"Idea Cellular Earnings Conference Call"

July 22, 2014

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

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

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

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

Idea, the fastest growing large Indian Mobile Operator, starts the new financial year with highest ever incremental revenue growth of Rs. 5,157 million over last quarter, helping the company reach 30% EBITDA margin. Continuing our upward trajectory, the company achieved 7.3% sequential quarterly revenue growth, on the back of 6.5% growth in Q4FY14. This quarter Idea delivered balanced growth with sequential quarterly voice minutes expansion by 5.2% and 'Average Realisation per minute' (ARPM) improvement of 3.3%.

The significant event this quarter was the massive mandate given to the new government during the general election. The new government has made a positive start including declaring its intent to support infrastructure development and to nurture a Digital India – 'make every household and individual digitally empowered, focus on increasing penetration and usage of broadband across the country and to build '100 new cities, enabled with latest technology and infrastructure'. The intrinsic promise in the slogan 'Ache Din Aane Wale Hain', the basis for mandate to the new government is commitment towards higher growth, stable inflation and jobs. The Service Sector, the backbone of Indian GDP, has to fire at higher levels to meet revised government GDP target of 5.9% from current 4.5% levels. The telecom sector, the poster boy of the 1st generation of reforms, has to return back to its original vibrant state to meet Prime Minister's vision of robust and high capacity 'i-ways' and meet the plan for rural internet, rural telephony and e-governance spread across all central and state departments and across all local bodies and panchayats.

The past few years have been tough for the telecom sector with intense competition, predatory pricing and slowing industry growth. However, change is now round the corner with government in mood to take bold decisions for the next generation of telecom reforms including progressive spectrum policy regime, introducing spectrum sharing, spectrum harmonization and trading policy, encourage industry consolidation, develop a thriving mobile banking business and embrace Digital resolution in India and so on. The telecom business is set to return back to its golden era.

While, the government chisels its policy, I would like to share my thoughts on the opportunities and challenges to growth of the sector.

1. **The Unfinished Journey of Subscriber growth** : The industry in the past 4 years have seen the Active Mobile Subscriber penetration for 1.2 billion strong Indian population grow from a nominal 42.8% in September 2010 to 63.8% at 791 million consumers in May 2014 – a creditable growth in spite of hurdles faced. In fact as per latest international subscriber report, out of the global 120 million New Mobile Subscriptions addition in January to March 2014, India added highest Net Additions of 28 million, over 23% of global new subscription. But in spite of being the 2nd largest Mobile country globally by Mobile Users, this 63.8% penetration compares poorly with the world average @95.4%. Clearly there is plenty of headroom for growth of New consumer in the next 4 to 5 years.

2. **Low Share of Global Revenues:** With 791 million active users, India has made major strides on subscribers' additions, but unfortunately is a pygmy in global revenue terms. While Indian Mobile subscribers account for 11% of the global 6.86 billion subscribers, Indian mobility revenue accounts for a meager 2.8% of the Global Revenues at US $ 1,034 billion. This is because Indian telecom operators offer amongst the lowest tariffs in the world – on an average 1/4th that of the global average. The present situation is unsustainable and further exacerbated by slowing pace of industry

growth down to single digit at 9.3% for FY2014 and 9.2% for FY2013. It is inevitable the Telecom tariffs will rise to meet the capital demand for Rural Telephony and Mobile Broadband Services.

3. **India still a 'Discoverer' in Mobile Internet Adoption:** Instead of geographical boundaries, digital lifestyle now divides the new global world. India and African continent are seen as 'Digital Discoverers' with less than 10% of existing users on 3G platform. In comparison, second category 'Digital Pioneering' countries like USA, Japan, Korea, etc., have achieved greater than 20% LTE users and 50% + Users on 3G. Similarly, third category 'Connected Countries' primarily in Western Europe currently enjoy more than 50% subscribers using 3G Services and finally the fourth category 'Fast Digital Growing' countries like China, Russia, Latin America and South East Asian countries, etc., have managed nearly 30%+ 3G users. India lags behind even its APAC countries peers by over 75% on 'Average Mobile Internet Usage per Subscriber' with APAC countries at 973 Mb/Sub and India only at 242 Mb/User, as per latest Telecom Research reports.

The present 220 million Indian Mobile Internet Users are expected to grow to 500 million in the next 4 to 5 years and if mobile internet usage per subscriber were to catch up at present APAC levels, then Indian Mobile Operators have to deliver mind boggling mobile data capacity growth of 10 times from present 50 Peta bytes to 500 Peta bytes per month to service these 500 million Mobile Internet Users. The government, operators and consumers are gearing for a massive Mobile Data boom in the country, with release of large quantum of contiguous block of spectrum, increased thrust of investment on Wireless Broadband infrastructure and adoption of new and exciting Devices and Applications as more consumers enter the emerging online Digital world.

Moving on to Business Performance Update

Based on latest TRAI gross revenue release for the period 'January to March 2014', Idea has improved its 'Revenue Market Share' to 16.6% in Q4 FY'14, an improvement of 90 basis points over the same quarter last year. During the financial year April to March 2014, the Mobile Industry has grown to Rs.1,653 billion, a muted single digit growth of 9.3% between FY13 and FY14. In comparison, Idea has grown by 18.6% in financial year 2014, double the rate of the industry growth. The company 'Revenue Market Share' (RMS) has risen in FY14 to 16.2% against last full year FY13 RMS at 14.9%. Idea between the period FY13 and FY14 has delivered an incremental 'Revenue Market Share' of 29.8% against overall share of 16.2%, thereby reducing its competitive gap with Top 2 operators.

The performance of Idea on five standard parameters for the period April to June 2014 is as follows:

1. **Gross Revenue:** The 7.3% sequential quarterly revenue growth in Q1 FY'15 on the back of 6.5% growth in Q4 FY'14 is driven by balanced growth in Voice Minutes & Mobile Data and improvement in 'Average Realisation per Minute' and 'Average Realisation per Mb'. During this quarter, the company carried 165.2 billion minutes on its network, registering 8.2 billion i.e. 5.2% Q-o-Q growth and similarly carried 32.5 billion megabytes of Mobile Data on its 2G and 3G Data platform, Q-o-Q growth of 5.2 billion Mb @ 19.1%, reaffirming strong consumer demand for brand Idea. The higher Voice rate realization and jump in Data contribution to 11.5% of service revenue helped Idea improve 'Average Realisation per Minute' (ARPM) by 3.3% i.e. 1.5 paisa from 43.6 paise in Q4FY14 to 45.1 paisa in Q1FY15. The Value Added Services (VAS) contribution has improved sharply by 1.3% in one quarter to 17.8% of overall service revenue. In comparison, on consolidated basis including 16% contribution from Indus, the absolute Idea Standalone revenue is at Rs.75, 610 million, growth of Rs.10,222 million @ 15.6% on YoY basis.

2. **Cash Profit & EBITDA:** The standalone EBITDA at Rs.22,664 million grew faster by 14% on Q-o-Q basis due to multiple drivers including scale benefit, better cost management and robust voice and data volume expansion and rate improvement. The standalone EBITDA margin has improved sequentially by 1.8% to 30%. In the 15 Established Service Areas, with a combined RMS of 19.8% in previous quarter, Idea standalone EBITDA in this quarter is at 34.1%, a steady improvement of 2.2% over the last one year. However, the losses from the 7 New Service Areas, where company won back spectrum in November 2012, stands at Rs. 1,713 million pulling down the overall margin.

   On consolidated basis, including 16% contribution from Indus, Idea EBITDA has grown to Rs.25,106 million at a margin of 33.2%, growth of 20.9% against same quarter last year. The company has been able to increase its consolidated EBITDA margin by 1.4% in last one year. 54.2% of the incremental consolidated gross revenue of Rs.5,172 million growth between Q4FY14 and Q1FY15 has translated into EBITDA incremental growth of Rs.2,804 million on Q-o-Q basis. Including Indus dividend receipt of Rs.3,623 million, the company has delivered highest ever standalone 'Profit After Tax' (PAT) of Rs.10,117 million nearly double of previous quarter.

   In June 2014, company successfully completed its QIP of Rs.30,000 million at an issue price of Rs. 134 per equity. With additional equity infusion and strong cash Profit of Rs.20,230 million in the quarter, Idea has reduced its Net Debt by Rs.52,087 million to Rs.139.8 billion. The Net

Debt to Annualised EBITDA ratio now stands at 1.54, among the lowest in the industry providing the company sufficient headroom to participate in the forthcoming spectrum auction.

Similarly, the consolidated PAT at Rs.7,282 million has grown sharply by 57.4% from Rs.4,627 million in Q1FY14 a year ago. The Gross Block of the company including Capital Work in Progress (CWIP) including an amount of Rs.104 billion commitment for 65.2 MHz spectrum won in February 2014 Auction, and waiting for formal spectrum allocation from DoT, now stands at Rs.576 billion. This gross block amount includes overall spectrum payment of Rs.211 billion spend over the years.

With aggressive participation by the company in government sponsored Auction during 2010, 2012 and 2014, Idea has multifold expanded its spectrum quantum and portfolio from 101.8 MHz before the Auction to 259.5 MHz as on February 2014. Idea has recently spent Rs.185.2 billion for acquisition of 157.7 MHz of spectrum in these three Auction expanding its portfolio in the 900 MHz, 1,800 MHz and 2,100 MHz spectrum bands.

The remaining 101.8 MHz of spectrum allocated through administered route is due for renewal between years of 2015 to 2022. Incidentally, Idea has the lowest industry absolute ‘Administered Spectrum’ among all Pan India incumbent operators scheduled for license renewal. Besides, presence in 22 Circles with 2G spectrum, Idea 3G spectrum now spreads to 12 Service Areas including 5 MHz of 900 MHz band for Delhi due for allocation in November 2014 covering 80% of Idea Subscriber Base. Also, the company has recently acquired 45 MHz of 1800 MHz Contiguous Spectrum covering 8 Service Areas and provides Idea opportunity to launch 4G LTE Services to 58% of its existing strong 140 million subscribers base, whenever the company believes the ecosystem has evolved for new technology.

Even though the present Quarterly Financials do not reflect full utilization of these 3G and 4G spectrum investments, Idea ‘Return Ratios’ have steadily been increasing. Return on Investment (ROI) for our overall capital investment measured in terms of Annualized current quarter EBIT to Net Block this quarter has risen to 11.5%. ROCE and ROE (including Indus Dividend receipt) annualized with this quarter numbers has risen to 10.2% and 16.6% respectively, highest among the Indian telecom peers.

3. **Active Subscribers:** From published reports provided by WCIS as on March 2014, Idea is the world’s sixth largest mobile telecommunications company based on operations in a single

country, currently servicing over 140 million subscribers. This large consumer base provides a future ready platform to the company to upgrade 80% of its existing pure voice users and current non Data Users in future to the emerging wireless data services.

Brand Idea continued its subscriber growth momentum with 3.2 million net customer additions during the quarter. Over the years, company has been pleased with its record of Active Subscriber growth. Since 1st April 2011 to last reported TRAI May 2014 subscriber numbers, Idea has added 56.5 million VLR subscribers against overall Industry Net Active Subscriber Adds of 217 million delivering 26% of incremental VLR share during last 3 years and 2 months period. Similarly, in the last 12 months from period June 2013 to May 2014, Idea added 18.4 million VLR subscribers against overall industry VLR subscriber Net Adds of 62.6 million, recording incremental VLR subscriber share of 29.5%. Naturally, the company has strengthened its Subscriber VLR Market Share now at 17.7%. As per May 2014, TRAI Subscriber VLR report, Idea has improved its VLR share by 1.1% from March 2013.

During the last one year, in spite of addition of over 11% incremental mobile subscribers to its base, the company has stayed focused on improving quality of customer addition. Idea 'Average Revenue per User' (ARPU) has been steadily rising and increased to Rs.181 in this quarter from Rs.174 last year same quarter an improvement of 4% on YoY basis. Another parameter, the subscriber churn, the key cost driver has also fallen from last year levels of 5.1% in Q1FY14 to 4.6% level this quarter.

4. **Minutes of Usage**: Idea repeated pronouncement that there is sufficient opportunity in Mobile Voice Market has been corroborated by high growth in Subscribers & Minutes on the Network in the first half of 2014. The company registered 18.2 billion Minutes growth during last one year from 147 billion minutes in Q1FY14 to 165.2 billion minutes this quarter @ 12.2% YoY growth. The Indian consumer intrinsic unmet mobility voice demand has helped Idea expand daily Minutes volume to 1.82 billion in Q1FY15. The MOU /Subscriber usage has steadily risen from 398 Minutes in Q1FY14 to 401 Minutes in Q1FY15 by 1% per user. In the last one year, Idea has integrated 13,968 2G sites expanding the Network footprint to 106,169 sites now covering 7,417 census towns and 3,47,691 rural villages. During the year, the company has spread Idea Brand presence to incremental 2,772 new towns and 43,707 non covered villages.

The company is also making steady progress on Fibre expansion in Intra city and long distance connectivity. The Fibre transmission network has expanded by approx. 9,000 km during the year and the Fibre PoPs Key to provide 21 Mbps 3G speeds and 100 Mbps 4G speeds have now risen to 4,200 Nos. covering nearly 200 key towns across the country.

5. **Mobile Number Portability:** Since its nationwide launch in January 2011, nearly 100 million customers have availed MNP facility offered by Indian Mobile Industry. Idea has consistently maintained its leadership on overall MNP Net Adds and is steadily increasing its lead over other operators. As on 15th July 2014, Idea has a net gain of 9.92 million MNP customers from other existing Mobile Operators. One out of four existing mobile customers who chooses to port out from their existing mobile operator prefer to shift to Idea Services. For us, the success in MNP remains a lead indicator of growing popularity of Idea Mobile Services across the country.

Moving on to Wireless Data Business

Just to remind, last quarter Idea shifted to new definition of excluding less than 1 Mb /month Data User from its Mobile Data subscriber reporting. Even with this stringent new definition, the Net Mobile Data Consumer in this quarter has risen by 2.6 million to 27.9 million. But only 20% of the Idea strong 140 million Customer EOP today access internet from their mobile. As digital services become more pervasive, the company is confident the 'Mobile being used to access internet' penetration among our total customer base will rise exponentially. This quarter, Idea reversed the falling 'Average Realisation per Mb' Mobile Data rate trend by an improvement of 1 paise i.e. 4% to 26.3 paise/Mb against 25.3 paise in Q4FY14. In spite of this reversal, Mobile Data per Mb rates have sharply declined during the last one year by 21% from Q1FY14 peak level of 33.5 paise/Mb.

With growing number of consumers accessing internet from their Mobile and increased time spent on Mobile Internet, the Volume of Mobile Data Usage has exploded, on YoY basis by 136% from 13.8 billion Megabytes in Q1FY14 to 32.5 billion Megabytes usage this quarter. The growth is evenly balanced on both High Speed 3G Network and 2G Edge platform. We believe, Idea's blended 2G and 3G Usage per Data Subscribers is among the highest in the industry at 409 Megabytes per Data User. The usage per subscriber has increased 2.5 times from last year Q1FY14 levels of 160 Mb/User to this quarter level of 409 Mb/user aided by new definition of users and increased demand for Mobile Data Services.

Idea's Mobile Data contribution to overall Service revenue has steadily risen to 11.5% this quarter a sharp improvement of 4.3% over same quarter last year. With increased quality of Data Subscribers, the blended Data 'Average Revenue per User' has doubled from Rs.54 level last financial year 1st quarter to this quarter Data ARPU levels at Rs.104.

Moving on to 3G business

On 29th May 2014, Idea launched its own High Speed 3G Broadband Services in Punjab Service Area extending Idea presence to 11 Circles covering 72% of its existing subscriber base and 73% of Idea Revenue. The company 3G EOP as on 30th June 2014, stands at 10.6 million, growth of 5.1 million Net 3G Subscribers over the last one year. To remind, this 10.6 million Idea 3G base is just a meager 7.5% of overall Idea subscriber EOP base. Out of the 140 million Idea users, 18.2 million Idea users own 3G devices. In the last one year, inspite of 7.6 million of existing Idea subscribers replacing their phones with 3G devices and Smart phones still only 13% of Idea EOP own 3G phones and only 60% i.e. 10.6 million of them use Idea 3G platform to avail of 3G services. This journey of existing 2G device upgrade by existing Indian consumers and shift to latest 3G platform is going to take time. It is well known Indian population has among world's lowest per capita income and therefore inspite of 4th year into 3G Services India has only a single digit 3G services penetration. That is the reason why GSMA classifies India as a 'Discover Country' in the Global Digital adoption hierarchy. India will remain a laggard far behind most countries in the world until 3G adoption accelerates. Idea firmly holds an opinion that it would be much later when 4G LTE ecosystem will evolve to be affordable to Indian Middle class and LTE adoption in India will be slow at least in the next 2 to 3 years.

The 3G Mobile Data volume has expanded by 20% on sequential quarterly basis to 15.7 billion Megabytes. The 3G Data Usage per 3G subscribers has steadily improved to 534 Mb/user from 398 Mb/user last year same quarter growth @34%. This has helped improve 3G Data Average Revenue per User (ARPU) for the 10.6 million 3G base to Rs.142 an improvement of Rs.33 @ 30% from last year levels of Rs.109 in Q1FY14.

Idea has also been steady with its 3G Network expansion. At present, the company has integrated 22,516 own 3G sites in its 11 Service Areas, an increase of over 5,000 Node Bs during the year. The 3G Network expansion will steadily rise in forthcoming quarters as currently Idea offers 3G Services across only 30-40% of existing 2G coverage Area in these 11 Circles. But speed of 3G Network rollout will be linked to higher pace of 2G Edge Data adoption by Idea consumers and speed of upgrade to 3G devices by our existing 2G subscriber base.

To conclude, the strong consumer demand and brand affinity for Idea, expanding network footprint across 2G and 3G services, increased quantum and mix of spectrum portfolio and steady cash flows from operations reaffirms Idea ability to deliver consistent, competitive, responsible and profitable growth. The company is getting future ready to capture Mobile Data boom by **first** embracing latest digital technology interplaying between Mobile, Social Media and Big Data, to meet online needs of consumers across the socio economic pyramid; **second** by building future ready company leadership talent and capabilities, **third** by higher employee orientation through focus on Purpose & Values; and **fourthly**, by creating an agile and inclusive work culture. Our vision is to meet all volatile, uncertain, complex and ambiguous developments with our future ready organization so as to remain on course of Idea mission to steadily improve its market competitive standing both in Mobile Voice and Data business, while we capture the emerging Telecom Boom in the country.

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

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

The standalone revenue for the quarter registered a growth of 7.3% over the last quarter driven by all round improvements i.e. 5.2% growth in total voice minutes, 19.1% growth in data volume and improvement in realization for both voice and data. The continuing strong growth in data revenue resulted in data revenue increasing to 11.5% of the total service revenue during the quarter.

This strong growth in revenue coupled with efficient cost management has resulted in standalone EBITDA margin of 30%, an improvement of 1.8% compared to Q4FY14. This improvement in overall EBITDA margin was achieved despite the EBITDA loss for new service areas increasing marginally during the quarter as Idea expanded its network footprint in the new circles.

The net interest and finance cost was higher by Rs. 419 million mainly due to full quarter interest charge on the debt relating to GSM spectrum acquired in February 2014 auction compared to around one month charge in Q4FY14. During this quarter, interest of Rs. 1.31 billion on spectrum related debt has been capitalized.

The tax rate has been higher during this quarter due to some non-exempt expenses mainly on account of CSR and the impact of this will continue in the remaining quarters. During the quarter, ABTL received the dividend of Rs. 3.6 billion from Indus Towers and with that the standalone PAT stands at Rs. 10.1 billion.

The company raised additional equity capital of Rs. 30 billion during the quarter through a QIP. With this capital infusion and the strong cash generation from operations, the net debt as at the end of this quarter stands reduced to Rs. 139.8 billion compared to Rs. 191.9 billion for the last quarter. The net debt-to-EBITDA ratio based on the annualized EBITDA for the quarter stands at level of 1.54 which is significantly lower than the previous quarter figure of 2.41.

Additionally, the shareholders of the company in their meeting held on July 10 have also approved preferential equity issue of Rs. 7.5 billion to Axiata Group. The company is in the process of completing the steps relating to the preferential issue and once concluded, this will further strengthen company's balance sheet.

As per the consolidated financials, the contribution from Indus to the net profit was Rs. 788 million as compared to Rs. 760 million in the previous quarter. After accounting for Indus contribution and eliminating the dividend income, consolidated PAT stands at Rs. 7.28 billion.

The capex for this year is expected to be Rs. 35 billion. This excludes any payout on account of spectrum, the capitalized interest and forex loss. With this, I will hand over the call back to Inba and open the floor for questions. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Sachin Salgaonkar of Goldman Sachs. Please go ahead.

Sachin Salgaonkar: Thank you for the opportunity and congratulations for the good set of results. I have three questions. First question, last few quarters there were concerns around slowing economic growth impacting MoU and the overall revenue. I want to know your thoughts on the same now and could we see directionally both minutes as well as RPM continued to improve? Second, wanted to know your views on TRAI's latest spectrum sharing norms on Idea in particular and in general on sector. And lastly, we saw a strong data uptake in this quarter, so can you share what is the mix of subscribers between urban, semi-urban, rural and any target in terms of number of 3G cell sites you have in mind? Thank you.

Himanshu Kapania: Thank you Sachin. Yes, you are right, we have been tracking the slow economic growth and as we speak, last year the GDP continued to grow at sub 5% level. The new government is extremely bullish and that is what I alluded to in my speech of getting the growth back and taking up to 5.9%. We wait to see the action on the ground. As of now, there is no significant difference that we have seen compared to what we saw in the previous quarters in terms of increasing pace of economic activities. There has been lot of policy announcements, but actual fund deployment in infrastructure as well as other deployments has not seriously started in the country. We will have to wait for another quarter or two to be able to give you far more realistic numbers on the improving economic growth of the country. As I mentioned, the fate of telecom sector is linked to economic growth of the country. We have seen 2 years of 9.3% and 9.2% growth in telecom. We will have to wait and see once announcements of all operators happen whether higher growth will happen.

As far as Idea is concerned, our focus remains in growing our revenue in excess of 18%-20%. In the last year, we delivered 18.6% growth which was double that of the industry. We are taking all steps to be able to sustain that momentum. For us, we are not focused on either minute's growth or RPM improvement or on a balanced growth. For us, focus is to ensure the revenue growth momentum is sustained and which can help us drive our overall profitability margins. In the last one year we have tried three models and I think all the three models have worked for us. The number one model was last year same quarter, we had tried a model of very high rate improvement and a low voice growth. Quarter 4, the previous quarter, we tried a high minute's growth with a decline in rate and this quarter is a balanced growth. We have been experimenting and we will continue to try models which should continue to give us growth. If this is fine, I can move to your second question.

Sachin Salgaonkar: Yes sir, this is clear. Thanks.

Himanshu Kapania: On spectrum sharing norms, I said it in the various media interactions and I will repeat what I have been saying. In terms of priority for company like ours, the spectrum sharing is lower down in the order. Number one priority is spectrum trading, which we believe that there are number of existing operators who are inefficiently using spectrum or not using spectrum and it should be brought back to the market. That is why spectrum trading is important. The second announcement TRAI has made is roadmap for spectrum and we are waiting for government to announce the policy of roadmap for spectrum to enhance the quantum that is currently not available to the mobile sector, but is available for other users in the 900, 1800, and 2100 band. So the priority number two is availability of larger quantum. And then comes to the priority number three is once we are completely clear of the quantum that is available on spectrum trading as well as available in the total kitty with the government, then we will decide how much is it that we will be able to share with other operators. This is in our view, spectrum sharing is incrementally going to help certain markets where we have temporary crunch which cannot solve a long-term problem of telecom operators.

Coming to your third question on strong data uptake and which are the markets where we are seeing the data uptake. We have said it before, we are not a strong operator in the metros and it is our belief that the district headquarters, taluka headquarters and as well as industrial zones across various states has as much requirement of accessing internet as do consumers who reside in the metros and we are seeing a similar kind of response.

As regards to your question about what will be a target of the final number 3G sites to be launched? As I had mentioned in previous quarters, we follow a principle of when 2G sites start delivering at least 2 to 3 GB of 2G data and we find that there are significant number of consumer there that possess 3G handsets, then the site is ready to be upgraded to 3G. This trend is increasing and that is why I have made this announcement that last year 5,000 3G sites we have added. Hopefully, this year we will be adding a larger quantity so that we can capture this demand, but the process is consumer has to first show propensity to use data and propensity to upgrade their devices before we make investments. Only about 30%-40% of our 2G sites across various circles are currently have 3G facility and in the long run, we would like to cover all of them with 3G facility.

Sachin Salgaonkar: Thank you sir, it is very clear. One last question. Your churn rate particularly the postpaid churn picked up a bit in this quarter. Any thoughts what is driving that?

Akshaya Moondra: In postpaid, we had done some definition change whereby temporarily disconnected subscribers are also being counted as churn now. On a comparable basis, there would not have been too much of an increase compared to the previous quarter.

Sachin Salgaonkar: Got it, very clear Akshaya and all the best for future. Thank you.

Moderator: Thank you. Our next question is from Reena Verma of Merrill Lynch. Please go ahead.

Reena Verma: Thank you for the call. Just three questions from me. Firstly, I just want to check what your thoughts are around the shape of margins from 1Q. Historically, we have seen that 1Q is one of the strongest quarters of the year and you tend to hit seasonally weak patch in 2Q and 3Q. So are there any reasons why that should not repeat this year or that is pretty much your expectation. My second question is with regard to the 3G ARPU, I was quite pleasantly surprised to see that it is now equal to your voice ARPU and just wanted to know whether you feel that the shape of the ARPU curve could be a declining one as you try to expand your 3G sub base or how are you looking at the share of wallet over the next 3-5 years. My final question is on spectrum auctions, one of your large competitors has recently opined that the upcoming auctions will be crucial to their business case. Do you feel the same way about the upcoming auctions and what is your plan B, should you not get some spectrum in your key circles? Thank you.

Himanshu Kapania: Thank you Reena. Let me start with your question number one. You are right that the quarter two is seasonally weak quarter and there is no reason to believe that it will be different this year. I am not sure that applies to quarter 3. So it is only quarter2 which is weak quarter and that is the reason why we should study our revenue growth and margin improvement on a year-on-year basis rather than only on a sequential basis. We hold opinion that the long-term trend of mobile business is very robust and as we improve scale, as we continue to reduce cost, and as the robust volume growth both in voice minutes and data as well as strengthening of rates, we should see improvement of margins on a steady basis. That is the view the company maintains.

Reena Verma: May I just quickly ask that is there a tailwind to the tariff improvement that we have seen which would come through in 2Q as well?

Himanshu Kapania: We do not like to answer specific questions about what would be the exact realized rate at the end of every specific quarter. We have said multiple times in the past that the business is run across 22 circles and it has myriad of hundreds of plans and what plan really works in the market place. It is also about weightages of individual circles in a particular quarter. I would not like to hazard a specific guess on the final number, but long-term trend rather than on a quarterly trend, would be that the rates will improve that is what I can commit to you.

The 3G ARPU, you are absolutely right, we have now reached to Rs. 142. Your concern is as we move from a 10 million subscriber base, will this ARPU start to decline? I do not believe so and that is the reason I had mentioned in my opening remarks that India still suffers from a low usage of mobile data. Even APAC countries have uses of data at nearly 1 GB per user. We are in 3G running close to now 600 megabytes per user and as more applications get adopted by customers, we expecting Indian users to come closer to APAC average. You may also notice that we have managed in the last quarter 1pasia improvement on a blended data realized rate. This is primarily come out of 3G rates improvement and so both the factors are increasing; usage per subscriber as well as rate improvement; which gives us confidence that we will be able to hold if not improve this (APRU) going forward.

Moving onto the third part is spectrum auction. Yes, spectrum auction is important event in life of telecom operators. We have experience of last three spectrum auctions in 2010, 2012 and 2014, and there is going to be a planned auction for renewal of our licenses besides additional 3G spectrum, but before this event happens, our step one is we have filed our appeal in the Supreme Court challenging the view of Government of India that it has right to auction our spectrum. We still hold the opinion that the NTP 99 had given us 20-year license along with 10 years of extension and we wait to see, we are still extremely optimistic that the Supreme Court will hear our case and will not overturn our rights. So we would like to cross Court event before we start giving our comments specifically on the auction. We also wait to see the final recommendations of the consultation from TRAI before we become a specific comment on the auction.

Reena Verma: But is not the conclusion on the license already drawn from what your competitors have done in Delhi, Mumbai, and Kolkata where license renewals have already been undertaken to auction?

Himanshu Kapania: Yes, you heard me louder clear. We have challenged that in the Supreme Court and we are hopeful that the case will be heard.

Reena Verma: Thank you very much and all the best.

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

Kunal Vora: Thanks for the opportunity and congrats for excellent set of numbers. Couple of questions. First is your 2G network site additions have slowed down this quarter after a very strong addition last year. Is it just seasonality or can we expect the 2G site additions to slow down this year that is question, number one? Second is on the network cost per site, my maths suggest that your total cost went up by about 17-18%, of which about 15% came from additional side while your cost per site has been largely constant, only 2% increase. What is driving this and are you seeing any cost pressures on network sites? Finally, you mentioned that you are expecting auction of 900, 1800, 2100. What are your views on 700 MHz spectrum? That is it.

Himanshu Kapania: I will take your question in the reverse order. Let me start with views on 700 MHz. My views are very similar to what I mentioned in the opening remarks. 700 MHz is an important spectrum for driving LTE in the country, but India currently has a 3G penetration which is in a single digit at this point of time and this is fourth year running post 3G launch. Irrespective of all promotions and distribution effort made by multiple handset companies, the 3G adoption in India at this point of time is 12.5%, India's per capita income, where we stand today, it cannot afford the expensive LTE both in terms of equipment cost and handsets. It is only when the adoption around the world reaches billions of customers and then the overall ecosystem becomes far more favorable in terms of equipment supply as well as devices that is the time when LTE should be launched in India. So it is premature to look at 700MHz spectrum. It is better for the Government of India to finish the unfinished task of auctioning 3G spectrum for private operators as there is no private operator today which has a pan India 3G spectrum.

Kunal Vora: Sir just a follow up there. So your view that government should hold on to the 700 MHz spectrum and not auction it at least for a few years just because operators are not in a position to pay for it?

Himanshu Kapania: I do not think it is about payment, it is not about spectrum payment. Customers are not ready for it. We do this business for customers. So the country has to be ready for it, the customers have to be ready for it. At this point of time, for providing digitize India, they need to first decide. We have chosen a path of 3G and on that 3G path even in the last year, on an overall basis reported by all operators, some of them make public report and some of them are on private domain, but India does not have more than 50 million 3G users against an overall reported number of 790 million. So first and foremost customer should be ready. It is not about what quantum money that you spent for buying spectrum. In United States, Japan, and Korea where LTE is being launched, their 3G penetration had crossed more than 50% of 2G. In India it is in a single digit at this point of time.

Coming to your question on 2G sites additions, I have said in my last quarter speech that we are coming to an end of our GSM investment cycle and in the next 15 to 18 months, we will most likely complete our GSM rollout. This is the first quarter of the year and we get our annual capex approval, the process initial takeoff is normally slow. Besides, initial reason, worldwide there is a supply of equipment is on crunch due to china LTE rollout. I will hand it over to Akshaya to answer the network cost per site question.

Akshaya Moondra: Kunal, actually on the network cost, the increase is in the normal course of business. Generally what we see is that there are increase in energy rates and that results in a higher cost, but they are quite largely offset by the efficiency improvements again mainly on the energy side which are being achieved. So what you see in this quarter is a normal quarter-on-quarter increase in cost per site.

Himanshu Kapania: This question was why the cost is not increasing enough. Is that right Kunal?

Kunal Vora: Yes, that is the question. If I look at the energy cost inflation, it should have been lot higher compared to the 2% which we are seeing right now.

Himanshu Kapania: It is about efficiency and it is about scale.

Akshaya Moondra: Also, one thing you will have to understand is that on the cost side, the rents are equalized based on the accounting standard. So while there is an annual escalation in the lease rentals, from an accounting perspective, you will see a flat rate and would not see the inflation in the rental. Of course as you take a new site, you start with a new rate and those have their own impact. But generally rentals are adjusted for inflation.

Moderator: Thank you. Our next question is from Tien Doe of GIC. Please go ahead.

Tien Doe: Thank you for the opportunity to ask the questions and congratulations on a very good set of results. First question is, whether there are any one offs? The second question is just on roaming and access charges. They continue to come down as a percentage of revenues, is that because data is rising as a percentage of revenues or is there another reason for that? Thank you.

Himanshu Kapania: Thank you so much for your comments. I am going to ask Akshaya to give you response for both accounting questions.

Akshaya Moondra: There are no significant one-offs, I can confirm that. On the roaming and access charges reduction as a percentage of revenue, there is one reason as you said is that the component of data is increasing on the overall revenue. Secondly, whenever there is a price increase the percentage would come down and the third factor, is about the mix of the calling pattern and that can also have an impact, but it is largely the first two which will have an impact on this percentage.

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

Rajiv Sharma: I have just two questions. First question, Akshaya this is for you. I wanted to understand the amortization for the 1800MHz 2G spectrum which you had bought in last auctions. So there was element of 4G spectrum up to 5 and anything beyond that was 2G. When do we plan to amortize that? And second question is for Himanshu that what is your view on sector consolidation? Is the regulator working on any incremental M&A rules and if yes, then what it is likely to be and if no, how do you see consolidation with trading getting allowed and the new government in place. What is your read on sector consolidation? Thank you.

Akshaya Moondra: Rajiv on your question of amortization, firstly there has been no amortization relating to the new spectrum in this quarter because no spectrum has been allotted as yet. That is point number one. As regards spectrum for GSM use is concerned, that will start getting amortized as and when we are allotted the spectrum. As regards, spectrum for 900 MHz which we won in Delhi, we will start amortizing it as and when we launch commercial operations of 3G and the balance spectrum which is in blocks of 5 MHz and which we are treating as LTE spectrum that will be amortized only when there is a commercial launch on that spectrum band. So currently that will not be amortized.

Rajiv Sharma: And Akshaya when do you get this 1800 2G spectrum. Any timeline you have tentative?

Himanshu Kapania: That is a tricky question.

Akshaya Moondra: We should have got it by now. So we are just waiting for it.

Himanshu Kapania: As regards sector consolidation, we have very little to add. We are not aware of any change to the already announced M&A policy and in our assessment the current M&A policy is not going to encourage significant sector consolidation. What will encourage consolidation would be a spectrum trading policy. That is one big driver of consolidation because there is number of operators which are having significant cash losses and have negative balance sheet and they are keen to be able to monetize some of their spare assets. The other driver for consolidation which is getting missed out is renewal of licenses. Let me remind License renewal is going to take place not only for incumbent top three operators, but for all telecom operators and we go by precedent spectrum cost discovered in February 2014 auction applies to everybody. Let me take specific example of Bombay. There was a standalone regional operator which was not growing and it chose to exit the operations at the license renewal stage. So it is my belief at this point in time unless there is a significant tweaking of the policy, the process of consolidation will be spectrum trading and at the time of license renewals.

Rajiv Sharma: And any plans to sell stake or sell the standalone tower assets given the auctions in mind, the 9000 odd towers you have?

Himanshu Kapania: No plans.

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

Sanjay Chawla: Thank you for the call. My first question is on your mobile data growth, you delivered very strong volume growth as well as price increase. So if you could provide some color on the volume growth that you have seen in this quarter in terms of which segments are driving it, is it simply adoption of higher priced, higher volume packs or is anything else which might be going on. Also related question is while your ARMB is up quite smartly quarter-on-quarter and that is mostly driven by 3G, but on your 2G data side, the ARMB has actually come down. If you could just help us understand this particular trend. Second question is you have seen a large deferred tax asset in this quarter. So what is really the reason for that? You have been having deferred tax liability in most recent quarters and third, a quick question on your dividend that you have received from Indus. Is it pursuant to any formal dividend policy that you can share with us?

Himanshu Kapania: Thank you Sanjay. I am going to attempt to answer your mobile data question and then hand it over to Akshaya. I do not have very specific information on the data segments of users. As I had mentioned to Sachin, we are seeing adoption of mobile data services across all circles and not only in metros and large towns, even in DHQs and BHQs. We are also noticing that not only heavy voice users, but even the medium and low voice users are entering the data category and started to access internet from their mobile. Most of the users are happy to be able to use 2G services for light applications like accessing their Facebook or WhatsApp. It is only when they want to use video services that they switch over to 3G. This is a broad trend. And one more area I would like to add that we are finding that while it is traditionally believed that younger generation is a driver for mobile data, we are also now finding that our traditional voice segment which is the middle age have also started to adopt to mobile data which is very positive. The growth of mobile data is now far more pervasive than earlier era, driven by consumer below age bracket of 25 years.

As regards, realized rate for mobile data, you are absolutely right most of the improvement has happened due to 3G. On the 2G front if you notice, there are price warriors not only in voice but even on 2G data front and these price warriors are not allowing the prices to go up. We are hoping in the long run, these price warriors will correct their current thinking and allow the overall 2G data rates to also improve.

Sanjay Chawla: Himanshu, just a quick follow up particularly on the 3G side, we were seeing a declining trend in the ARMB for the last several quarters and this time the trend is reversed. We had attributed it to customers using more and more packs and low amount of breakage and all that. Why has this trend reversed in this quarter if you could explain us?

Himanshu Kapania: We had made some headline tariff changes, which we have adjusted after giving promotions to customers for a period of 6 months. The completion of these promotions had some impact on data realisation improvement this quarter.

Akshaya Moondra: Sanjay on to your question of deferred tax – yes, there is a reversal in this quarter of about 55 crores and that is primarily happening because this quarter our taxable profit is higher than the book profit. The reason for that happening now is that we have a large chunk of assets which are coming to a point of time where the book depreciation will be higher than the tax depreciation. So that is the reason for deferred tax reversal.

In terms of dividend policy, it is not a stated policy but I think currently Indus is under leveraged and so at this point of time the intention is to maximize the dividend distribution.

Sanjay Chawla: So do we expect this kind of a trend to continue every year where the dividend payout is more than the profits because of increase in leverage?

Himanshu Kapania: No, you see there is a limit. You can only distribute what is available as distributable profits. The dividend which has been received in this quarter is not representative of an annual dividend because some of the earlier accumulated reserves have also been utilized. Based on current profitability of Indus, our share of annual dividend would roughly, if everything was distributed, would be in the region of somewhere between 200-250 crores annually. So this dividend is bit of a one-off in terms of amount because it use some of the reserves.

Moderator: Thank you. Our next question is from Rahul Singh of Standard Chartered Securities. Please go ahead.

Rahul Singh: Once again congrats on the excellent set of numbers. I had just one question especially on your response to the spectrum sharing question earlier. Just wanted to understand whether that response would be valid even for 3G given that the capacity utilizations are low and the capacities can be enhanced if you share 3G spectrum with other incumbents. Would that be something which you would look at in the 2100 band as one of the options?

Himanshu Kapania: There are two deterrents for that. First and foremost, deterrent is in the places where our 3G utilization is high, examples Kerala and Maharashtra, our spectrum usage charges is also on the higher order and with a high revenue an incremental 0.5% will deter us to be able to do spectrum sharing there. Number two, our preferred route, the preferred route is spectrum trading route which will solve issues for a longer period of time rather than short term fixes because our requirement for 3G will not be addressed by sharing spectrum and get a capacity of 1 MHz or 2 MHz alone, that may not be sufficient to meet requirement of large operators with 140 million subscribers.

Moderator: Thank you. Our next question is from Vinay Jaisingh of Morgan Stanley. Please go ahead.

Vinay Jaisingh: Thank you so much. Congratulation again for the great set of numbers. I have just three questions, very small, most of it were answered. You mentioned something about cyclicality in the quarter we are in currently. My question here is on data, is data also cyclical? That is my first question. Second, are we doing anything to address the voice traffic cyclicality? Do we expect it to be slower this quarter? The rate of fall of traffic or is it going to be as in the historic years a good reduction in terms of traffic? And the third one is margins, where would we see data margins if we were to look at data margins versus voice margins? Thank you so much.

Himanshu Kapania: Thank you Vinay. First and foremost, you are absolutely right. The cyclic nature of our business is predominantly due to rural markets get closed during the monsoon period and they are inaccessible. There are long periods when sites go down which affects our overall minutes. While there is no doubt that there will be data consumption which has moved beyond metros and large towns into smaller towns, it has still not gone into deep interior. We are quite optimistic that the cyclic pattern that we see on voice, data will not face the same situation and as there is robust growth on data due to base effect. Number of new users even in large towns and midsize towns are entering for the first time are large in quantum.

As regards, efforts being done to be able to reduce the pace of decline of voice traffic. Lot of effort is being done by the tower companies who normally provide us 99.99% uptime for 9 months of year but end up delivering 95%-97% uptime during mansoons and deep power cut periods. I think the tower companies are working extremely hard using alternative energy sources to make sure that the towers are up during mansoon period. We have made some breakthroughs with far more stabilized companies like Indus who are delivering better uptimes when site become inaccessible. Also Idea is moving away from number of towers which had a very poor record of uptime. Also, Idea had a very large spread of USO sites which was primarily managed by BSNL. At the start of this year, we have started to move away from low performing BSNL managed USO sites and moved to new towers from Indus where the uptime commitments are of much higher. We are hopeful that the minute decline this year will be far less than it was last year, but we are in the first month of the quarter and it is premature. Obviously the rains have been delayed and some of it has also helped.

As regards data margins you have to look at data margins separately for two types of companies. One which is pure data telecom operator and second category, companies like ours which have 11% to 12% of our total revenues from data. And for us, the data costs are purely incremental. For example, the network site expenses, most of our network expenses are currently allocated to GSM or 2G business and the 3G site loading is a small percentage of network cost. Similarly, all the acquisition cost for our existing subscriber is allocated to the 2G voice business and there is hardly any acquisition cost allocated to data business, and the same applies to servicing. So if we were to follow an incremental cost basis, the margins in mobile data are very healthy and you can see how these margins are reflecting in improved overall margin for the company. However, wherever the proportion of data could be in the range of 50%, 60%, or 70% then you are forced install pure data sites and have to acquire customers only for data. Then the full cost is to be borne by Mobile data and there the margins for data would be far lower than the margins for voice. Voice will always remain a premium service. It can bear full cost and also support evolving data business. Data business cannot support voice. I hope I have answered your question?

Vinay Jaisingh: Absolutely. Thank you so much for your time sir.

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

Srinivas Rao: Thank you very much. I have three questions if you can answer that. The first question is on your SG&A cost which have been remarkably stable on an absolute basis for almost now 6 or 7 quarters. Is that something which you expect it to continue for at least for the rest of the year and we have seen of course churn rates come down and I assume that is one key reason. But any comments around the current market environment will be helpful. The second question is on, could you throw some light on what is your share of capex which is non-mobile site linked. You have mentioned in your quarterly report about the extent of fiber network and how deep it is increasingly becoming. So any comments around that would be helpful. The third question is on the impact if any of these OTT apps which we see being heavily advertised these days like Viber. Will they have any impact on voice revenues going forward? We have seen the impact on SMS of course in the last one year.

Himanshu Kapania: Thank you Srinivas. Your first question, I will ask Akshaya to answer. Let me give you response from the third question onwards. As far as OTT service is concerned, globally what you are mentioning is right. OTT has had initially an impact on SMS services and now it is to a degree having an impact on voice. The reason, in India it is expected that the impact on voice will be far lower than what impact we have seen in Europe and other parts of the world is because in India voice rates are among the lowest in the world. We are currently offering rates of 35 to 40 paisa per minute. Secondly, even as we speak, only 20% of the consumers use data and 80% of consumers prefer to use only voice services from their mobile. Our belief is, Yes there will be some cannibalization, but we have not still seen significant enough cannibalization for us to cry foul. Further, we believe the bigger cannibalization is on international calling where the rates are higher and to some degree on NLD, but on local calls there is likely to be far lower cannibalization. If this is fine, I can move to the second question.

Srinivas Rao: Sure sir, absolutely. Thank you.

Himanshu Kapania: As regards capex expenditure, there are 5 elements of our capex expenditure. First and foremost – on an annual basis we added 18 million subscribers and to be able to grow 18 million subscribers, we have to make investments for capacity in our various units like in HLR and MSC to support large volume of growth. Secondly, it is for the coverage expansion on the 2G. Third is coverage expansion on our 3G and the fourth component is getting ready for future which is the fiber related and fifth is our IT investments. So while you see a lot of the information on coverage extension of 2G and 3G but they constitute to a small percentage of the overall capex. A larger percentage goes for capacity enhancement as well as other related expenses on non-coverage expansion capex like fiber, IT, and all. I would not be able to give you specifics on this, but you have to ensure our overall capex is able to support both coverage, capacity as well getting ready for future.

Akshaya Moondra: Srini, on the SG&A, you are right. If you look at quarter-on-quarter, the number of gross adds has reduced so that brings us some benefit and of course this will depend on what is happening in the market from quarter-to-quarter. But yes, generally we have seen that the churn rates have come down, the market promotions and incentives are being better managed. We believe that the current trend that we see today is what will continue in the coming quarters.

Srinivas Rao: That was very helpful. Thank you Himanshu, thanks Akshaya. Just if I have a small rejoinder, the SMS revenue drop has been quite significant in the context as you said only 20% subscribers are data subscribers. Is that something which we should read through?

Himanshu Kapania: The trend is as follows that there were heavy users of SMS who have moved on to data services thus those earlier giving us SMS revenue now give us data revenue. But you have to see in the context of India. India even before the new OTT applications arrived, only a 40% users used to send SMSs. So as heavy SMS users abandoned using SMS services and moved on to OTT applications, a number of nonusers of SMS upgraded and entered into SMS service usage for the first time. Therefore we have a steady SMS penetration @40%. We have also had made effort to improve SMS price realization. Thereby, our SMS contribution on overall revenue has remained steady in a growing revenue environment.

Srinivas Rao: This is really helpful. Thank you Akshaya and thank you Himanshu.

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

Jimmy Chen: Thank you for opportunity and congratulations on result. Just have one quick question about consolidation or M&A. Assuming that M&A is feasible from the regulatory perspective. How would Idea pursue it? Would it be pursued aggressively and if it would pursue it aggressively, what would you look for in a potential target? Thank you.

Himanshu Kapania: Thank you so much for your question. We believe that the current state of Indian telecom operators especially who are at the lower end of the competitive scale, their balance sheet is in complete stress situation and it will be very difficult for anybody to help them or buy them in full. The most of the needs of Indian telecom operators, given the fact that they have pan India operations on GSM side, is on data spectrum like 3G and at some point of time 4G spectrum. The consolidating operator needs are limited to spectrum. That is why I mentioned spectrum trading is the key route weak low margin telecom operators with large bank outstanding and huge cash losses to monetize the best route for these companies is to sell in parts rather than whole. It is our view that it will be very difficult for these companies who have cash losses of the order of USD 700 million to a billion and balance sheet debt levels at $5-$7 billion to be able to find buyer who can turn around these companies and generate value from its investments.

Jimmy Chen: Does that mean to you the value of the spectrum would worth more than say the customer basis of these weaker players?

Himanshu Kapania: That is right. If you notice that customer base of most of the weaker players has low ARPU and very low quality consistency over a period of time.

Jimmy Chen: Thank you.

Moderator: Thank you. Our next question is from Vivek Doval of British Airways Pensions. Please go ahead.

Vivek Doval: Thank you very much. Congratulations on a very good set of numbers. Just a couple of questions. First is, can you actually shed some color on the competitive intensity from what you have mentioned about promotions as far as data are concerned. Is that pretty reflective of the industry and would it be fair to say that now rational pricing is starting to come in the industry or there is still a lot of competition that is still happening and with reference to new players coming in the industry, is that something to be worried about, so that is one. And secondly, is you said fairly promising things regarding the good outlook because of the new government. But has there been any process of engagement of the industry with the Telecom Ministry in way of actually proliferation of 3G and other benefits so the government can do for the wider public but through the telecom industry.

Himanshu Kapania: Thank you so much Vivek. Let me answer your question of engagement with the government first. Yes, we have had interaction with the regulator as well as Department Telecommunications. We are very hopeful with the appointment to Prime Minister's office of Mr. Mishra as the principal officer his background is Telecom Secretariat and TRAI Chairman. And with this background, we believe the challenges that Indian telecom industry has faced over the last 5-6 years is going to be understood at the highest level in the government, in the Prime Minister's office, Finance Minister's office as well as by the new telecom minister. Separately with the regulator, we had multiple round of discussions on spectrum as well as when spectrum trading policy was begin formulated. But this government has been in office only for the last 50-55 days. We are hopeful going forward given the budget that they have announced in which a large quantum of money has been kept for spectrum auction that they would consult long term spectrum roadmap for both 3G and 4G technology. We are also very hopeful that there will be consultation shortly on spectrum harmonization. The government has a very large fund that is available to increase rural telephony in the country. We understand DoT has close to USD $5.5 to $6 billion. Last government in spite of availability of this large fund was failed to execute rural telephony development program. Presently the central government is engaging with us to discuss how we can help them execute and improve the rural telephony in the country. We are very optimistic that there should be positive moves going forward and industry and government will work together to be take the telecom sector back to its growth era. The penetration level in the country are still low & has to travel quite a distance to meet global benchmark.

As regards competitive intensity – I will split the competition into three parts. One on the voice side, the competitive lines are well drawn and there has been no major changes in the last 2-3 quarters. The big change took place about a year and a half back when 3-4 licenses were cancelled by the Supreme Court and number of operators reduced from 8 to 10 per service area to 6 to 8 operator. The second change presently happening is some of the foreign players which were partners to Indian operators have decided to exit the country, but the stress for these operators will multiple at the time of license renewal likely due for them in the next 2-3 years' period. License renewal will encourage consolidation or reduction in size of small operators. We believe that hopeful that one competitive intensity reduction event that took place in 2013 fueled by Supreme Court, a similar event on the voice side is likely to happen in 2015 to 2016 due to renewal and there may be further reduction of competition intensity on the voice side.

As far as mobile data side is concerned, only 3-4 operators currently are focused on expanding 3G business. That is why we are finding robust 3G growth. I assume you are mentioning on arrival of new competition on Mobile data services. We wait to see their announcement of specific plans and how they intends to complete in the market. As you are aware, the new operator got their license in 2010 and since then there has been no launch. We would reserve our comment until launch of their services. But having said that, we believe that the market is not ready for 4G in the country and at least for the next 2-3 years the 2G business will continue to be at the forefront supported by 3G.

Vivek Doval: Thank you very much.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was our last question. I now hand over the floor back to Mr. Kapania for closing comments.

Himanshu Kapania: Thank you so much for all the support and all the interactive questions. We look forward to your support in the future quarters. Thank you so much, returning back to Inba.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Idea Cellular that concludes this conference. Thank you for joining us and you may now disconnect your lines.