



RELIANCE COMMUNICATIONS LIMITED

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Transcript of Earnings Conference Call for the Quarter Ended June 30, 2009

Conducted at 5 pm IST on July 31, 2009

Operator:

Thank you for standing by and welcome to the Reliance Communications Global Earnings Conference Call on the Reliance audio conferencing platform. This call is hosted by Enam Securities.

At this time all the participants are in the listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question please press *1 on your telephone. Please be advised this conference is being recorded today. Now I would like to hand the conference over to Ms. Priya Rohira of Enam Securities. Over to you, ma'am.

Priya Rohira:

Thanks very much. Good morning, afternoon, or evening ladies and gentlemen. We at Enam Securities are pleased to host this call for the 1QFY10 results of Reliance Communications. We would like to congratulate the Reliance management on the good financial and operating performance during the quarter.

Today, we have the senior management team from Reliance Communications led by Mr. Satish Seth alongwith other colleagues namely Mr. S. P. Shukla, Mr. Punit Garg, Mr. George Varghese, Mr. Inder Bajaj, Mr. Mahesh Prasad, and Mr. Arvind Narang.

The call will begin with some key observations by Mr. Seth and the management team followed by a question and answer session. I must remind you that the overview and discussions today may include certain forward-looking statements that must be viewed in conjunction with the risks that the company faces.

It is now my pleasure to hand over the call to the Mr. Satish Seth. Thank you. Over to you, sir.

Satish Seth:

Good morning, good afternoon, and good evening.

Thank you Priya. I welcome all of you to this earnings call organized today to discuss Reliance Communications' financial performance for the first quarter ended June 30, 2009.

This quarter was quite satisfactory and also assumes significant importance for Reliance Communications. We have made some new beginnings that will provide a sustained, positive contribution to our business operations, financial performance and organizational strength in the coming months and over many years.

This was the first quarter following the launch of our nationwide GSM services. Having closed the innovative customer experience program in March, we continue to see very encouraging response in the market. During the quarter, we have also signed with Etisalat DB, the largest ever strategic telecom infrastructure sharing partnership which will enhance Reliance Communications' revenue by over Rs. 10,000 crore in the next 10 years. In addition, we have expanded our reach deep into rural India by signing a JV with KRIBHCO, providing convenient access to world-class telecom connectivity across the country. Another key development in the quarter was the successful completion of one year of operations by our JV with Alcatel-Lucent, which has expanded its framework to deliver cost-efficiencies in managing our nationwide network.

We will provide you more details on these developments in this call, but let me first give you a brief update.

India continues to be positioned as the fastest growing telecom market globally. During the first half of 2009, the country has added 18 million wireless subscribers. This momentum will drive us past 500 million telecom subscribers much before the end of this year and much before the Government's targeted timeline.

Even as global weakness continues to impact consumer demand, the telecom industry maintained its growth momentum to deliver another strong performance. Several under penetrated regions of the country are coming under mobile coverage as affordability of handsets and services has stimulated demand. Progressive Government policy, with its pro-consumer stance, has also supported us while reaching deep into semi-urban and rural areas.

In addition to our strong position in the wireless space, wherein we operate the largest network in the country with over 90% population coverage,

- We are the largest carrier of wireless data in the country
- We have a significant market share in the enterprise data services market connecting 90% of India's top companies.
- We are significant players in the international voice market and the only Indian company with over two million retail customers.
- We operate the largest IP enabled optic fiber cable network globally.
- We are a leading global provider of managed services and the only company from Asia emerging market in the Gartner's Magic Quadrant.

We are rapidly penetrating our addressable markets with a range of offerings that provide the highest level of service and unmatched value to our customers across the entire spectrum of our fully integrated and converged operations in India and internationally. We are best positioned to participate in the growth opportunity unfolding in this sector.

At the close of the first quarter, we had over 85 million customers, including 80 million wireless subscribers with usage across mobile, public call office, fixed wireless phones and data services. In addition, we have 5 million retail subscribers including long-distance calling customers in 8 countries, direct to home and broadband subscribers in India. Our

corporate customer base now extends to over 2,100 corporate relationships and 800 global, regional and domestic carrier relationships.

During the quarter, revenues have expanded by 15% to Rs. 6,145 crore compared to Q1 in the preceding year. EBITDA increased by 9% to Rs. 2,453 crore, margins during the quarter were at 40% and profit after tax was at Rs. 1,637 crore. Along with the strongest subscriber growth in the industry, the quarter saw us registering the most stable KPI of any India operator; ARPU decline of 6% in Q1 is mostly attributable to reduction in mobile termination charges.

Overall, we have maintained profitability through the last few quarters while completing multiple projects simultaneously including the roll-out of the largest network expansion in the world. As we expand our operating base further, the key focus remains on profitable growth.

With that I conclude my initial comments. I now hand over to Mr. S.P. Shukla to talk about the Wireless business. Thank you everyone.

S.P. Shukla:

Thank you, Mr. Seth.

Good evening, good afternoon, and good morning to all of you on this conference call.

The first quarter saw significant revenue expansion despite the impact of reduction in mobile termination cost whose details I would be sharing with you now.

The quarter ended June 2009 saw strong business acceleration from the platform of the preceding quarter's launch activities. Our innovative customer experience program, which Mr. Seth referred to, which was the largest of its kind anywhere in the world has closed on March 31, 2009, and hence the subscribers who were enrolled during the 90-day program were gradually migrated from CEP to regular plans during the last quarter.

As you know, we have had steady new subscriber acquisitions in the post CEP period that is during the quarter ended June. Most importantly, we have transitioned these subscribers with strong revenue contribution now.

When we look at the six months' period of January to June as a whole, Reliance Mobile clearly comes out as the No. 1 mobile brand. We added 18.3 million subscribers in the six months period post our GSM launch. It represents 23% market share of all industry net adds which is 2% higher than the next competitor. This validates our strategy where we did not resort to competing on the tariff platform but consciously chose customer experience as the key to generate trials first and then to retain the customers.

To further synergize our newly launched GSM circles with older circles under Reliance Telecom, which is a subsidiary of Reliance Communications, we had brought all customers on a common IT platform. I am pleased to share with you that now all our CDMA and

GSM customers in older RTL circles and GSM customers in new circles enjoy the same IT systems, customer service, and billing system support. This has ensured uniformity in customer experience in line with our approach of being a technology neutral operator offering the best services across a wide spectrum of technology and product choices to the customer.

Concurrently, our focus on the CDMA technology platform has only got further enhanced in 2009. I had reported during the last quarter's earnings call that Reliance has launched high-speed wireless broadband service utilizing the unique capabilities of our CDMA platform. The customer pick up has been excellent in 35 cities where the service is now available. We are already seeing high-end customers as user of our HSD service, which combines excellent user experience with mobility in all major cities of India where such a customer may need to travel either on work or on leisure. Needless to say, outside these 35 cities also our mobile Internet service is available throughout India providing seamless coverage, anytime, anywhere making the whole the country a hotspot for our wireless data services. We remain bullish on the prospects of CDMA being leveraged increasingly more for data and voice applications due to its unique capabilities.

Launch of GSM services has given a further boost to our fixed wireless phones due to on net tariff offers which were earlier confined to CDMA mobiles only. We are already seeing a further pick up of our FWP sales in both residential and office segments. We are working on strategies to take maximum benefit of this newly gained leverage during this quarter.

As our expansion continues into rural areas we are opening up new channels for sales and service to reach the masses. A major initiative, which has fructified during the quarter ending June 2009, is the joint venture with Krishak Bharati Cooperative Limited. Krishak Bharati, or KRIBHCO as it is normally referred to, is amongst the largest rural marketing companies in India with its reach and distribution spread across almost every state. This joint venture will be actively engaged in marketing of telecom products and services of Reliance Communications giving us significantly more distribution power in rural areas.

Our wireless business is today present in every segment of the market, be it residential, commercial, or corporate. Through our wide range of CDMA and GSM products we are successfully catering to the needs of different customer segments. Customer service will become a key differentiator in India's highly competitive wireless markets. Reliance was the first company to set up a state-of-the-art contact center at Mumbai with capability to handle calls in 14 different languages. We have since then opened several regional centers to gain access to local manpower while retaining the advantage of our central capabilities offering more than one language with automated response system for optimal call handling at each center for customer convenience. To further supplement our highly acclaimed contact center service, we are further strengthening our chain of Reliance World and Reliance Mobile Stores all over India. Most of the new stores being opened across the length and breadth of the country happen to be on the franchisee-owned, franchisee-operated, which is FOFO, model.

We are committed to provide the highest standards of customer service on our twin technology platforms to our mobility, fixed wireless phones, and data card customers. It is

this focus on customer service, which will increasingly become a differentiator in the ever-evolving Indian wireless market.

We are a service brand already serving over 80 million customers. We believe that the greatest asset for any consumer brand of our size is the trust from our customers. I am happy to share that Reliance Mobile has been independently rated as India's most trusted service brand by India's leading financial daily, The Economics Times, in its annual Brand Equity survey. This is the strongest testimony of trust, which our consumers have bestowed upon us.

I would now like to invite my colleague Mr. Inder Bajaj to discuss our Reliance Infratel business. Inder, over to you.

Inder Bajaj:

Thank you, Prakash.

A very good evening, good afternoon, and good morning to all of you on this conference call. I would like to update you on our telecom infrastructure business i.e. Reliance Infratel.

We approach the market in the infrastructure business with a unified approach and a comprehensive approach covering the entire value-chain of telecom infrastructure services. It includes, of course, the passive infrastructure, which is basically commissioning of the radio electronics on our towers, active infrastructure or radio network sharing, proving connectivity to each of the sites, bandwidth and fiber options to connect the core network, our carriage options which include both the international long distance as well as the domestic long distance, roaming solutions as well as internet bandwidth for data applications. This enables our partners to leverage a widespread passive and transmission network for their roll-out requirements as well as their future requirements, which spans 2G, 3G, and WiMAX. In other words, the requirement runs across passive infrastructure as well as wide range of services and it is directly linked to quality of towers as well.

Demand for telecom infrastructure has been driven by the robust growth in the mobile industry in 2G and relatively high minute usage in India. Infrastructure sharing has, in fact, been instrumental in accelerating the growth momentum in rural and new coverage areas by reducing the cost and timeframe for network expansion.

The competitive intensity in the wireless industry has been growing and it is expected to double to 11-12 players per circle with the issue of over 120 licenses to new operators last years. These operators have been allotted spectrum in a phased manner and some of them have now received funding through joint venture tie ups with large global players.

Also expected is the 3G and WiMax technology rollout and expansion of ISP operators apart from the demand from existing and new operators in the 2G space, which will drive the demand to over 700,000 infrastructure slots in the next couple of years from the current level of 300,000 slots along with the demands for other telecom infrastructure service I spoke about.

Reliance Infratel as an integrated service provider with industry leading capabilities across the entire value chain and a nationwide portfolio of over 50,000 towers, and even more importantly over 200,000 slots, is poised to capture this opportunity.

Our current towers' capacity utilization is in the range 40% and this provides significant potential to add 3rd party tenants to our existing infrastructure. As Mr. Seth mentioned in his opening remarks, we have signed a long-term strategic telecom infrastructure sharing agreement with Etisalat DB. It is an end-to-end agreement which includes not only the towers but transmission to all these sites. It is valued at over Rs. 10,000 crore over a period of 10 years. We would also provide our partner other B2B services like bulk bandwidth and fiber options and carriage for both domestic long-distance and international long-distance. The contract provides for options to extend beyond the initial 10-year period to a larger number of sites based on the coverage and capacity requirements of our customer. The agreement presents Etisalat an asset light model. It has an advantage to both the partner for cost optimization and of course to our company it presents a major opportunity to improve our capital productivity. In addition, we also expect to sign with the other key operators as well. These agreements demonstrate our Group's as well as Reliance Infratel's capability to enable the operators to go to market, with a bouquet of telecom infrastructure services with time to market and cost advantages.

Following the recent transfer of optic fiber assets, Reliance Infratel now has over 190,000 kms of national optic fiber network that integrates seamlessly with our portfolio of towers, allowing us to provide the most economical, high-quality connectivity to our customers as compared to microwave links provided by the competition.

Thank you very much. I will now invite Punit for an update on the Globalcom business.

Mr. Punit Garg:

Thank you Mr. Bajaj.

Greetings from the Global business to all our friends in different geographies.

I would like to start off with a brief update on the economic outlook in the US and Europe where many of our customers are located.

We have seen sharp recovery in stock markets and debt markets. However, enterprises, businesses are yet to see recovery in their order books. Cash strapped consumers are demanding no-frills, value deals, businesses are in turn responding by taking cost out of their supply chain and delivering products and services at lower price. From our perspective, we have the opportunity to win new business by leveraging our existing infrastructure and low cost global delivery and operations center based in Mumbai.

I must add that the new win cycle has lengthened as customer shop for value before committing new business. At the same time churn is lower as cost of migration cannot be passed onto the end customer.

Global business revenue grew by 23% on year-on-year basis, EBITDA has grown by 40% over the last one year and EBIT by 36%. In line with my last quarter's briefing, we experienced strong demand for national long distance bandwidth and infrastructure from most operators. We have an unbeatable competitive advantage to fulfill this demand based on over 190,000 route kilometers of ducted fiber optic cables.

During the first quarter of this fiscal, we have signed a 10-year contract with Etisalat DB for their E1 connectivity requirements in all their 15 licensed circles. This contract is in conjunction with the tower sharing agreement signed by Reliance Infratel.

We also have signed contracts with other national long distance customers to meet their bandwidth and infrastructure requirements and are in advance stages of discussion to close more such contracts over the next two quarters.

In our NLD carriage business, segment traffic growth is impressive. Our NLD traffic has grown 56% year-on-year basis and 14% on quarter-on-quarter basis. Our growth rate is far higher than competition.

In our voice business segment, our focus has been to grow volumes and protect margins. In the wholesale voice segment we had year-on-year traffic growth of 28% and 11% on quarter-on-quarter basis, which is again significantly higher than competition in the international long distance segment.

The wholesale voice segment has become extremely competitive with 12 operators in the play and margins have almost evaporated. The increase in termination charge for ILD inbound calls from 30 paise per minute to 40 paise per minute has further eroded margins for all ILDOs in India. However, our retail voice business of Reliance Global Call is growing. We have been able to maintain margins in spite of disruptive tariffs introduced by some of the Indian operators in US and UK markets. We focused to deliver more value to our existing base of over 2 million Reliance Global Call customers through event based campaigns in the first quarter, especially the IPL T20 World Cup has given us good rewards.

In continuation to my last update on our foray into the Rs. 21,000 crore global audio conferencing market, we have successfully piloted our product with select enterprises in the first quarter.

Now, moving to our data business, which comprises sales to carriers in the wholesale segment and to corporates in the enterprise segment, we signed contracts with total contract value of over Rs. 450 crore. There has been price decline in carrier bandwidth market as witnessed in the last 2 years, nothing unusual; however, we have been able to compensate the margins through ramp up in our managed services business to enterprises. In the wholesale segment, we signed contracts of Rs. 200 crore with our existing customer base. In the enterprise segment we signed contracts of around Rs. 175 crore, primarily with new logos. To illustrate some of the new logos, a nearly Rs. 50 crore deal for 3 years with a Santa Clara based leader in graphic chips to connect its 40 sites in 15 countries

including 3 sites in India and a Rs. 50 crore deal for 3 years with an Oslo based IT company to connect 200 sites primarily across Europe.

Managed services to enterprises is helping us drive growth and profitability in the data business. We have successfully deployed and signed a multi-year tenancy agreement for our data center in Paris during the first quarter. We are ramping up FinancialConnect!, our flagship global Ethernet solutions brand to meet the 30-35% per annum growth demand from financial exchanges and financial market participants for high speed 100+ megabits, low latency less than 1 milli-second and 100% availability, connectivity. The customers pay significant premium for FinancialConnect!, since it is at the core of their trading operations. We are already amongst top three providers in the United States.

Last but not least, we continue to be shortlisted and selected by large MNCs to roll out and manage complex MPLS VPN networks in stiff competition with the Global 4 - BT, AT&T, Verizon, and Orange. There is plenty of opportunity in this space and we will fully leverage our existing reference customers and global delivery and service center in Mumbai to win new accounts.

We continue to be focused on delivering new products in our enterprise segment. Leveraging our global network during first quarter, we launched Enterprise Global Ethernet, which is also known as EGE, in 36 countries. Only a handful of other telcos can offer comparable reach at one stop. This product will help us address the Ethernet services demand from enterprises outside the United States, which is an over US\$ 13 billion market per annum, and a very large opportunity for Reliance Communications.

With this thank you, and now I will invite George Varghese to talk about Enterprise.

George Varghese:

Thanks, Punit

My greetings to all the participants.

Although there is an increasing sign of sentiments turning positive, the overall economic scenario remained largely unchanged over the last quarter. The expansion plans of most of our customers continue to remain on hold and the pressure to reduce opex continues unabated. This has led to an unprecedented pressure on all the major telcos. Reduction in termination charges had also impacted revenues and EBITDA margins. In such an environment we were able to increase our revenues by 22% and EBITDA by 10% over the corresponding quarter last year. This is a reflection on the quality of our customers and the quality of services that we rendered for them.

Our wide range of products and our ability to offer almost ubiquitous coverage across the country has helped us to offer comprehensive solutions to our customers and also help them in bringing much needed efficiencies and reduction in their cost of operations. This has helped us increase our share of wallet. Another factor that has helped us in these times is our focus on customer satisfaction. Our customers continue to rate us at an

average of 8.18 on a 10-point scale. Proof of our ability to add value to our customers is the fact that 40% of our order book of this quarter comes from our existing customers. New orders added in this quarter come from corporates like MTNL, South Indian Bank, Times Internet, HDFC Bank, AT&T Global Networks, Nvidia Graphics, Sun Direct, Bombay Stock Exchange, Ivy Comptech, Sharekhan, Shipping Corporation of India, to name a few.

During the last two quarters, a focused vertical approach was adopted and the results have been very encouraging. Amongst others, we have identified Government as a major vertical and this focus is now bearing fruit. We have won major orders and are poised to increase acquisition from this segment in the coming quarters. We remain committed to this vertical specific approach and are confident that our strategy will bear fruit in the time to come.

We continue to maintain our market leadership in the IDC segments. The new capacities that we have created in Chennai and Hyderabad will help us to dominate the southern market where our presence was earlier limited only to Bangalore. During this quarter, we added 37,000 new buildings taking the total number of buildings that we have connected close to 1 million.

To summarize, enterprise business will continue on the growth track. We see strong opportunities for our business in the medium to long term and are focused on generating profitable revenue growth.

Thanks you.

I will now hand over to Mahesh Prasad.

Mahesh Prasad:

Thank you George.

On the home business front, ladies and gentlemen, it gives me great pleasure to inform you that in less than 10 months of launching this new business, Reliance Big TV has garnered a market share of 12%, and 14% of the adds in the quarter, ending with 1.7 million subscribers as of June 30th.

We enhanced our channel bouquet by adding 12 new channels. We also introduced a set of differentiated interactive services, iElection for General Elections and iNews by aligning with CNN IBN. In addition, iCricket as an application was offered with multiple camera angles only by Reliance Big TV during the ICC T20 World Cup, which was well received by our customers.

We also focused on revenue enhancement measures with introduction of new packages in line with the new channel additions and launch of aggressive customer management programs to manage and minimize the churn. In the coming quarter, we complete one year since our launch and we will continue to establish market leadership by enhancing our customer experience, choice and availability of new channels and other applications.

With that let me hand it back to Arvind.

Arvind Narang:

Thank you Mahesh.

We will now open the call for Q&A. We request all of you to focus on key strategic and business issues. Please feel free to touch base if you need any further information or clarification on first quarter financial results.

Operator, can we take the first question please?

Operator:

Certainly, sir. First in line we have a question from Mr. Suresh A. Mahadevan from UBS. Please go ahead.

Suresh A. Mahadevan:

Good evening. Thanks for taking my question. A quick couple of questions; one is, I want to understand, and I am sure a lot of us on the call want to understand this as well, which is, I think you still have net interest income of around Rs. 621 crore when you have a net debt of over Rs. 22,000 crore. So, I think it will be helpful if you could walk us through how we get to a net interest income please?

Second question is around wireless usage. I think probably if Mr. S. P. Shukla can shed some light on this, I mean this is not specific to RCOM but towards the industry. I think we are seeing a trend where minutes of use are reducing and I wanted to hear your thoughts on what do you think is causing this and where do you think this minutes of use is headed from your perspective, either in the short to medium term or over the long term, because I think the minutes of use has tremendous sensitivity to how much value we can put on the wireless business.

So, those are my two questions. Thank you.

Arvind Narang:

Suresh let me answer your first question and then Mr. Shukla can answer the wireless question.

As you have seen in the quarterly report we are following AS-11 and based on that accounting standard any foreign exchange gain or loss has to be treated in the P&L and accordingly based on the forex fluctuation in terms of the rupee and dollar which has happened in the last quarter, that treatment has come in the P&L. That's why there was an increase in the net interest income which was reflecting in the P&L.

Suresh A. Mahadevan:

Sir, if I could just quickly follow up, are you capitalizing any interest cost significantly?

Arvind Narang:

No, we are not capitalizing any costs. For the fiscal year ended FY09 we are following AS-11. As you know, last fiscal year, earlier we had provided the information that we are using Schedule VI, but Schedule VI has ceased to exist after 30th of March, and based on the regulatory notification and subsequently the High Court notification, we are following AS-11 for both fiscal year 09 as well as in continuation to that in fiscal year 2010. So, there is no capitalization, even in fiscal year 09. Whatever was capitalized has been taken off from the General Reserve in line with the Government regulations which has come on the AS-11.

Suresh A. Mahadevan:

Okay sir. So, essentially what you are saying is this is primarily due to FX fluctuation?

Arvind Narang:

Yes, this is forex fluctuation and we are now following consistently the same accounting policy (AS 11), so the numbers are comparable.

Suresh A. Mahadevan:

Yeah, so in other words if the rupee were to really depreciate, then you might actually have a number which is higher than your interest expense perhaps?

Arvind Narang:

Yeah, it all depends on the foreign exchange movement.

Suresh A. Mahadevan:

If you could give the breakup it will be helpful. I mean I know historically you haven't been giving the break up, but some of your competitors do give that break up.

Arvind Narang:

Okay, we will discuss that.

Suresh A. Mahadevan:

Yeah, thank you.

S. P. Shukla:

Suresh, you had asked a general industry specific question about minutes of usage, where is it leading or moving to and what prospects do we see for industry in general?

If you look at average minutes of usage, as the name itself implies, it has two components, usage of older customers and usage of new customers. As far as new customers which are being added by the industry on a monthly basis, the usage is generally low because most of the customers are being today added in the rural areas. However, as the customer gets older and that is what we have seen during last 60 quarters of the industry in India, older customers start using more, so when the rate per minute used to be Rs. 16.80 per minute if somebody at that time were using 200 minutes today he uses 1000 or 1200 minutes. So, older customers start using more and more whereas every new customer coming in begins at the ladder bottom step and then he starts growing as he becomes experienced. His number becomes available with a larger set of people, he tends to receive more calls and he starts exploring new uses of the phone which can be various VAS applications and older customers in the meanwhile are moving from voice to data applications. They start using more and more for exploring internet based applications. So, what you see is interplay of two factors, older customers using more and new customers coming in with lesser usage. From quarter to quarter, you see different variation, to some extent they are influenced by schemes which are offered by a particular operator in a particular quarter, and when that scheme comes to an end, 90 days, 180 days or one year scheme, the quarter in which the scheme ends generally has an impact on usage, that also comes in the average quarterly performance. So, that becomes really the blended ARPU of three factors, new and old customers, post on top of it various schemes, which have been offered last year they are impacting the usage this year also. If you ask general view, there may be slight decline or gradual decline because of the impact of the rural population, but as and when penetration levels become high enough, when incremental addition of new customers will impact average in a significant way, you will find then there will be few quarters which will see stable ARPU and stable MoUs at a steady pace.

Suresh A. Mahadevan:

So, we are at 365 for RCOM Wireless, where do you see that number in a year.

S. P. Shukla:

Now Suresh, we are getting into speculation, I don't indulge in that. Thank you.

Suresh A. Mahadevan:

Okay.

Operator:

Thank you, sir. Next in line we have a question from Mr. Gaurav Jaitley from Reliance Equities. Please go ahead.

Gaurav Jaitley:

Thank you and good evening gentlemen.

A couple of questions on wireless. First, if you could just quantify the impact of the mobile termination charge cut on both gross and net revenues, and in the broadband segment of the sector as well, if you could break that out for us as well, that will be very helpful.

Secondly, on the GSM subscriber base, if you could just give us a sense of what the GSM ARPU's have trended, obviously in the first quarter or Jan to March quarter you had the free minutes plans and those expired and so these became paying customers, so if you could just help us get a sense of how the GSM ARPU's have trended quarter to quarter? I know you are probably reluctant to share the exact number with us, but just a sense of the magnitude would be very helpful.

Then on the Global segment, could you just help us quantify what percentage of your revenues are in foreign currency and what impact if any the appreciation of the rupee might have had on the top line trends? That would be great.

Finally on capex was a lot lower than we were expecting. I think it was just about Rs. 10 billion, 1/10th of your annual guidance for capex. So, if you could give some color on that and how that should trend going forward?

Thank you. That is all I have.

S. P. Shukla:

I will take the first question, impact of MTC.

It was in line with the rest of the industry in excess of 4%, that is one. Roughly, Rs. 11 was the impact on our ARPU.

Second question was GSM ARPU's from the customers who have moved from CEP (customer experience program) to regular tariffs. During this quarter, CEP was phased out. January customers were migrated to regular tariffs in April; February customers in May, and March customers in June. So, we have again blended impact during this quarter with some being on new tariffs from the beginning and some being on promotional tariffs from the beginning. So, overall direction which we are seeing as a result of this blending, which has been phased out on 30th of June, is that we are probably at par with the industry ARPU's, no more or no less.

Gaurav Jaitley:

Mr. Shukla, if I could just follow up on the MTC, just real quick. What was the saving on the cost side that you had from the MTC?

S. P. Shukla:

That was also substantial. We had a saving also on because of our mix of fixed wireless as well as PCOs we had significant saving on that front also.

Arvind Narang:

Gaurav, regarding your capex query, we have significantly invested in the last 18–24 months and most of the capex initially when we are investing is required for coverage, and once the coverage is achieved then over a period of time you keep adding on the capacity based on the traffic and the subscriber growth. So, since we have already invested significantly on coverage, now going forward based on the business requirement and subscriber growth and of course looking into the traffic growth, we will keep investing on a modular basis. So, this will all be business prudence and based on that we will do that.

Gaurav Jaitley:

Sure Arvind, I totally understand that, but I was just wondering because your guidance was for a Rs. 100 billion in capex for the year and I think you have only spent about 1/10th of that in the first quarter, so is your guidance for the year does that still hold or is that going to be lower than that?

Arvind Narang:

Yeah, as of now that holds, and this is a budgetary guidance, if our business requires one can always modify the guidance up or down depending on our business requirement over a period of time or during the year.

Gaurav Jaitley:

Sure, thank you.

Punit Garg:

When you are looking at the Global revenues and foreign exchange portion of that, obviously the majority of our Global business income is in foreign exchange, but it has marginal impact on what you call as net interest income etc. in the top line.

Gaurav Jaitley:

No, my question was more on revenues that you report in rupees as they are translated at a lower rupee, I guess as the rupee appreciates, does that affect your growth rates for the quarter in the Global segment?

Punit Garg:

I think when you look at overall last quarter and you look at the foreign exchange fluctuation it has been very minimal in last quarter and it would not have any major impact

as far as foreign exchange loss or gain is concerned during the last quarter, and which would impact the overall top line of our Global business for consolidation for that matter. Thank you.

Operator:

Thank you sir. Next in line we have a question from Ms. Nupur Agarwal from UBS, please go ahead.

Nupur Agarwal:

Good evening sir, and thanks for taking my question. I have two questions.

One, impact due to MTC reduction; if you could quantify the impact on your mobile revenue and EBITDA margins.

Second, could you share your VAS revenues as a percentage of mobile revenue, because as I understand this should increase with the GSM launch, so I just wanted to check how has it moved?

S. P. Shukla:

We shared the impact was Rs. 11 on the ARPU, approximately 4% of the overall revenue, that is what we had to come down by in our top line.

Taking about VAS, yes our GSM customers will be contributing VAS in line with the industry that prevails. We began with prepaid launch as you are aware, so our first quarter was prepaid, we started launching post paid during the second quarter of the calendar year, so you will see that impact of VAS and your forecast is absolutely right, impact on VAS will be favorable as we run into this July – September quarter, you will start seeing higher VAS revenues.

Nupur Agarwal:

Okay, thank you sir.

S. P. Shukla:

Thank you.

Operator:

Thank you, madam. Next in line we have a question from Mr. Shubhum Majumder from Macquarie, please go ahead.

Shubhum Majumder:

Hi! I have three questions.

One is your total wireless network minutes was up by 8.5 billion on quarter-on-quarter basis to 83.3 billion, would you be able to give us any sense even in broader percentage terms, as what is the break up of this delta in increase in minutes of use on your network from CDMA and GSM? That is one.

Second is in terms of your ILD minutes is there any sort of trend or trajectory, you have seen a fairly strong growth after a while on a quarter-on quarter basis, is there something that we are seeing anything new in terms of a trend?

Three is if you could just talk about what exactly you plan to do in the Alcatel-Lucent JV, not very clear what you are targeting to do there and if you could give us some sense of how that impacts your numbers over the medium term?

My last question is on EVDO USB Data Card, if you could just throw in some numbers regards subscribers right now, what is the kind of subscriber acquisition run rate and the kind of ARPUs that you are getting and what sort of incremental capex or opex that entails? Thanks.

S. P. Shukla:

Thank you Shubhum, that is many questions.

Let me begin with the first question, minutes of usage. We do not look at our business, as we mentioned earlier, in terms of CDMA and GSM, we look at our business as overall wireless business where we have mobile customers, we have fixed wireless customers, we have PCO customers and we have data card users. It is these four segments, which we really see and depending upon the mix of mobile, fixed wireless, PCO and data card, blended ARPUs change from quarter to quarter. For competitive reasons we do not disclose the break up, but overall direction has been that in all the four segments minutes of usage for the network has grown, which is reflected in the overall numbers. On per subscriber basis, there are fluctuations across the four segments, which we don't disclose.

Shubhum Majumder:

Just talking about the overall volume of 8.5 billion rather than MoU per sub, I think MoU per sub is not really meaningful but if you could just give us some sense of the delta of 8.5 million, how that kind of breaks up very broadly?

S. P. Shukla:

In both the technologies usage has gone up.

Shubhum Majumdar:

Okay, and for the other questions, if you could just...

Punit Garg:

When we are talking about how the minutes are growing better than competition, it is a clear demonstration of our length and breadth of network in India and higher call completion which is directly resulting in the quality of the service which we provide to our customers, which leads to higher ASR, and of course our aggressive strategy at market place with Reliance Globalcom, which is well accepted. As I said there are 2 million subscribers enjoying that, and that is resulting into higher market share which we are cornering and ultimately, the growth in minutes, because as I have said that pressure is on the price which is per minutes and that is going down. Actually users are embracing more and more of Reliance Global Call product resulting into higher minute share by us. Thank you.

Arvind Narang:

Shubhum, this JV basically manages the active infrastructure including the RF optimization. The key objectives are #1, to improve coverage; #2, of course to improve network efficiency, and #3, is to use the spectrum efficiently to make sure that we optimize on the capex front. These are the three key objectives where JV plays the key important role.

Shubhum Majumdar:

Arvind, is it that basically is it like a complete network management and network build out contract where you are paying them on a granular minutes or erlang basis or is it just sort of more of a network management kind of a contract?

Arvind Narang:

It is network management, as you rightly said.

Shubhum Majumdar:

Okay. Is there any sort of financial implication, which is meaningful?

Arvind Narang:

Since this is competition sensitive information, I wouldn't be able to share anything specific in terms of the implication on the cost savings.

Shubhum Majumdar:

Okay, on the EVDO data cards?

Arvind Narang:

Again, related to the products specific details, we are not disclosing and it is again very competition specific in terms of information on ARPU and subscribers.

Shubhum Majumder:

Fair enough. If I could then just squeeze in one question which is, what do you think, Mr. Shukla, of TATA's launch on a per second pulse rate basis and their subscriber uptake rate is pretty good and they are taking price competition to completely different levels, any thoughts here and how would you respond if needed?

S. P. Shukla:

First of all we wish all our competitors good luck in all their launches. Second, there are already 6 or 7 GSM operators, 2 or 3 CDMA operators in every circle that makes 8 or 9 operators in every circle in India. When there were 2 operators and third came up, 3 operators and 4th came, that is one picture, and there are 9 operators and 10th comes that is another picture. So, intensity of competition is not increasing any more now.

Per second pulse has been tried out in the past. Reaction of customers has always been mixed. Some people say a very good idea if I need to call for 30 seconds I pay for 30 seconds, some others say who really speaks for less than one minute with such tariffs, so whether or not I will benefit, I am not sure. So, I believe Reliance has always given very innovative offers in the market place. You can count on us that there will be innovative offers coming from Reliance, which will address any competitive responses. Generally, it is we who do interesting things and rest of the industry follows, you can count on us.

Shubhum Majumdar:

Okay, thank you.

Operator:

Thank you sir. Our next questions comes from Ms. Reena Verma from Merrill Lynch, please go ahead.

Reena Verma:

Yes Hi! Thank you very much for the call and congratulations on your brand ranking. I have couple of questions.

Firstly, based on the data from the regulator, it appears that your CDMA net addition run rate has almost halved from where it was prior to the GSM launch. Is this as per plan, when you say you don't look at wireless as CDMA or GSM, can you please explain how you prioritize the marketing efforts in these two segments so to say of wireless, and can you

also please quantify what would be the pure CDMA investment in the gross investment that is reported by the company?

Also, my second question is on QIP issue for which you have an enabling approval, please can you help us understand what is broadly the target net debt to EBITDA or net debt to equity that you are kind of comfortable with in a 3G or no 3G scenario either way, and is the QIP contingent on 3G auctions happening or would you do it any which way? That is it. Thank you.

S. P. Shukla:

Let me begin by first thanking you on recognizing our most trusted brand status. Thank you so much.

Reena Verma:

You are welcome. Thanks.

S. P. Shukla:

You have inquired about CDMA, we generally do not give the break up, but what one can largely expect is that for a technology neutral operator like us who is operating on both the technology platforms, as we go forward, our subscriber acquisition will be inline with the industry. So, if the industry operates 85:15 ratios, we will be in that ratio. If industry operates 80:20 ratios, we will be in that ratio. So, it will be largely speaking in line with industry pattern.

You asked about capital expenditure, as you know going forward we don't talk about CDMA, GSM, but going forward most of the infrastructure investments are common whether it is towers, whether it is generators or whether it is AC, these are not technology specific investments, and electronics you add as per the capacity requirement and growth of the usage.

Reena Verma:

Mr. Shukla, my question was more about your gross investment to date in CDMA electronics. It is not about incremental capex. I am trying to assess how much have you invested on pure CDMA electronics to date and also since you are saying that at the margin now you will focus on CDMA for data cards and FWP, of the net adds of around whatever 600,000 subs that you are seeing now on CDMA, how much of it is data cards and FWP?

Arvind Narang:

Regarding your question on the investment, which is specific to the CDMA electronics, we will revert to you after checking with the accounts.

Reena Verma:

Okay, and on the subscriber numbers for data cards and FWP in terms of proportion of CDMA net adds?

S. P. Shukla:

That is the information, which is very sensitive from competitive perspective. We would rather have people guessing in our subscriber additions on CDMA platform, how many are voice customers and how many are data customers.

Reena Verma:

Mr. Shukla, when you fall from 1.4 million net adds a month on CDMA to 0.6, does anything change in your outlook on wireless?

S. P. Shukla:

We will have much more profitable operation, because I don't have to bundle minutes which I had to give with the devices or I would not have to indulge in that kind of handset related expenses.

Reena Verma:

And, can you just qualitatively tell me please whether you are still seeing attrition in that 0.6 million kind of number, is it still falling?

S. P. Shukla:

No, it is not.

Reena Verma:

Okay, thank you. And, on QIP please, if you don't mind?

Arvind Narang:

We have received the shareholders approval for the QIP. We will take the decision in the due course and we will keep everybody informed.

In terms of our net debt to equity, we are very comfortably placed. With net debt to equity of 0.59, and we have good cash balance, more than Rs. 9,000 Crores, and if there is 3G auction which happens on a short notice, we are the only operator in the country who have the readiness to participate in that.

Reena Verma:

So, is this approval only contingent on 3G auction getting underway and otherwise you don't need the money?

Arvind Narang:

The company could use it for any purpose, whether it is capex or related to the 3G, we had mentioned all these details in the QIP document, which we have sent to the shareholders. It is all specifically specified in that.

Reena Verma:

Yes sir, I am just trying to understand, it is a very large approval in terms of total amount of funds involved at your current share price, so I am just trying to understand, is this likely to happen or is it contingent on some event. How much money do you need?

Arvind Narang:

I don't think this is dependent on any event so to say, as you have seen the balance sheet both for March as well as for June quarters and our availability of cash, so it is not dependent on any specific events, this is based on company's requirement to raise funds for appropriate use, so it is not specific to any event happening.

Reena Verma:

Right, so what type of debt/EBIDTA ratio are you looking at on a post QIP basis and I will stop there in the interest of the call, but if you can tell us how are you going to assess whether you need to do it or you don't need to do it?

Arvind Narang:

These decisions ultimately would be taken by the board, so at this time we cannot comment specifically whether we will do it or in what time frame.

Satish Seth:

Reena, you would appreciate that a company takes cognizance of market situation as well as the growth opportunities. Considering both, the company always keeps an enabling resolution with itself to take an appropriate step at appropriate time. It is difficult to state that this would be linked to a particular event or a particular capex.

Reena Verma:

But would it be fair to say that your current balance sheet does not warrant a QIP?

Satish Seth:

That is up to you to really take a call, but I would not like to comment on your judgment.

Reena Verma:

Okay, thank you very much.

Operator:

Thank you, madam. Next in line we have a question from Mr. Srinivas Rao from Deutsche Bank, please go ahead.

Srinivas Rao:

I just wanted to clarify sir; this is based on the notes to the accounts. You mentioned that you want to reverse the impact on the forex, is it fair to say that your profit for the fiscal 09 will be minimal, because the reported profit of around Rs. 6,000 crore is almost equal to the forex losses which you have mentioned. I just want to clarify that. If that is true, you have also mentioned in the same notes to account that around Rs. 5,800 Crores have been withdrawn from the General Reserve, and hence there will be no impact on the profit for fiscal 09. Can you just explain us this particular note, which is the note 1 of your results?

Arvind Narang:

Srinivas, this is inline with AS-11 which we are following, so what regulator has notified that all the companies in India who have been using AS-11, the impact of the foreign exchange can be taken into the P&L. So the foreign exchange loss which was mentioned in the notes to account which was around Rs. 6,000 Crores is taken into the P&L and the same is adjusted in the General Reserves as per the guidelines of the regulator, which is also ratified by the Mumbai High Court.

So, on the overall P&L there is no impact on the profitability so to say because of foreign exchange variations.

Srinivas Rao:

Alright sir, thank you sir. One more question I have on the wireless side, I mean we have seen an improvement in your margins this quarter; will it be fair to say that we are seeing the impact of your GSM business actually bringing in the revenues whereas the costs were already there in your cost line?

S. P. Shukla:

It will be fair to say that our revenues have gone up in all the segments with GSM being one of the major contributors.

Srinivas Rao:

Can we expect some similar trend in margins going forward?

S. P. Shukla:

We don't comment on that, but we expect them to remain fairly stable, inline with the industry.

Srinivas Rao:

Okay sir, thank you sir.

S. P. Shukla:

Thank you.

Operator:

Thank you, sir. Next in line we have a question from Mr. Rahul Singh from Citigroup. Please go ahead sir.

Rahul Singh:

Good evening everyone and congratulations on a decent set of numbers. I had three questions. Firstly, on the mobile termination rate, just a follow up of the earlier question, you have told us at the gross revenue level, but in the cost side what was the savings, on a net level what was the gain which you made, because your inter connect, access charges and license fee has come down sharply during the quarter, so just wanted to get a quantification on that. And also on the revenue side, if you say that 4% was your impact, does it mean that if there was no MTC cut the revenue per minute would actually have gone up which is quite a surprise given that other companies are still seeing revenue per minute decline.

And the other two questions are more on the balance sheet, just wanted to get a sense on the current liabilities of Rs. 225 billion, how much out of that would be on account of equipment purchases that is equipment supply payables, and on the capital work in progress, it still remains pretty high at Rs. 11,000 Crores in fact higher than your full year capex guidance which is still to be invested in. So, when do you think this Rs. 11,000 Crores would be capitalized? Thanks.

S. P. Shukla:

First, about the MTC. Yes you are right that there could have been a small impact on our revenue per minute of the same order, a little over 4%. We should keep in mind that in Q4, we had free minutes offers running which had kept our RPM under pressure and now

with migration of those customers from free to paid raising both of them have to some extent offset each other's impact. So as I keep saying there are so many factors which effect MOU and RPM and some of them are counter balancing each other, that is why when you say quarter-to-quarter, it may not always be visible because of specific events of that quarter. On EBITDA level impact in our case has been minimal because we have a unique combination of product mix where we have a sizable PCO operations, we have a sizable datacard operations, as a result our mobile, FWP, datacard and PCO basis between incoming and outgoing while topline has been affected at EBITDA level that has not been any significant impact to talk about.

Rahul Singh:

Is it fair to say that at EBITDA level it would have been a positive impact?

S. P. Shukla:

Actually, not significant.

Rahul Singh:

Okay fair enough and the other two questions on capital work in progress and current liabilities.

Arvind Narang:

Rahul your question on the current liabilities break-up, we will get back to you, if that is okay with you.

Rahul Singh:

Yes and the capital work in progress, any sense of how and when that will be capitalized.

Arvind Narang:

There is a significant reduction in the CWIP which was over Rs. 19,000 crore as of December 31st versus it has come down close to Rs. 10,000 crore.

Rahul Singh:

Yes I noticed that.

Arvind Narang:

As we complete the other projects, whether they are in Enterprise, IDC, Globalcom, and other things which have been happening including in wireless which you are already familiar. So, we will keep you informed every quarter in any case on how this CWIP is moving. I can't give you any specific timeframe on that.

Rahul Singh:

Okay just one small clarification I want, confirmation, is that the depreciation because you have written back Rs. 6,000 crore from the gross block that would have reduced the depreciation for this year right?

Arvind Narang:

Yeah that is correct, the Rs. 6,000 crore which has been reduced from the gross block for FY09, so accordingly the depreciation impact during the year comes to around Rs. 325 crore and then this year of course there is an increase in the depreciation specifically in this quarter over Rs. 107 odd crore. So if you look at and do the working in terms of depreciation rate what we have been using which is 1.8% of gross fixed assets and 2.2% of net fixed assets, you will get Rs. 6-7,000 crore of reduction in CWIP.

Rahul Singh:

Okay thanks a lot.

Operator:

Thank you sir. Next in line we have a question from Mr. Vinay Jaising from Morgan Stanley, please go ahead sir.

Vinay Jaising:

Thank you so much. Sir just two questions on the financials and two on the businesses. Moving to the first question, if you can just tell us what this Rs. 10,000 crore of work in progress, which division it is in, I assume all your big projects are done and GSM is also virtually largely rolled out. If you can throw some light on that, that would be great.

Secondly I am assuming the forex debt which you all have is about Rs. 185 billion, if I take a Rs. 3 differential between the closing prices, the closing rupee-dollar rate, I get about Rs. 11-11.5 billion as write off as against your Rs. 6.2 billion of interest income which you have shown. So is it fair to assume a Rs. 5 billion cost for interest charges for the quarter.

Thirdly, if you could provide us in your wireless division the breakup between Infratel as well as the other business just broken up purely into two. And finally your Others loss in the EBITDA has gone up to about Rs. 1.4 billion, I get that is function of BIG TV but if you can throw some light on what to expect in the future out there. Thank you sir.

Arvind Narang:

Vinay the breakup of that is the composition all the existing business, and I would not be able to give you the specific break up by project at this point of time and may be we can revert to you on this specifically at a later date.

Vinay Jaising:

Sure sir. On the finance charges and the forex related question?

Arvind Narang:

The numbers are pretty much available in terms of foreign debt and the foreign exchange fluctuation during the quarter. It is all the working based on that.

Vinay Jaising:

So I am assuming that is what I said largely should be similar.

Arvind Narang:

Your number what mentioned seems to be on a higher side, yeah it is been there as part of AS-11 compliance and we had taken into the P&L.

Vinay Jaising:

Sure sir. The third question on the break up of infra business and wireless business. Is it possible to get that, I am sure on the annual report you will have that.

Arvind Narang:

You will have that in the annual report which will be coming out soon and the quarterly numbers are disclosed on SBU basis, which is currently being clubbed in the wireless, so I would not be able to give you the breakup of it.

Vinay Jaising:

If you can give us last year's breakup that is great, if that is possible.

Arvind Narang:

I can get back on that.

Vinay Jaising:

Sure sir. The last question on Others cost. If you see your EBITDA, your contribution to EBITDA there is a big loss in Others, if you can throw some light out there. Out of your Rs. 24.61 billion of EBITDA there is a loss of Rs. 1.381 billion of Others.

Arvind Narang:

Largely these have been the additional expenses, which are there on the Corporate side as well as on the Home business, which is part of Others currently.

Vinay Jaising:

Is this sustainable; is this going to coming down, anything out there?

Arvind Narang:

Over a period of time, of course the DTH will become profitable, so to that extent it will get appropriately reversed, from a directional point of view.

Vinay Jaising:

Correct sir, this is very helpful. Thank you.

Operator:

Thank you, sir. Next in line we have a question from Mr. G .V. Giri from IIFL Capital, please go ahead sir.

G .V. Giri:

Thank you very much. #1 your operating cash flows are about Rs. 1,600 crore or about Rs. 1,800 Crores before working capital change. It used to be around Rs. 2500 crore or equivalent of Rs. 25 billion about 4-5 quarters back. So do you see this number going up back to the old levels in the next few quarters?

#2. Your FX gains this quarter, would you be able to throw some light on how much of that is your realized and unrealized gain?

#3. Your net debt gone up slightly but in the cash flow statement the interest outgo has fallen somewhat sharply what explains that?

And #4. The global business seems to have a sharp uptick in cost. So those are my questions.

Punit Garg:

On the Global business, as I said during the call, voice termination cost has gone up in ILD inbound from 30 paisa to 40 paisa per minute, so that has been one difference which comes in the cost and second as I said in the wholesale market we have been bringing more voice minutes into India as you have seen there is growth, obviously our termination charges have increased which is also there in the cost. So these two factors actually contribute to increase in the cost currently in the ILD segment.

Arvind Narang:

On the operational cash flow, yes as business continues to grow it will come back to the similar level directionally. So it is very much in line with that. I did not get your question on the net debt. Can you just repeat that?

G .V. Giri:

In your cash flow statement the interest paid out seems to have come down, where as your net debt has not really come down, so I was just trying to match the two.

Arvind Narang:

I think this we had earlier explained in terms of the composition of the interest income. I can again probably discuss in detail and give you the view on that.

G .V. Giri:

Sure and sir the realized and unrealized FX gain.

Arvind Narang:

See all these loans are long-term loans and payments start from the year 2012-13 onwards. So these are all mark to market unrealized largely in terms of treatment on the P&L based on the AS-11. So that is the broad way to look at that.

G .V. Giri:

Okay thank you very much.

Operator:

Thank you, sir. Our next question comes from Mr. Anirudh Gangahar from JM Financial, please go-ahead sir.

Anirudh Gangahar:

Yes thank you. Three questions; could you quantify the impact of the IUC on the broadband division that is question one.

Question two, could you kindly explain what modular capex means that was mentioned on the call; if you can just elaborate upon it because only 10% of capex guidance was spent. What more modularity are we looking at and how this would pan out.

And the third question, could you just provide us the proportion of value added services as a percentage of revenues, it was not been provided for the last two quarters that will be very helpful. Thank you.

George Varghese:

Our termination charges for the broadband, it has had a negative impact on the quarter numbers, may be Arvind can get back on the exact numbers, but it has negative impact.

Arvind Narang:

Anirudh, the modular capex basically means when you set up a wireless network, which is initially always with the coverage perspective. So when you rollout BTSs and do the coverage mapping, you by default get certain capacity as part of that rollout. During that phase most of the capex gets spent. After that one spends additional capex based on the traffic growth and keep inserting the additional transreceivers till you reach the optimum level or saturate that particular base station; that capex is very, very modular or relatively minimal versus what was spent when you are rolling out a network for the coverage that is what I meant. When we have spent significant capex for meeting our coverage requirements then going forward it will be relatively spent on the capacity requirement which is going to be incremental and modular in nature and will be much lower than what we have spent for the coverage requirement. This is in line with our guidance which we have been always saying that now the capex intensity or peak of the capex intensity is behind us and going forward this will continue to keep coming down. This is what I meant that time in terms of modular capex.

Anirudh Gangahar:

Sure and Arvind this would be applicable across divisions or only for wireless.

Arvind Narang:

It is applicable for wireless and Infratel largely.

Anirudh Gangadhar:

Okay if you can just please help us with the VAS as a percentage of revenues that will be very helpful.

S. P. Shukla:

Normally we do not discuss VAS as a percentage of revenue but in CDMA side we have had high percentage of non-voice usage because of unique USP of CDMA that it allows far superior data capacity and with the inclusion of GSM all the percentages start becoming on blended basis and therefore talking about this percentage of VAS as total percentage seems to be a meaningful parameter.

Anirudh Gangadhar:

Sir I was just trying to get through your non-voice revenues and ARPUs, because clearly the MTC would not have impacted those and this particular data point was available to us until your GSM launch. Are we going to be getting this number sometime when the GSM subscriber base stabilizes, is that what we should wait for?

S. P. Shukla:

Yes definitely, as the GSM base stabilizes, once the index becomes meaningful, we will discuss about sharing it.

Anirudh Gangadhar:

Sure thank you sir.

Operator:

Thank you sir. Due to time constraints, we are sorry to say that we will not be able to take further questions.

Satish Seth:

Thank you everybody for joining on the earning call. I look forward to have a discussion with you in the next quarter, second quarter earnings call sometime in the October 2009. Thank you.