# “Idea Cellular Limited Conference Call”

**July 24, 2009**

**Moderator:** Ladies and gentlemen, good afternoon and welcome to the Idea Cellular conference call. This is Rochelle, the moderator for your conference. For the duration of this presentation all participants' lines will be in the listen-only mode. After the presentation, a question and answer session will be conducted.

We have with us, on the call today, Mr. Sanjeev Aga, Managing Director of Idea Cellular, Mr. Akshaya Moondra, Chief Financial Officer of Idea Cellular, along with other key members of the senior management. 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 risks that the company faces.

With this I hand the conference over to Mr. Sanjeev Aga, thank you and over to you sir.

**Sanjeev Aga:** Thank you Rochelle. On behalf of Idea I welcome all of you to this call. Our Board of Directors yesterday adopted our limited review results, for the quarter ended $30^{th}$ June. The media release, the quarterly report, and the results, have all been uploaded on our website.

Effective $1^{st}$ April this year, the IUC regime in India has undergone a change. The impact of this has been elaborated in our media release and in the quarterly report, but to facilitate an analysis, we have presented our quarterly numbers both on an actual basis and on a pro forma basis.

The last six months in India has seen the beginning of a period of sector overcapacity and hyper-competition. Consequently, during the quarter, our average realized rate has eroded by 2 Paisa on pro forma terms. There has also been a slight drop in the average minutes of use per subscriber. Notwithstanding this, Idea's standalone revenues grew quarter-on-quarter 5.6%, on pro forma terms. This resilient growth for this quarter, coming on the back of 9.2% and 13.9% quarter-on-quarter growth in the previous two quarters, accompanied by an improvement in Idea's EBIDTA margins, both in the older 11 service areas and the two new service areas of Mumbai and Bihar are, to us, a manifestation of Idea's growing competitive strength.

We launched Rest of Tamil Nadu operations in the month of May this year, and the city of Chennai in July, just a couple of weeks ago, thereby extending our operations to 17 service areas. Idea's operating service areas now cover almost 90% of the all India subscriber base. With the rollout of services in West Bengal, Kolkata, Assam, North East and J&K, Idea will be a PAN India operator within the calendar year 2009.

Our revised capex estimate for the year is INR 55 bn. This is really a result of sharpening the estimate we had given in the previous quarter.

I mentioned that the telecom sector is going through a phase of overcapacity and hyper-competition, which could possibly create unpredictability and volatility in the short term. However, Idea will continue to drive its strategy of exploiting the advantage of spectrum and scale in its 900 MHz service areas and the strategy of optimization in some of the new 1800 MHz service areas. We believe, we are positioned to emerge competitively even stronger, whenever the expected eventual shake out in the sector happens.

I will now request Akshaya to take you through some financial highlights.

**Akshaya Moondra:** Thank you Sanjeev, a good afternoon to participants from India and a good morning to overseas participants.

Continuing with our reporting structure of last quarter, Idea's standalone results in quarterly report encompass mobile operations in 15 operating service areas, while the consolidated results include the proportionate results of joint ventures, Spice and Indus.

As mentioned by Sanjeev, the results for this quarter are not directly comparable to previous quarter, because of the impact of IUC reduction. These changes resulted in a reduction of revenue as well as costs. As the revenue has reduced, the percentage margins at all levels also got affected and hence, we have given pro forma figures in our media release, to facilitate comparison with the previous quarter.

If we look at these pro forma figures, on a standalone basis, our revenues have grown by 5.6% quarter-on-quarter. EBIDTA margin has been, more or less, maintained at 25.7% for this quarter as against 25.9% for last quarter, even after absorbing the losses from the two new launches of Orissa and Tamil Nadu in this quarter. This has been possible because of improved performance in the established 11 service areas, and also reduced losses from the new service areas of Mumbai and Bihar.

As for the actual reported results, revenue of Rs. 28.9 bn grew by 0.9% on a quarter-on-quarter basis while EBIDTA of Rs. 7.7 bn has grown by 3.8%. EBIDTA margin for the quarter stood at 26.7% compared to 25.9% for the last quarter. The net negative impact of change in termination charges has been nominal at about 0.2% of revenue.

Depreciation and Amortization for the quarter has increased by Rs. 168 Million, which is in line with capex for the quarter.

The net interest and finance cost is lower by Rs. 85 mn. The actual net interest cost has gone up by Rs. 204 mn, however due to the FOREX gain of Rs. 126 mn for the quarter as against a FOREX loss of Rs. 163 mn during the last quarter, there is a positive variance of Rs. 289 mn.

Our profit after tax stood at Rs. 3075 mn compared to Rs. 3032 mn in the last quarter showing a growth of 1.4%, on a quarter-on-quarter basis. The year-on-year growth has been 15.6%.

The results of both this quarter and the last quarter are, after the IRU arrangement with Indus became effective from January 1, 2009, are comparable in that respect. It is important to note that in this quarter we have an income of Rs. 355 mn as IRU rental from Indus. We have also provided depreciation of Rs. 472 mn on these towers, which will be eventually de-merged to Indus. As and when the merger of these towers with Indus is complete, then from the appointed date of merger, both the IRU rental income and depreciation on these towers will be reduced from Idea's standalone financials, resulting an improvement of Rs. 117 mn at the PBT level.

It may be noted that, we have various schemes of arrangement presently pending before courts. Our FY2009 figures are un-audited and are subject to effects covered by the schemes.

Moving onto consolidated results, revenue grew by 1.4% on a quarter-on-quarter basis and stood at Rs. 29.8 bn. EBIDTA of Rs. 8.6 bn has grown by 6.1% on Q-on-Q basis. The EBIDTA margin has improved by 1.3% compared to last quarter and stood at 28.9%. PAT of Rs. 2971 mn has grown by 8.3% compared to last quarter. The improvement in PAT on a consolidated basis has been driven mainly by lower loss in Spice and improved profit in Indus.

In the last quarter we adopted the notification issued by the Ministry of Company Affairs. Following the same policy, forex gain for the quarter on the long term foreign currency monetary items has been adjusted to the cost of assets acquired through these items, resulting in de-capitalization of Rs. 310 mn at Idea standalone level and Rs. 496 mn on consolidated basis.

For Idea standalone, cash and cash equivalent stood at Rs. 26.6 bn as of June 2009, showing a reduction of Rs. 23 bn compared to the last quarter. This reduction is mainly due to repayment of short term debt of Rs. 15 bn, which was taken in June 2008 for Spice acquisition, and further due to extension of loan of Rs. 5.6 bn to Spice Communication. This loan to Spice has been used to repay its borrowings from banks.

With this, I handover the call to Rochelle and open the floor for question and answer session.

**Moderator** Thank you very much sir. Ladies and gentleman we will now begin the question and answer session. Anyone who wishes to ask a question at this time may please press '*'and '1' on their touchtone telephone. If your questions have been answered and you wish to withdraw from the questioning queue please press '*' followed by '2'. Participants are requested to use handsets while asking questions. Anyone who has a question may press '*' followed by '1' at this time.

Our first question is from the line of Shubham Majumdar of Macquarie. Please go ahead.

**Shubham Majumdar:** Hi, congratulations on a good set of results in a difficult operating environment. I had three questions, the first is, what is the reason for the continued increase in churn rates in your business for consistently three to four quarters now, can you give us a reason? Why the churn rates are going up so much in the business, when industry wide churn rates are actually coming down? You are seeing that coming down in Bharti's numbers as well, that is the first one. My second question is, in terms of the reduced capex guidance, just wanted to understand reduced capex guidance is bearing from lower coverage requirements or capacity requirements in existing service areas or is it due to lower aspiration for market share in the newer markets that you are launching into? And third, in terms of tower business, what kind of sustainable profitability that one should be building in, once Indus is finally merged and once those numbers are fully consolidated into your business? How the tenancy numbers look like potentially and what kind of EBIDTA margins one can expect there? Thanks.

**Sanjeev Aga:** Hi Shubham, Sanjeev here. Let me take your questions in sequence. Your first question is, why has the churn gone up and why is it continuing to go up? And why is Idea's churn going up and the industry's churn going down? The first thing I want to mention is that, I do not think it is possible that Idea's churn rate is going up and industry's is going down. In fact my answer to your question will also, perhaps answer your potential question as to, why for the first time, we are finding, that in a quarter where the rate has gone down, the MoU per subscriber has also gone down?

Shubham, you understand that for the last one year or two years, the majority of subscribers in India are coming on, what are technically described as, lifetime plans. So, if a person has taken subscription from you, contractually and legally, he has a right to use it, even after two years and you could very well capture it as a subscriber. Now some people do it, some people do not do it. Some operators try to have a stronger linkage with actual usage, other operators can very validly continue to capture a non-user as a subscriber. I do not know what the norms are, this is point number one. The second point I want to mention is that, increasingly from the last one year, we find a duplication or triplication of SIM ownership by the same subscriber. So far it was happening on different handsets, but increasingly you find it also happening on the same handset. It is not uncommon to find a subscriber, with a handset, with two live SIMs, which he uses selectively for different legs of telephony. Now, this is one of the likely reasons why MoU per subscribers are coming down because that MoU is getting distributed across operators. As far as churn is concerned, we basically try to stick very close to actual usage. If there is a period of, if I may say so, extensive flirting in the market by subscribers, churn will go up. So this is just recognition of reality. I think it will be true across the board, reporting norms could vary.

Your second question was about reduced capex guidance, is it due to lower coverage requirements or capacity requirements or due to lower aspiration? It is neither. It is the same capex, for the same set of equipment and the same set of expenditure, it is just that as the year goes by we get a sharper definition to the number because many contracts get frozen and we are just expressing what a very accurate number is now.

Your third question was about the towers business, I am afraid I cannot answer this, for reasons you can understand. But I think Indus tenancy for the quarter ended June is 1.55 which is up from, what used to be, I think, 1.50 a quarter ago. Indus has come into the profit and undoubtedly, it will continue to improve because the basic model of a tower company is that, the losses tend to be front loaded. As they go up with the kind of annuity incomes they have and improved tenancy and reduced expenditure, they should do better quarter after quarter, but I am not in a position to divulge the exact numbers to help you.

**Shubham Majumdar:** Thanks Sanjeev. I just have a small follow up question, we note that in the Indus service areas Idea's own build-out of towers is progressively going up, it has gone up to 13000 to 14000 in this quarter, could you just give us a sense of why that is happening? Are you building a separate tower business in the same service areas as Indus is? What is the philosophy here and how should we read that? Secondly in terms of minutes-of-use, if you could give us your thoughts and perspectives of what is happening in terms of per sub minutes? Whether we are kind of hit the cap in terms of minutes of use structurally at this point in time, and it will take one or two years for that to move up again?

**Sanjeev Aga:** Shubham, on the first question, all Idea tenancies in Indus service areas, go to Indus. It is only in a rare situation where for some obscure reason maybe, if there is a landlord problem or some other capacity problem, that Indus is just not able to do it, in those rare cases, we give it to any other vendor. There is no pattern or there is no large incidence of this phenomenon, it is quite uncommon.

On the MoU, I think yes, you had couple of trends, which are secular in nature, long-term in nature. One is that when MoU's are high like 400 to 500 minutes, which are perhaps higher than the European average, then you do not get that kind of elasticity. Secondly, as we go down the income pyramid in terms of telecom penetration, we have limitations to the size of the wallet. And third, it is quite possible that, at least in parts of India, the economy growth is not what it was a year ago and that could be a little marked in parts of rural India. So these are three factors. But I think the big factor which we people need to be aware is that, consumers are distributing their MoUs across operators. Therefore the total subscriber count, as a percentage to the number of actual human beings, is going up over quarters and conventional measures like ARPU, MoU, the number of subscribers, has to be handled with a lot of caution. Increasingly, we have to look at the fundamentals of business in terms of revenues, margins, profits.

**Shubham Majumdar:** Sure. Thank you Sanjeev.

**Moderator:** Thank you Mr. Majumdar. Our next question is from the line of Suresh Mahadevan of UBS Securities. Please go ahead.

**Suresh Mahadevan:** Good afternoon Sir, congratulation on an excellent set of numbers. I had two questions, one is, I wanted your thoughts on how you are viewing the 3G opportunity and do you need funding, assuming the reserve price of around Rs. 4040 Crores, which is being talked about? So that is question number one. The second question, I am quite impressed by your EBITDA margins which keeps growing up actually every quarter, despite you launching new service areas. Just wondering if you could give some kind of idea, on how we should look at EBITDA margins going forward in the next few quarters, assuming you will go nationwide fully in calendar year 2009? Thanks so much.

**Sanjeev Aga:** Yeah Suresh, good to hear your voice. Thanks for your compliments but, you will remember our EBITDA margins have been going down for the last 18 months and that was a period, when the company was investing into the future. We were taking up costs on the opex side which were running faster than our legs could take us on the revenue side, even though we had outstanding revenue growth for the last two years. This was a period where as we expanded into new service areas and as we expanded in the existing service areas into new coverage areas, we took on this pressure as part of our strategic intent. Now our peak capex requirement in our existing service areas is behind us. We are still expanding into new areas, we are still going to add capex where capacity requires it, but if you look at it as a graph, then our peak requirement was last year. Similarly, as far as new service areas are concerned, this year is going to be our peak year. So next year, we will have less capex requirements from the service areas that we are presently rolling out or have rolled out.

It is not surprising, purely from a capacity utilization point of view, that you should start having improved EBITDA margins, but I think beyond that in the last two years our company has put an enormous effort in various other functions other than network, in terms of supply chain, in terms of service centers, in terms of our contact centers, in terms of investment into IT and of course, in people. That was the time when we took the hit on our operating margins, but the benefits of these are beginning to roll in, benefits of scale are beginning to roll in, and therefore we are getting this upswing and we will continue to kick drive this improvement from quarter-to-quarter. Were it not for the fact that, you have hit the so called shakeout patch in the sector, where the prices have come down accompanied by a drop in MoU, our growth in EBITDA would have been even higher. So, for this quarter, we have just been able to neutralize those negative impacts. I would not be able to prophecy for the next two to three quarters and there could be unpredictability because you have a very uncommon and the passing phenomenon in the Indian telecom sector, but our guess is, if we stick to our Knitting, we will continue to strengthen ourselves competitively and then whenever that shakeout is over, we hope and we expect and we plan to come out stronger.

Your second question was about 3G funding, Akshaya will expand on what I am saying, but by and large we have a very, very strong balance sheet. Our net debt is around Rs. 30 bn. We have lines of credit from our lenders which are large and therefore to drive our strategic intent into the next few years, we have enough money. Only in an unlikely situation that we make a very high bid for 3G and win a lot of licenses and going for a very aggressive rollout, we may require a little extra line of credit or something of that nature, but in all probabilities we are comfortable on the funding front.

**Suresh Mahadevan:** Yes sir, I also wanted to hear your thoughts on how you are viewing the 3G opportunity, is it going to be one, where you think the spectrum shortage, we have had, is going to be resolved or you are viewing it more structurally as a big positive for wireless broadband etc.?

**Sanjeev Aga:** Suresh, anyone in our position would do a lot of homework, which we have done. Homework is not just on business models, but in understanding what is happening on the spectrum re-farming process worldwide, looking at what is happening on content side, on equipment side, on evolution of technology. Then of course, we have a deep analysis of the Indian market and our prediction of what might work and might not work. But we have to wait for clarity because at the moment we have no clue, how many slots are there, we have no clue as to what the reserve price maybe.

More importantly this is really not a 3G auction; it is an auction of spectrum under 2100 MHz band. This is not something which you can treat in isolation, without looking at what is happening in the 850, 900, 1800 and 2300 MHz bands. So when all these things come together, we would put our heads down and we would actually take a very balanced view. As I told one or two friends, what you know is what you know but what you do not know is really going to be the trick here, because no one really knows which way the world is going to move in the next five years. One has to be conscious of, do all kinds of scenarios and then take a balanced view. So we are unlikely to be reckless.

**Suresh Mahadevan:** Okay thank you sir, thank you very much. And I think if Mr. Moondra is going to add to funding thing?

**Akshaya Moondra:** No, I think what Sanjeev said is enough that we are adequately prepared to fund whatever funding requirement would be there, on the strength of a strong balance sheet.

**Suresh Mahadevan:** Okay, thank you sir.

**Moderator:** Thank you Mr. Mahadevan. Our next question is from the line of Sanjay Chawla of Anand Rathi. Please go ahead.

**Sanjay Chawla:** Hi, good afternoon Sir. Thank you for the call. I have three questions, One is on your Mumbai and Bihar performance, clearly the EBITDA loss there would have come down quarter-on-quarter, if you could just give us sense of how soon you expect to breakeven at the EBITDA level in Mumbai and Bihar? And could it happen faster then what you witnessed in UP East and Himachal Pradesh? and if you could just share, whether the Rajasthan service area has broken even now? Second question is, your outlook on the effective tax rate, particularly after the hike in the MAT rate, how you will see that happening in FY2010 and FY2011? Third is, what kind of a shareholder's loan has been extended to Indus and at what interest rate and when do you expect that to be repaid? From where Indus would re-finance it?

**Sanjeev Aga:** Hi, Sanjay I will answer the first question and Akshaya will answer the other two. As far as Mumbai and Bihar is concerned, things are pretty much on predictable lines. Whatever we had planned, it seems to be panning out that way. In the broad vicinity of two years after launch, is when we start looking at EBITA breakeven. It is always possible to advance it a little or delay a little depending on how much we want to invest, but this is broadly what it appears. As far as a older service areas are concerned, they are also moving in the right direction. I will avoid giving specific answers. We do want to give you as much granular information as possible, but if I start going at service areas levels, it becomes too competitively sensitive. So except to say that the moment, it is pretty satisfactory in all of them, particularly in Himachal, and UP is still giving us good revenue growth.

**Sanjay Chawla:** Sir could the breakeven in Mumbai and Bihar, happen well within two years?

**Sanjeev Aga:** It could, but it could also happen by design if you want it to happen. We are building a business for the long run, and we try to hit the sweet spot, so in terms of scale of operation, speed of operation, we try to do what we think is optimum. So our rough idea is about two years, it could happen a little earlier.

**Akshaya Moondra:** Sanjay, Akshaya here. On the effective tax rate, actually we have our tax holidays up to FY2011 for most of our service areas and some of them extending to FY2012. We also have some brought forward losses and with Spice coming into our fold, we will have some further losses, so for FY2010 and 2011 we will stay on MAT.

**Sanjay Chawla:** Sir you said that you would be under MAT till FY2011 and 2012 at least, but you would be claiming the MAT credit till then, so the reported current tax rate would be close to zero in the P&L, is that a correct assessment?

**Akshaya Moondra:** We will have MAT which we will pay. We will also continue to provide for deferred tax. MAT that we are paying right now will be finally offset against our tax liability, which comes in the later years.

**Sanjay Chawla:** Alright, okay. So till FY2011 you are saying you would be under MAT?

**Akshaya Moondra:** Actually it may go beyond FY2011 also, because till FY2011 we have tax holidays for most of our service areas. In FY2012 also, the tax holiday continues for a few service areas. Then we have fairly large chunk of brought forward & unabsorbed losses and depreciation. So, most likely, till FY2012 we should continue to be on MAT.

**Sanjay Chawla:** Right okay.

**Akshaya Moondra:** As far as Indus is concerned, our loan to them is Rs. 570 Crores. This is expected to be repaid not too far into the future. Actually, Indus is in the process of tying up its long-term funding and I guess within this fiscal year, they should be able to repay this loan.

**Sanjay Chawla:** Could I ask you, if there is a proportionate shareholder loan given by Bharti and Vodafone as well?

**Akshaya Moondra:** All three shareholders have given loans in the proportion of their shareholding.

**Sanjay Chawla:** Alright sir.

**Akshaya Moondra:** These loans were actually given until December 2008 when the IRU was not effective. After that Indus has been managing its own funding.

**Sanjay Chawla:** Alright sir, thank you very much sir.

**Moderator:** Thank you Mr. Chawla. Our next question is from the line of Rajeev Sharma of HSBC. Please go ahead.

**Rajeev Sharma:** Thanks for the opportunity, I have couple of questions. First is, what is your visibility on the 2G spectrum and given that it is on hold, does it affects any kind of growth or means increased capex in your existing service areas? Two, what is the timing of your Kolkata and West Bengal launch? These are the two questions and the third is, given that there is lot of scale you have exhausted, means you are trying to extract from your existing market, but will it be possible to further increase margins in your 11 service areas? Maybe in the Rajasthan, UP, you are still younger, you can do so, but in the other service areas do you think there is further scope for margin enhancement?

**Sanjeev Aga:** Yeah Rajeev hi. On 2G spectrum, for the last, I think, three months, the government has just put it on hold. We understand that there is a report of a committee formed by the government, which has proposed some changes in the treatment of spectrum. In fact, we believe it is quite wide ranging. The report has been sent to the TRAI for their comments. We really do not know, but we are hoping that they would decide this pretty fast because not only it would give us clarity, which we need for policy, it would also release spectrum wherever we need it. It is also an essential input to take a proper view on the 2100 MHz spectrum auction. Otherwise we would be bidding blind. So, it does have an impact, but not that two or three or four months will kill us. We can wait that period if, we get clarity and if the clarity is for the benefit of the sector, but yes, it should not drag on.

Secondly, as far as new launch is concerned, all the remaining service areas of Bengal, Kolkata, Assam, Northeast and J&K are going to happen in the last quarter of the year but it would not be December, it will be before that. We do not have a precise launch date yet.

Your third question was about scale from existing markets. In fact, when I was answering Suresh Mahadevan's question, I had made the same point that, if you look at our EBITDA margin in percentage terms, they are smaller than what they are in the rest of the world. If you look at it in absolute terms, given our low realized rates, they are very small. So I have no doubt that eventually, when this period of abnormal competition is over and once we really start deriving the economies of scales, based on the investments that have been put in, in various fronts, not just network, potentially margin should go up. Now that is not a forecast for the fiscal year, but I am talking more in strategic terms. I would not be surprised if two years, three years or four years from now, margins are much higher in percentage terms.

**Rajeev Sharma:** Thank you Sanjeev on this. Just one last question is, if you could split the capex spent for the year between your existing service area and the four new service areas you have launched?

**Sanjeev Aga:** Rajeev, we did not put it in our quarterly report because we did not want to part with that granular information, but clearly more than half, is in our existing service areas. Our 13 existing service areas are consuming significantly more than half. You must remember that, capex in some of our new service areas was substantially done, like Mumbai and Bihar and even Orissa. So what we are having this year is, Tamil Nadu and now Bengal, Kolkata, Assam, Northeast and J&K**.**

**Rajeev Sharma:** Sanjeev, if I can ask one last question. In Kolkata will you find polarization very difficult because it is a metro, unlike Mumbai, it would need more towers, it is widespread and you cannot be just in parts of Kolkata?

**Sanjeev Aga:** We would not be in parts of Kolkata. When we launched Mumbai, we had wall to wall coverage. When we launched in Chennai on the 9th of this month, we had wall to wall coverage. And when we launch in Kolkata and this would include places like 24 Parganas and all that, we will have an outstanding coverage. When we optimize, we will do it with a lot of skill, we do not do it blindly. In terms of product acceptance, just last week, our marketing team did some focus groups in Kolkata, Bengal and parts of Assam and Northeast. Although I have not read the full report, but the headline results showed a surprising salience and affinity to the brand, even in places, where they have never seen what an Idea SIM card looks like. So I think all that will work for us.

**Rajeev Sharma:** Thank you very much.

**Moderator:** Thank you Mr. Sharma. Our next question is from the line of Ajay Nandanwar of Indea Capital. Please go ahead.

**Ajay Nandanwar:** Good afternoon Sir, congratulation on good set of numbers. My first question is about your rollouts, if there is any seasonality in the rollout, in terms of quarter-by-quarter, or if there is more rollout in particular quarters?

**Sanjeev Aga:** No, We have two types of rollouts, Ajay. One is the capacity rollout and we have a plan or a budget for the year. But capacities added based on the latest trigger. So you might have something planned, but when you hit a trigger point, that is when you add capacity. As far as coverage is concerned, there is not any particular seasonality, we just try to look at it, in terms of supply chain efficiency and we try to smoothen it across the year, so that we get economies in terms of expenses and stuff like that.

**Ajay Nandanwar:** Well I am trying to understand, last year you added roughly 20,000 cell sites and this year, your capex guidance is at par with last year's capex and while I would imagine the number of sites has been larger because this is primarily active capex, but you added only 4400 cell sites this quarter, which is lower than the last year's run rate, so I am trying to understand what I am missing there?

**Sanjeev Aga:** No, I have already answered that this is not planned; sometimes this number may suddenly jump up, when you have a new service area launch. So you cannot read patterns into quarterly number of cell sites. Secondly, in any case, I have mentioned that our peak capex for our existing service areas is behind us. So this year's capex in terms of sites, it would have unevenness, depending on when we recognize the launch. For example, we have actually start putting up sites in Bengal, the launch will happen on a particular day and the recognition of those sites will happen from launch day. So the site starts radiating around that time. Sometimes, the lag is between placing the electronics and reporting it.

**Ajay Nandanwar:** So you report the sites in the quarter that you are adding, when the service area goes live, correct?

**Sanjeev Aga:** That is correct. When the site goes live and it is hooked on, that is when we report it. For example, when we launched Mumbai we had 1000 sites, we do not put up, a thousands sites in one day. You should not read too much into the numbers.

**Ajay Nandanwar:** One more question, and I am a bit confused here. I am trying to understand standalone and the Indus numbers. I'm trying to understand on the Indus revenues, the revenues from Indus are 199 Crores and eliminations are 247 Crores and the Indus EBITDA has gone up from last quarter, I am trying to understand how to sort of reconcile the numbers?

**Akshaya Moondra:** I think those eliminations are not only Indus, but they could be related to Spice, and they could be some of our IRU related eliminations also. So it is not only Indus revenue but it is also an Indus cost and there are Spice related eliminations also.

**Ajay Nandanwar:** Okay. And Spice eliminations were sort of IDEA is providing NLD services to Spice?

**Akshaya Moondra:** I mean, to that extent, Spice is another operator. So like we will have transactions with any other operator, we have transactions with Spice.

**Ajay Nandanwar:** Since you have sort of done planning for the year and you are at the 20,000 cell sites in FY2009, where do you think, the cell sites addition in FY2010 be? Would it be like north of 20,000 or the south of 20,000, given the capex guidance?

**Sanjeev Aga:** We do not elaborate number of site, but it would not be north.

**Ajay Nandanwar:** Then how would you reach the capex of Rs. 5500 crores, because if we take that the most of sites Idea would make, it will come in at like 4000 Crores, is that correct?

**Akshaya Moondra:** Actually there are two things. One is, I think, you are trying to compare the capex and number of sites of last year and this year capex guidance, and then you are saying that this year everything would be on Indus. But there are two things which are to be noted. One is, that even last year from very initial part, except for the first couple of months, Indus has already started building sites for us. So, last year also the passive infrastructure investment was very limited. Secondly, if we are looking at six new launches, traditionally per site cost in case of a new launch, would be higher than when you are growing the capacity or coverage in an existing service area. So I think those are some of the factors which may give answer to the observation that you are making.

**Ajay Nandanwar:** Okay, great, thanks so much.

**Moderator:** Thank you Mr. Nandanwar. Our next question is from the line of Vivek Doval of Boyer Allen. Please go ahead.

**Vivek Doval:** I just have actually two questions. First, for existing 13 service areas, wanted to get an understanding of what is the level of competitive intensity, especially from the new operators. And second, with regards to your balance sheet, you did mention that it is fairly strong, any idea in the sense that, if, say for example, the bidding on 3G was more aggressive, do you have some kind of commitment from your strategic shareholder of increasing their stake within the company and you are issuing new shares for that?

**Sanjeev Aga:** It does not matter what the bidding is, we will bid what we will think is sensible. So the bidding could be benign or malign. We do not anticipate any requirement that we will have to go back to a promoter for funding. We are pretty well funded in that respect. I think that situation will not arise.

As far as competitors' moves in our existing 13 service areas is concerned, I mean, we are all reading the same newspapers and watch the same electronic news. This had started from January, and I think this will continue for sometime. So we will continue to see wave-after-wave of competitive entries. In fact, I was just analyzing that some of the entry pricing of course is free, so you cannot compete with that, but a lot of the pricing is, at the cost realization net of IUC, which is equal to the variable cost of producing a minute of the most efficient Indian operator. Therefore, this is obviously not capable of giving even a margin, leave alone profit and leave alone meeting the cost of acquisition. So, in some respects you have to go through this phase and we are all facing it. The bad news is that there is hyper-competition. The good news is that, the more hyper the competition, the briefer will be the period of the shakeout. I think, none of us can predict what will happen in one or two years but that was my assessment in very, very secular terms.

**Vivek Doval:** Just follow-up on that, I mean to say that there has been so much of competitive pressure in the first six to seven months of this year. Do you think we have actually gone past the most aggressive competition period in the new service areas where new competition has launched or do you think there will be quite a few new operators coming in, and this aggressive competition will exist for a period?

**Sanjeev Aga:** When you have an infrastructure sector and overcapacity, then normal predictive tools do not work, because too many people have gone past the point of no return and you have to choose between available choices, you cannot make a model in a vacuum. So I would not say that we have passed the worst, we are, at least as a company, assuming that the worst is still to happen.

**Vivek Doval:** Right. Thank you very much sir.

**Moderator:** Thank you Mr. Doval. Our next question is from the line of Reena Verma of Merrill Lynch. Please go ahead.

**Reena Verma:** Thank you for the call. I think, lot of my questions have been answered particularly, with regard to hyper-competition, but just once again, Sanjeev, you have mentioned that lot of this competition started from December last year, but your revenue per minutes has held up incredibly well, and so has it for some of the industry majors who report numbers, if competition is indeed only about tariff. Also I am surprised that you are emphasizing hyper-competitions so much given that all of the advertising by the new entrants has centered around value-added services or around network quality, we have barely seen any advertisement talk about pricing. I am just trying to understand, looking ahead what parameters, whether it is MoU or RPM or both, you think is likely to come under intense pressure because of the hyper-competition that you are kind of experiencing, in your view?

**Sanjeev Aga:** Reena, you are asking me tricky questions, tricky in the sense that, there is no right answer to them, it is just a guess. You had a very thoughtful question on advertising, saying one thing in pricing doing another thing, I had not thought of it that way, but I can tell you what works in the market is, nothing sells like free, you cannot beat that proposition. I really do not want to comment on that but as far as revenue per minute holding up, a strong company does not require to have price parity with someone who is just not comparable in terms of overall service delivery to the consumer and then again, we have got depth of penetration into rural areas.

But having said that in general terms, I am not saying just about Idea, it is not necessary to compete, but there is some loss of revenue. I mean whatever revenue or whatever free minutes are going, that much revenue is going out of the sector. So, to say that, it has absolutely no impact on subscriber acquisition or revenue growth, is not correct. We would have done better if it has not been there. Also, we do not have to bring down our pricing but through a very skillful use of segment wise, geography wise pricing, we try to minimize the price erosion and minimize the hurt. If it hurts more, than you react, but if it is tangential, then you do not react. That is how it is all over the world. It is difficult to say because it is also a question of what choice do the new people (operators) have. I am not talking about one particular company because they are also committed and they may take a particular path. As I mentioned perhaps, before the writing is on the wall, it is difficult to say how long it will take and what will happen after that, but revenue per minute is held up reasonably and that is what I was saying.

This quarter, if you see, we have had a drop in revenue per minute. If you look at revenue per minute, it has gone down 3%, which is significant. There is a 1% drop in MoU and even if you look at subscriber additions, they are not galloping, they are not as what they were a year ago. So this is the period where you will have negative impulses from the market and you will have positive impulses from the efforts you have put in, in earlier years. It is possible that one may outlay the other for one or two or three quarters, it is not very significant for us so long as our long-term direction is fine and we come out of this episode stronger.

**Reena Verma:** If I may just ask as a follow on to that, the pressure of this new competition, is it more evident in the service areas where you are now launching, in the sense, will you be looking to reduce the capex intensity of your new launches or do you think it is affecting you across operations pretty much equally?

**Sanjeev Aga:** No, we do not have any such thing. In fact it is difficult for me to take examples, but for example, we have launched Tamil Nadu and we have launched in Mumbai some time ago. We are not seeking headlines. We have a plan which we believe. The plan does not depend on whether it is competitor A or competitor B or competitor C and we are going as per that plan. So far, we have been picking up subscribers, revenue and everything else very predictably. We will take these service areas to self sufficiency and profitability in due course and strengthen our company. We do not want to deviate one way or the other.

**Reena Verma:** And just one final question is on the higher acquisition payouts mentioned in your press release, is this something that you can again choose to ignore or is the distribution channel pretty much commoditized and everybody has to match these payouts?

**Sanjeev Aga:** I think the higher acquisition cost was referred to, for competition, not for us. The acquisition cost for subscriber in our case has not been higher, but we have seen a little lower for some other reasons. What we were referring to really is that, when you want to enter a market there are many ways of pricing, there is a an upfront price, there is your trade margins which goes to the trade and which sometimes is passed on to the consumer. There could be many other value added offerings you can give, need not be value added but other kind of price offerings. So they have many ways of skinning the cat and all this contributes significantly to pricing.

**Reena Verma:** And final question from me is on 3G. Can you comment whether, assuming if the reserve price is 40.4 bn, which is what the press reports last suggested, would you look for a PAN India 3G footprints?

**Sanjeev Aga:** Well Reena, honestly, we have done all of the homework but when you take a view is, when you get nearer to the event and when all the facts are on the table. So we have just not taken that view. But I do not think it is assumed by us that whatever maybe the reserve price, we must get the spectrum, there is always a cut-off.

**Reena Verma:** Okay thank you very much gentlemen.

**Moderator:** Thank you Ms. Verma. Our next question is from the line of Manoj Dengla of Carlyle. Please go ahead.

**Manoj Dengla:** Sir, let me first compliment you on being very candid and frank when everyone wants to be very bullish. My question is, do you expect tower rentals to come down going forward as tenancy starts increasing for Indus?

**Sanjeev Aga:** Hi, Manoj, actually I am bullish. I think, I appeared to be bearish, except that, I am bullish about the medium and long term, and short term I do not take a view because I do not know.

A lot of tower rentals were the function of raw material cost and land rentals, so those are the costs of production there. Generally speaking, in any case, tower companies have assumptions about tenancies. So, the tower rentals are not based on existing tenancies but on projected tenancies. But if the whole model changes and in case, in the future, you find the tenancies assumptions going up, that possibility exists. But I do not think it is going to go the way of telecom prices.

**Manoj Dengla:** And sir, I was looking at non-Indus number of towers and they have been going up for you. This means you are building towers in some service areas outside of Indus service area.

**Sanjeev Aga:** These are basically towers in service areas which are not with Indus, which are Maharashtra, Madhya Pradesh, and Himachal. In Bihar we have a lot of towers, because we have done this joint planning with Vodafone, our competitor. We had done a common plan. We have, I think approximately over a 1000 towers there. And if you see our own towers, the tenancy is greater than 1.5, I think it is 1.51. We have a very attractive set of towers which are owned by our company, which are not part of Indus.

**Manoj Dengla:** Thank you sir, but in non-Indus areas the number of towers has been going up, if you look at the non-Indus number of towers they have been going up consistently?

**Sanjeev Aga:** Yeah, that would be largely because of Bihar and some in Orissa.

**Manoj Dengla:** But sir, why have you built? Why don't you go to third party service providers who are willing to provide the towers?

**Sanjeev Aga:** Because we see what is smart for us. If we have a tower with a tenancy of 2, it is better than going to a third party service provider.

**Manoj Dengla:** Okay. Thanks sir.

**Moderator:** Thank you Mr. Dengla. Our next question is from the line of Piyush Chaudhary of Centrum Broking. Please go ahead.

**Piyush Chaudhary:** Good afternoon Sir, congratulation for a great set of results**.** One question on the churn rate, though you have answered it previously, I just want to dwell into it more. If you back calculate the churn rate which implies that 20% of your subscribers, like 8 Million of your subscribers, have churned out during the quarter. So on a granular level, are you witnessing any structural shift in your subscriber base due to this churn rate? And a related question is, we would have assumed that a higher churn rate would mean a higher subscriber acquisition cost, but your selling and marketing expenses have slipped 5.8% quarter-on-quarter. So could you explain that as well? Thank you.

**Sanjeev Aga:** Piyush, this is the reason I was saying that classical measurements have failed because there are two things. One is that you are going through a period of hyper-competition, so what may happen for sometime, may not be representative of what may happen two years from now. The second thing is, so far in our analysis there is an assumption "one subscriber one SIM card". What we are finding is that, these are not guys who have left us, some of them could come back to us, but if we do not find them on our network, then we do not recognize them, so that is what is happening. It is indeed true that gross additions are strong, but the usage is becoming a little erratic compared to earlier quarters. This is being captured in the definition of churn. It is not classical churn that a person has not paid you or does not have your SIM card. It is just that he is not been using it for sometime. This is because there are more subscriber net additions being reported then there are actual human beings using that, so we are eliminating all that.

Now what is happening is that, fortunately on the other hand, you will find that cost of acquisition is coming down. One of the main reasons is that the price of the product is coming down. There used to be a lifetime product at Rs.1000 or Rs. 999 two years ago, it is available for a song now and correspondingly, the cost of acquisitions or the dealer margin also comes down. So that is one thing which has neutralized that. This also means that we do not recognize the acquisition revenue which used to come earlier, that has also come down. So basically all measures are changing and really one has to go back to, what is your revenue, what is your margin, what is your EBIT and what is your profit? And this is in case of stable companies. In case of companies which are in the gestation phase, they have got to make their projections, but those blind projections based on subscribers, have become meaningless.

**Piyush Chaudhary:** Okay sir, but one related question. In your established service areas, there will be a very high MoU subscriber base. So is company taking an effort to keep them on the system so that they do not churn out?

**Sanjeev Aga:** Yes we do, all good companies do. And that is the reason when I was asked a question by Reena, that you have been talking about competition but figures does not show it, your profits are intact, your revenues what was last quarter was still pretty good. It is because of all these measures, you go service area by service area, segment by segment, tariff plan by tariff plan, you look at consumer behavior and this is heavy stuff, but we do it.

**Piyush Chaudhary:** Okay, thanks so much.

**Moderator:** Thank you Mr. Chaudhary. Our next question is from the line of Naveen Kulkarni of MF Global Ltd. Please go ahead.

**Naveen Kulkarni:** Yeah, I would like to congratulate the management on good set of numbers. I have two questions on value-added services. We see that value-added services as a percentage of sales have gone up significantly from 9.5% to 10.1% and the quarter-on-quarter growth is quite good. Could you explain how is this actually happening, in terms of, what kind of products are actually moving up or is it because of SMS based services?

**Sanjeev Aga:** The percentage has gone up, as these are, to some extent, independent drivers. We have been growing both our music based and our SMS revenues and also some revenues on the data side. So all that is holding up. Also the kind of price erosion which has happened on the voice front and the MoU erosion, so in percentage terms it has gone up, but in absolute terms it has been satisfactory. It is doing what we had wanted it to do.

**Naveen Kulkarni:** Okay. So how do you see this trending ahead, say, probably one or two years down the line?

**Sanjeev Aga:** In fact just to take that question, we are beginning to think within our company whether it is a smart thing to express value-added services as a percentage for revenue because really, that sometimes misleads analytically. It is hard for me to say, but in the long run, value-added services is bound to go up, because so far as SMS, caller back tunes and ring back tunes are growing, but there is also so much happening around, in many other areas, like mobile commerce and so many other things. Even without 3G, acceleration of value-added services is indeed going to rise.

**Naveen Kulkarni:** Okay, thanks a lot. That answers my questions.

**Moderator:** Thank you Mr. Kulkarni. Our next question is from the line of Rahul Singh of Citigroup. Please go ahead.

**Rahul Singh:** Mr. Aga this is Rahul Singh here. I just wanted to ask you a question on the answer which you gave to an earlier question. On the issue of competition, basically just wanted to see what exactly are you going to be watching? I suspect it will be MoUs. So would another one or two or three quarters like this, where MoUs kind of drift down 1% or 2%, would that be something which is acceptable? I want a more qualitative answer obviously I do not want a quantitative answer. Is that something which is still an acceptable level of minutes, which is the price to pay really for holding on to your pricing?

**Sanjeev Aga:** Rahul I do not have the answer, so that is why one of your colleague mentioned, I am bearish. I am not at all bearish, the company is extremely confident, but we do not have short term answers. Let me put it to you this way that we have at the moment 15 licenses per service area. It is like having 15 Bandra-Worli Sea Links, all with rollout obligations. So this is basically by program, by design, something which is unsustainable. You also have people who are in that situation and they have got a range menu of choices to make. So they have a range of choices that you keep your prices high and do not make any inroad or you cut prices and you may be affecting your long term, but get some kind of traction. So we watch all that. But I am pretty certain that, three years from now or two and a half years from now, we will not have 15 Bandra-Worli Sea Links. It has to come down, how it will come down I do not know. And so long as our company is equipped to become stronger year-after-year, we do not worry too much. I cannot answer for it, it is quite possible, it is not ruled out that the MoUs may go up and it is not ruled out that they may go down. It is difficult to say. In any case July and August are not normally brilliant months, but that is something which is anyway factored in because we have known it all along. You could find very sharp upswing come September, but it does not matter. It is very hard to say.

**Rahul Singh:** Okay, thank you sir.

**Moderator:** Thank you Mr. Singh. Our next question is from the line of Miten Lathia of HDFC Mutual Fund. Please go ahead.

**Miten Lathia:** Thanks for the opportunity sir. You mentioned on quite a few occasions that there is likely to be a shakeout in the industry over the next, maybe, 12 to 18 months. Whenever there is a shakeout because of pricing actions of the newer players, the revenue loss to the older players is much larger, because the newer players do not have any revenue, they have nothing to lose. I mean purely from a marketing perspective and from a business perspective, what would be the typical reaction I mean, I am sure, you have done a scenario analysis as to how you want to react or when you want to react?

**Sanjeev Aga:** We have already seen a little bit of that and we have received, I and Akshaya have received compliments on behalf of the entire IDEA team for decent set of results, but our results would have been much better, had it not been for this very peculiar situation of rate cutting in a market which already has the worst rates in the world. You are right. To a limited extent that people who have revenues, have an opportunity to lose revenues. If you do not have revenues, you have no opportunity to lose it. But even people, who have revenues, also have skills to minimize across the board cuts. And it is not just revenue, but it is sustainability, it is profitability over long term basis, and these are going to be the biggest beneficiaries when this period passes over because then you come back with renewed pricing power.

**Miten Lathia:** Sure sir. It would be useful if you could elaborate what those means are, that are available to minimize the impact of such a thing. I mean, I am sure, you have very clear thoughts behind what you said?

**Sanjeev Aga:** I would not like to be too specific and frankly this is done by my colleagues. But it just goes back to segmentation, it goes back to understanding consumer behavior and it goes back to seeing what is sustainable and what is hurting you, what you can bear. You basically optimize, but under no circumstances will any strong company, anywhere in the world, deliberately lose its competitive strength. So, you may, if you have to sacrifice a little bit in the short run, so be it.

**Miten Lathia:** Sure. So, is it alright to put it this way that unless any tariff plan starts hurting you meaningfully, you do not react to it?

**Sanjeev Aga:** Well, at a very simple level, yes.

**Miten Lathia:** Okay. And what sort of a premium do you think you can get away with to a new entrant in terms of pricing. You said the market is very sensitive to pricing but I am sure because of whatever historic reasons, brands, so on and so forth?

**Sanjeev Aga:** See, there is no general answer. There are so many service areas, within a service area there are so many districts. Idea does not have the same competitive position all across India. Many parts of India we are by far number 1, many parts of India we are number 5, but fortunately in terms of consumer preference, we are not number 5 anywhere. We are among the top few. I would not be able to give you a mathematical answer to that straightaway.

**Miten Lathia:** Just by sheer observation of the new launches, both where you are incumbent and some places where you are a new entrant, is there a observation?

**Sanjeev Aga:** Where we are a new entrant, our bigger objective is to offer prices which are going to get us good customers and prices, we can sustain. We are not under any pressure that we must grab a lot of customers in the first week or in the first 15 days. In fact we deliberately go a little slowly and we have got experience of all this. We know what kind of things lead to eventual success and we follow that approach.

**Miten Lathia:** Sure sir, thank you very much.

**Moderator:** Thank you Mr. Lathia. Our next question is from the line of GV Giri of IIFL. Please go ahead.

**GV Giri:** Thanks you Sir**.** In the recent TRAI report, there is a mention of rural subscribers and it turns out that your company has the highest rural subscriber percentage of almost 40%. Just wanted confirmation on that and in case that is an accurate number, most of your incremental adds would have come from rural, is that true? What sort of ARPUs do these customers carry and what long term upsides in usage or ARPU do you see by seeding the rural market? That is number one. Number two, recently Vodafone and Bharti seemed to have opened their platforms for outside developers to come and drive value-added services. Do you have any such plans or if by not doing such a thing, do you stand to lose any competitive edge? And thirdly a comment on, a timelines for the Spice merger and the Indus IRU would be helpful.

**Akshaya Moondra:** Okay let me answer the last question first in terms of the Spice merger, the matter is before the courts and latest by the end of this year, but more likely, much early, we should be able to finish this exercise. Basically the process is before the court and we just have to follow the steps. So that is, as far as the Spice merger is concerned.

As far as the Indus towers are concerned, it is a combination of two steps. First is the de-merger and the second is the merger and we have the final hearing as far as the de-merger of towers is concerned somewhere in middle of August. So in all probability the de-merger of towers to our own subsidiary should be completed in August. The merger process will be started very soon and the merger of these subsidiaries into Indus is also likely to be completed within this calendar year.

**GV Giri:** Okay.

**Sanjeev Aga:** On your other question about Vodafone and Bharti opening their portals, I do not think we have done anything yet unless my colleagues are already in discussion and I am not aware, but I do not see this as a significant advantage or disadvantage, because by and large, all developers are at arms length content providers and once something is there, we can all get on to it pretty quickly, if we need to. I do not have a precise answer to your question.

As far as rural is concerned, we have gone long past seeding this market. Today three out of every five new subscribers are rural by definition. So, 60% of our new additions are rural. We do our so called rural exercise. There is a lot more than just advertising and tariffs and putting up networks. The whole sales and distribution and service model, the IT support, the HR support, the training support, it is a mammoth exercise, we are operating in lakhs of the villages. So, this is our business, it is not as if it is something like a value added. It is right at the heart of our business because every Indian except the very young and the very old and the desperately poor, is our potential customer, whether urban or rural.

**GV Giri:** Yes sir, but yesterday in the Bharti call, the management team mentioned that there is a 15% to 20% usage increase normally seen in 12 to 18 months, which I thought was quite low and I thought that if you are going into markets where the initial usage is very low, then the upside should be a lot more than that. So that is what I was looking for, your feel on what sort of upsides, increase over time in usage can come through?

**Sanjeev Aga:** I do not have the number anywhere on my fingertips so I will check this up for my own curiosity. But I do not know whether this 15% at the moment. I will check it out.

**GV Giri:** Sure, thank you sir.

**Moderator:** Thank you Mr. Giri. Our next question is from the line of Srinivas Rao of Deutsche Bank. Please go ahead.

**Srinivas Rao:** Sir, just wanted to again going to the theme as you said of competition. You seem to indicate that some sort of consolidation will happen in two years. But given that some two to three large operators are yet to even launch, do you think that is a reasonable amount of time for these people to realize that things are not as they may have planned on their business plans or worksheets?

**Sanjeev Aga:** Hi Srinivas, I am not an astrologer. This is just a guess. It could be two years, it could be one and a half, maybe two and a half, but I cannot imagine 15 companies having 15 rollouts. It does not happen in any sector, anywhere in the world. And certainly does not happen in telecom sector anywhere in the world. So it is inconceivable that this will be scenario two years or three years from now. I do not know the intermediate period as to how the cookie will crumble, I have no clue.

**Srinivas Rao:** Sir, also on an issue that as you said, you also are, in a way, entrant in couple of the markets where there are potentially already four to five players and even in a competitive market like, let us say, Mumbai where you expect to become EBIDTA positive in two years time. Of course you do have the benefit of the legacy billing systems, so on so forth, but considering, let us say, your performance where even an existing player in a new market becomes EBIDTA positive in two years, do you think that also affect the perception of brand new players who, given that, now you essentially run a fairly asset light model because you get pretty much hire towers and you can even hire, so to say, call centers and a very asset light model, they maybe also expecting a fairly low breakeven time and low breakeven volumes?

**Sanjeev Aga:** In our words, the answer will be there in a year or two. In any case, an EBIDTA breakeven is not the end of life, you have got to do a PBT breakeven. EBIDTA breakeven is very unacceptable state of affairs and again hiring does not mean it is free. Putting capex has got a cost, hiring has also got a cost. I am not talking new versus old. I am just making a very secular statement that I do not imagine that two to three years from now, you will have 15 telecom operators covering you with calls. So how this will pan out, I do not know. The only clue I have is that eventually it is economics. Those people who have a hope of making money some day and who those will be, I do not want to identify. I am not making any comment about new or old. We are just focused on strengthening ourselves to the best of our ability. We are not worried because we are here in the market. If you are in business, you are ready for competition and you have good times, you have bad times, and you must come out stronger through all times.

**Srinivas Rao:** Fair enough sir. And one final question on mobile number portability. Just wanted your perception that the increase in churn rate that you are seeing, on account of, so to say, as you said, offers being almost free. Can we take some cues from these matrix that when MNP actually comes up, we could see fair amount of flux and potential avenues have been increasing in subscribe acquisition or subscriber retention cost? Is that a perception which you will share?

**Sanjeev Aga:** The common people have no idea of MNP. The MNP project, which is going on in our company touches every IT and every network system of your company. Everything has to be worked through. We have got tons of people working on it, cross functional teams. The whole eco system across the country has to be ready before this goes live. This is a massive project. MNP normally has, no where in the world, to my mind changed any competitive dynamics significantly. And if it does, it normally works in favor of companies whom consumers like. So, net-net I think, we would expect to be beneficiaries, but I do not expect it to be a game changing thing.

**Srinivas Rao:** Fair enough sir. Thank you so much.

**Moderator:** Thank you Mr. Rao. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference over to Mr. Sanjeev Aga for concluding remarks. Please go ahead sir.

**Sanjeev Aga:** Thank you Rochelle. Thank you all those, who attended the call. I have already, in my opening remarks and Akshaya's opening remarks, summarized what we think. Thank you for tuning in and we always find this exchange very interesting because sometimes it makes us start looking at our business from angles, we had not looked at. So it has been extremely productive for us. Thank you very much and look forward to speaking to you next quarter, bye.

**Moderator:** Thank you Mr. Aga, thank you Mr. Moondra and members of the Idea Cellular Management. Ladies and gentlemen that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.