and bottom end customer? Some color on that will be very helpful.

Himanshu Kapania: Sanjesh, although I did not get the first part of your question very clearly but I assume that your question is whether we are able to hold revenue market share. Is that right?

Sanjesh Jain: Right.

Himanshu Kapania: Let me take you through the previous years' trends. In calendar year 2016, despite overall stress in the system Idea has improved its revenue market share at 19% an improvement of 0.4% over calendar year 2015. In quarter four, we are very hopeful that growth in revenue market share will continue. Now, your other obvious question is as far as FY 2018 is concerned there will be charging by new entrant and their revenues will be reported. Will there be loss in revenue market share? We believe yes, there will be loss of revenue market share for the top operators but the maximum revenue market share loss is going to be from other than the top three telecom operators. This can also be seen from the subscriber market share. While the new entrant was not charging for their services and offering it free, from the month of September it has been adding subscribers. TRAI has reported that till February 2017 the market has added overall 85 million subscribers and the new entrant has got over 75 million subscribers on VLR and a gain of 7.5% subscriber share, but Idea lost only 0.3% and the top three operators lost just about 1.3%. However, the primary loss was the other operators which have lost about 6.1% to 6.2%. So, as far as revenue is concerned, we will see a similar trend in FY 2018. Does that answer your question?

Sanjesh Jain: Yes.

Himanshu Kapania: Now as far as ARPU is concerned, there are two parts to what we are witnessing. The present ARPU that we are reporting has customers using primarily incumbent operators voice network and sharing data network between the incumbent operator as well as the new entrant who was offering both voice as well as data free. This will change going forward. We expect that by the third quarter of FY 2018 there will be stability on overall rates, unlimited plan will more or less stabilize and this will help some degree of recovery of ARPU. We are very hopeful and optimistic the industry revenue will recover. But earlier question was, are we seeing multi SIM environment which has over the last two quarters to three quarters has increased significantly be falling, we believe that it will fall. However, as of April also, we did not witness the fall of multi SIM environment. As for the other part of the ARPU question, whether we lost

ARPU on account of multiple SIM usage as well as top end of our customers, who were generating higher revenues, choosing unlimited plans which were earlier much higher value. So, the loss of ARPU came in because of our higher end customers downgraded their plans. Now, we are expecting from a single-digit unlimited plan adoption to a double-digit unlimited plan adoption. The new set of customers who will join in with the unlimited plans are going to be ARPU accretive because they are currently at much lower ARPU and the value that we are offering is significantly better. Further, we are seeing the new adoption is definitely happening from a lower end of the subscriber base. Hence, we believe, this will improve but will it improve in the next quarter? That is unlikely. However, we are very hopeful it will improve by the third quarter to the fourth quarter of the next financial year.

Sanjesh Jain: Just one follow-up here, do you see the top end ARPU getting bottomed out now? Or do you see some more downside over here?

Himanshu Kapania: Mostly, we believe it has bottomed out.

Sanjesh Jain: It has bottomed out. Some impact will be there from whatever downgrades that we have done to the tariffs to the existing subscriber. Will that flow in Q1?

Himanshu Kapania: In my opinion, it is not as much tariff led. Tariff is a derivative of a fixed bundle plan and the quantum of usage that he is doing. Tariff is led by having a definite period of usage for a fixed fee and the customer will have a choice to use it as much as wishes to do. But if the bundled plan prices remain at a stable level, so then the ARPU has bottomed out.

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

Pranav Kshatriya: Quite a few questions have been answered. My first question is on data subscribers. You said that you are already seeing some of the data subscriber returning back. Can you tell us, out of around 12 million data subscribers which have been lost in last two quarters what proportion you have seen so far coming back and what proportion you expect to come back in let us say next one quarter? That is my first question. Secondly, on the network cost reduction, is the cost reduction happening because of anticipation of the network sharing or the active infrastructure sharing arrangement going through? Or there is no role to play in this? And lastly, one bookkeeping question. What was the forex gain in the EBITDA for this quarter versus the loss in the last quarter, I missed that number? Thank you

Himanshu Kapania: Let me answer you about the network cost reduction. As far as quarter four of 2016 - 2017 is concerned with the network cost reduction, the active infrastructure sharing deal has not yet been signed. Accordingly, there is no impact on network cost reduction owing to active infrastructure sharing. We are very hopeful to be able to close it and as I mentioned in the previous earnings call, there is a lot of technical work that needs to be carried out and a lot of contractual and legal work that needs to be done since these deals are for a long period just like 3G ICR deal which has been signed for a period of 10 years plus. It is because of this reason, we are actually very careful about it and no active infrastructure sharing deal has been signed yet. Consequently, the network cost reduction is irrespective of active infrastructure sharing deal and has happened due to pure cost optimization by the company. I hope this clarifies.

Pranav Kshatriya: Yes, sir.

Himanshu Kapania: As regards data subscriber, there is a lot of confusion in the market about how Idea data subscribers went down and how Bharti's data subscribers went up. There are two parts to answer that. The first part is, before the rates were falling at the time when we were selling Mobile data at a price point of Rs. 275 to Rs. 300 per GB, we used to offer a lot of trial plans to non-users. These trial plans allowed the user to become a data user without having to pay. Around December of last year, we decided to close all trial plans and we did in a stepwise basis. That is why you saw in quarter three and quarter four, a reduction of low user data customers. While the usage per customer did not fall, the low end of the data users went away. If you were to study our overall data users as well as Bharti's data users about a year back the difference that existed about a year back and the difference that exist in this quarter is exactly the same. It is a phenomenon which we will see impacting quarter three, quarter four, and quarter one of the next year. After that, it will be a non-event. Now, the second part is the customers who were using voice services a lot that is why they remain as our subscribers but we have cut down their data services because of using free promotion by the incumbent operators. It is difficult to predict as to how many of them will come back. What we are witnessing is that some portion of them who chose not to be able to buy the prime plan or the Rs. 300 plan and have decided to come back. As the price of the new entrant and the offering from incumbent operator converge, it is inevitable that the total traffic that has been generated during the free promotion period which has grown by 3 to 4 times of what it was before the free promotion period and which 80% of the traffic was being delivered by new entrant is most likely by FY 2018 going to get redistributed among the four telecom operators who offer broadband. How are they going to redistributed? Only time will tell. But we are very confident that it is going to get redistributed. Now that internet access is being democratized and the overall prices are very, affordable, a lot of new subscribers will start testing everybody's networks and they will stay back to their preferred operators and Idea will be one of them.

Akshaya Moondra: Pranav, on your last question, the forex loss in the G&A last quarter was about Rs. 26 crores and the forex gain in this quarter on the G&A is about Rs. 77 crores. So the delta quarter-on-quarter is about Rs. 103 crores.

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

Himanshu Kapania: Thank you, Karuna. Thank you to the Analyst & Investors for their patience. As we are witnessing difficult times in telecom industry and as I described, this is a period or interval of 'telecom discontinuity'. The new era for telecom has arrived and the previous KPIs are not going to be relevant. Going forward, new KPIs will get built. Idea Cellular remains very optimistic that we will return back to growth. We remain overall optimistic of adoption of internet services will grow as the rates become affordable. We look forward to making 'Digital India' a great success and we look forward to investors supporting us in this drive to be able to make this PM program highly successful. Thank you so much and we look forward to speaking to you 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.