



## **RELIANCE COMMUNICATIONS LIMITED**

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**Transcript of Earnings Conference Call for the Quarter ended March 31, 2012**

**Conducted at 12.30 pm IST on May 28, 2012**

**Operator:**

Thank you for standing by and welcome to Reliance Communications' global earnings conference call on the Reliance Audio Conferencing platform.

This is Hema, the moderator for this conference.

At this time, all the participants are in 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.

Today, we have the senior management team from Reliance Communications led by Mr. Punit Garg along with other colleagues namely Mr. Shamik Das, Mr. Sanjay Behl, Mr. Arvind Narang, Mr. Hasit Shukla and Mr. Suresh Rangachar.

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

I hand over the call now to Mr. Punit Garg. Thank you.

**Punit Garg:**

Thank you, Hema.

It is a pleasure to once again welcome you all to this earnings call to discuss Reliance Communications' financial performance for the quarter ended March 31st, 2012.

On Saturday i.e. May 26th 2012, our Board of Directors adopted the audited results for the financial year 2011-12 ending March 31st, 2012. The Media Statement, Quarterly Report and The Results have been uploaded on our web site and I Hope you got a chance to go through the same.

Let me start by sharing the key highlights for the quarter:

1. **Revenue:** RCOM consolidated revenue stood at Rs. 5,310 crore, as against Rs. 5,055 crore in Q3, up by 5%
- **EBIDTA:** RCOM consolidated EBIDTA margin at 30.7%, amongst the highest in the industry
- **Wireless Revenue:** RCOM wireless revenue stood at Rs. 4,506 crore, as against Rs. 4,447 crore in Q3, up by 1.3%. We have not booked Etisalat DB (EDB) tower

tenancy revenues in the current quarter, if included, the 4Q wireless revenue would have been higher by 4.3% as compared to previous quarter

- **RPM:** Our RPM stood at healthy 43.6 paisa, amongst the highest in the industry. We have successfully achieved RPM stability amidst increasing competition and over supply of minutes in market place. Our total RPM drop over last 8 quarters has been 1% vs. significantly higher drop for rest of the players in the industry
- **GEBU Revenue and EBIDTA:** In our Global Enterprise Business Unit, we achieved revenue of Rs. 2,440 crore as compared to Rs. 2,352 crore in Q3, a growth of 3.7% and increased EBIDTA to Rs. 589 crore as compared to Rs. 569 crore in Q3, a growth of 3.5% quarter on quarter.

2. **Free Cash Flow and debt management:** RCOM continues to be Free Cash Flow positive in this quarter. This financial year is the first full year of positive free-cash-flow, and this trend shall continue in succeeding years.

- All major projects have been implemented and peak capex is behind us. All future Capex requirements are only incremental and focused on network quality, capacity, enterprise data center and wireless data growth
- During the quarter, RCOM paid its FCCB's worth US\$ 1.18 billion (approximately Rs. 5,825 crore) and refinanced it by entering into an agreement with Industrial and Commercial Bank of China Ltd. (ICBC), China Development Bank Corporation (CDB) and Export Import Bank of China (EXIM). RCOM is benefiting from extended Loan Maturity of 7 years and an attractive interest cost of about 5%. This is the largest refinancing in the history of FCCBs by any Indian Corporate.
- We are evaluating a potential initial public offering and listing in Singapore of our subsea telecommunications infrastructure network business, through a Singapore business trust.
- Now an update on Infratel transaction, we continue to engage with potential investors in order to complete the transaction and DoT & TRAI are working on issues related with Spectrum Auctions and Licensing Guidelines. Once the clarity emerges on various pending regulatory issues, then transaction will proceed further.

**Financial Performance:**

- Consolidated Revenue at Rs. 5,310 crore against Rs. 5,055 crore (q-o-q), a growth of 5% over last quarter
- EBIDTA at Rs. 1,632 crore as against Rs. 1,614 crore in last quarter, a growth of 1.1% quarter on quarter
- EBIDTA margin at 30.7% is one of the highest in the industry

- Net profit of Rs. 332 crore, against Rs. 186 crore in Q3, up by 78%
- On the capex front, we have spent Rs. 433 crore during Q4.

Let me brief you on some of the initiatives taken by RCOM, which shall have positive impact on RCOM's performance:

1. **RCOM – Google Partnership:** Reliance Communications has always been a pioneer in innovating and re-inventing the telecom ecosystem in the country. In our endeavor to provide unique value propositions to our customers, we have tied up with Google to exclusively market Android devices in India over our superior 3G network for the next 2 years. Through this strategic collaboration with Google, we will market the Android mobile operating system and Google Mobile Services in order to promote the usage of Android devices in the country. In line with other such collaborations in mature markets like USA, Japan and Australia, Google has associated with RCOM to leverage the pan India high quality Reliance network, especially the superior Reliance 3G network along with the fastest growing Android mobile platform to deliver leading-edge mobile applications, services and devices.
2. **Reliance 3G and CDMA Tablets:** The market is witnessing an explosive growth in the Tab market and with the launch of 'Reliance 3G Tab' we are now an established player with substantial market share of Tablet market. There was an express need from the Enterprise Segment for a Tablet that will allow seamless roaming across the country. Embracing the success of the Reliance 3G Tab, we have launched India's first CDMA Tab. With this launch, Reliance not only emerges as the first telecom operator in India to offer Tablets on both the 3G and CDMA networks but it further strengthens its leadership position in the space. The Reliance CDMA Tab is supported by its superior high speed CDMA network having presence in over 1,000 towns in the High Speed Data mode and over 20,000 towns on 1x mode across 22 circles in the country providing seamless Pan India connectivity. The device is priced attractively at Rs. 12,999 and is further bundled with attractive monthly and annual data plans.
3. **TRAI Quality of Service Report:** It has been our constant endeavor to provide a high standard of customer and network experience across all our services. To deliver this experience and meet the growing expectations, we have gradually enhanced our network capabilities through various initiatives and improvement programs over the last one year. This is also recognized by the apex industry body TRAI on calibrating 'Quality of Service'. We are pleased to share that as per QoS report published on April 13th, 2012; RCOM has met TRAI's QoS criteria in ALL the 22 circles. TRAI has rated RCOM's network as No.1 in 18 out of 22 circles for 'Lowest Call Drop Rate' across operators and also rated amongst Top 3 in 18 out of 22 circles for 'Best Call Set-up Success Rate'.

## **Industry update and Key regulatory developments**

Last quarter, honorable Supreme Court pronounced its judgment cancelling 122 licenses issued after 10th January, 2008. This has not reduced the competitive intensity in the market place, which continues to remain highly competitive and is already reeling under inflationary cost pressures and over supply of minutes.

Overall, in the 4th quarter, the new subscriber acquisitions have remained steady for the Industry. The industry added 22 million wireless subscribers as compared to 21 million in Q3. The total wireless subscriber base as on 31st March 2012 stands at 911.5 million. For RCOM also, subscriber acquisitions have been in-line with the industry in the fourth quarter. We added 3.0 million subscribers in the quarter. RCOM's total subscriber base stands at over 153 million, maintaining a share of 16.8% of total customers.

Recently, the Telecom Regulatory Authority of India came out with recommendations on auction of spectrum and other related issues. RCOM's views on these recommendations have been expressed through AUSPI and our response to the TRAI's consultation on the subject is available in the public domain. We are constructively engaged in the consultation process and we do hope that the outcome is going to be forward looking and positive for both, the consumer and the telecom sector. We look forward for a level playing field with equality for all operators and thus removing distortions in various areas in the past. We would like to mention that at this stage, these are recommendatory in nature and a final decision will be taken by Department of Telecommunications and Empowered Group of Ministers.

## **Let me now share with you the financial and operational performance of our wireless business.**

- Wireless revenue for the quarter stands at Rs. 4,506 crore, against Rs. 4,447 crore in Q3, up by 1.3%; on comparable basis up by 4.3%
- EBIDTA stands at Rs. 1,202 crore against Rs. 1,182 crore
- We have continued our increased focus on data: we now provide high speed data coverage in over 1,300 towns
- We serve over 20 Mn data customers and ~ 3.2 Mn active 3G customers, which is highest in the industry
- With this footprint and superior quality network, RCOM leads the 3G data market space and would continue to drive this consistently. Our non-voice revenue contribution to overall revenues is at 20% and amongst the highest in the industry.

I would like to share some important developments in the Wireless business segment during the quarter:

1. **Wire Free India:** In line with our 'Wire-free India' vision and leadership position in providing wireless broadband products and services in the country, RCOM is now the only nationwide private operator to offer seamless Wireless Broadband experience on its own network in over 1,300 top towns across the country as of March 31, 2012 including key metros. This includes about 333 towns in 13 circles (including Delhi, Mumbai and Kolkata) in 3G and over 1,000 towns on HSD Network.

This coupled with our extensive 1X Data presence offering high quality internet connectivity in 20,000 towns has positioned RCOM extremely well to take advantage of the rapid increase in data consumption across the country.

2. **My Best Plan:** RCOM launched "My Best Plan" across India on both HSD and 3G platforms. With this product, the customer will only pay for the actual data usage. The plan automatically adapts to the customer's usage pattern and charges the lowest bill amount for the data he has used. With this plan, we intend to reduce customer's bill shock and thus increase customer stickiness on RCOM Network.
3. **Image-based CAF processing:** We launched industry's first image-based CAF Processing Process enabling the fulfillment process in CRM, based on scanned image of CAF instead of the physical document. With this, there is reduced processing time due to real-time image transfer from remotest distributor to Central CAF Processing Unit. Customer queries on CAF Quality can be addressed the same day by the distributor due to on-line visibility of CAF Status, thus enabling customer servicing with cost efficiency. This is a futuristic technology which can be extended to fetch CAF images from retailers in the future.

#### **Let me now cover the non-wireless businesses.**

In our Global Enterprise Business Unit, we achieved revenue of Rs. 2,440 crore as compared to Rs. 2,352 crore in Q3, a growth of 3.7% and increased EBIDTA to Rs. 589 crore as compared to Rs. 569 crore in Q3, a growth of 3.5% quarter on quarter.

#### **Carrier Business**

Fourth quarter witnessed strong sales order booking in Carrier Data business. We have booked sales orders of Rs 364 crore in Q4 FY 2011-12.

We launched a new Ultra Low Latency (ULL) route on FA-1. This express route, designed with specific end points at US and UK, offers the lowest Round Trip Delay (RTD) of 65 ms for high frequency algorithmic trading communities to conduct their transactions seamlessly and securely. With the introduction of our new ULL route on FA-1 North we are now best positioned to open a world of opportunities for our customers, especially from the world's leading financial services firms, in meeting their ultra low latency

requirements to gain a significant market advantage. This offering also allows us to deliver superior value to customers seeking our connectivity services for Content Delivery Network (CDN), Disaster Recovery, and Storage Area Networking.

The demand for higher IP Transit bandwidth (Gbps) has been increasing continuously due to rising broadband penetration and increasing use of multimedia rich Internet content. In order to support increasing Internet bandwidth requirements, high end carrier grade routers have been deployed at the Tokyo, Taipei, Hong Kong, Mumbai, Dubai, Paris, London and New York IP POPs. These high end routers support Terabit bandwidth with 10 GigE ports.

We have also augmented 320Gbps capacity each on North and South route & added further 300Gbps capacity within the Gulf loop to meet the growing demands for capacity from our customers.

In the National Long Distance business, we signed orders of more than Rs. 106 crore primarily from Bandwidth sales to private service providers.

### **Enterprise Business**

In India, USA and Europe, we have received sales orders of over Rs 350 crore in Q4 FY2011-12.

The Enterprise service business continues to win big deals in India. In India, Enterprise business has signed contracts of over 800 crore and added more than 100 new logos.

We are empanelled as an ISP for the prestigious UID project. This strengthens our commitment to provide seamless connectivity services for UID Enrolment Agencies, across India.

We remain preferred integrated solution provider for Enterprises and Multinational companies in India and abroad.

We continue to bringing in leading edge services like Application Aware Networking, Managed Security services and Cloud based services like Managed Storage, Software as a Service for our Customers.

Our Q-o-Q success in the government vertical continued as we bagged order to provide Internet (DIA) and leased line services to National Information Center and Unique Identification Authority of India among other orders. We have acquired several other logos in the Enterprise space notably, (i) Some of the most reputed banks in India (ii) One of the leading service provider of conferencing solution (iii) a leading Indian travel company (iv) Top reputed IT companies having world-wide reach.

We expect strong and continued growth in the Carrier and Enterprise space from both India and outside India. A strong sales pipeline in the carrier business driven by an

increasing demand of bandwidth in Europe, Middle East and Asia will drive top line and profitability. India business will continue to focus on winning key orders and projects in its key verticals, the Government and Financial services.

**On to Capex:**

On the overall capex front, during the year, we have spent Rs. 1,499 Crore, which is in line with our guidance of Rs.1,500 crore for FY12.

Similar to FY2011, our FY2012 capex has been funded through internal accruals. With the peak capex behind us, we would continue to stretch and sweat our assets to produce higher productivity and invest optimally in high growth areas like data services, to enhance value for all stakeholders. We are expecting to spend Rs. 1,500 crore on capital expenditure during FY13 and shall continue to generate free cash flows. All our future capex requirements will continue to be met through internal accruals.

**To summarise:**

1. We are at the forefront of creating “Wire-free India” by offering seamless wireless broadband experience in over 1,300 towns across the country.
2. We have partnered with Google to exclusively market Android devices in India for the next two years
3. We are driving growth of paid minutes and have maintained a healthy RPM for last 8 quarter
4. Maintaining healthy trend in our Global Enterprise business backed by robust demand for bandwidth, managed services and enterprise outsourcing
5. We continue to deliver strong margins at 30.7% EBIDTA and are FCF positive for the quarter & for the year.

Finally, I would like to say that RCOM will pursue strategies that shall help the company to achieve profitable growth through innovative product portfolio, superior network experience and customer centric approach.

Thank you.

And I would now like to hand you back for the Q&As.

**Moderator:**

Thank you Sir.



We will open the call for Q&A. We request all of you to focus on key strategic and business issue. We also request each participant not to ask more than two questions and provide an opportunity to call the participants to interact with the management.

Participants, now if you wish to ask any questions, please press \*1 on your telephone keypad and wait for your name to be announced.

First in line, we have Shobhit Khare from Motilal Oswal Securities. You may go ahead please.

**Mr. Shobhit Khare:**

Good afternoon, Sir, and many thanks for the opportunity. First, I wanted to understand that, if we adjust for tower revenue then did we see an increase in wireless RPM on a QoQ basis? Secondly, there is a lot of variation in the operating cost across line items. Could you clarify if there is some restructuring being done here or what else is the reason? And lastly the depreciation cost has again seen a decline. The gross block is now nearly Rs. 1 lakh crore but the quarterly depreciation is less than Rs. 1,000 crore. So is this run-rate sustainable or we should see a higher depreciation to gross block going forward?

**Mr. Arvind Narang:**

On the line items of P&L which you have asked, the higher deviation or variation is basically in the network operating cost, which has increased by Rs. 342 crore or up by 23%. Shobhit, there has been a year-end maintenance pay out for wireless and for the Global Enterprise business which generally happens in Q4. Even in the last quarter of the previous fiscal year i.e. Q4 FY11, the network operating cost was higher by around Rs. 300 crore. Due to the same reason the network operating cost in this quarter is higher as well.

The depreciation is in line with the last quarter. It is down by about Rs. 8 crore. If you look at the notes to accounts mentioned in the quarterly report, based on the MCA guidelines and approvals which we have received, the useful life of towers has now

been changed to 35 years. This is in line with the other major Infrastructure and Tower companies. We have also aligned the RITL policy of depreciation to straight line method as followed by the parent company, RCOM. Due to this effect, depreciation in Q4 is in-line with the Q3 depreciation and likely to remain in this range going forward.

**Mr. Shamik Das:**

Regarding RPM, you will see that the wireless business is delivering rock solid RPM for the last 8 quarters, which is 43.6 paisa in this quarter and we have continued to maintain the RPM primarily focusing on the growth of the paid minutes over a period of time. This has also helped us to grow the revenue quarter on quarter and also deliver a healthy margin. We are focusing on wire-free India, and the data revenue, which at about 20% is contributing highest in the industry.

**Mr. Shobhit Khare:**

Okay Sir, thanks a lot and all the best.

**Moderator:**

Thank you, Sir. Next in line we have Anirban Roy from Morgan Stanley. You may go ahead please.

**Mr. Anirban Roy:**

Thank you for the opportunity, Sir. What was the 3G ARPU in the data business this quarter? Why has the deferred taxes sharply increased?

**Mr. Shamik Das:**

Anirban, we do not separately provide 3G ARPU. We have a very large data network of 3G, HSD and 1x. We have the highest 3G active customer base in the industry at about 3.2 million within a very large number of data users. We continue to track our consumption of data and voice and how that portfolio mix is improving quarter on quarter.

**Mr. Anirban Roy:**

What is the non-voice percentage of your overall revenue?

**Mr. Shamik Das:**

Non-voice revenue constitutes ~20% to our total revenue.

**Mr. Anirban Roy:**

Okay, so the run rate of 20% is maintained like the previous quarters you are saying.

**Mr. Shamik Das:**

Yes.

**Mr. Anirban Roy:**

Okay and the deferred tax, sir?

**Mr. Arvind Narang:**

Deferred tax liability has increased on account of inter-company transaction. Deferred tax liability is required to be recognized in accordance with applicable accounting standard. While following the principle of prudence, deferred tax asset is not recognized.

**Mr. Anirban Roy:**

Okay. Thank you.

**Moderator:**

Thank you Sir. Next in line we have Suresh Mahadevan from UBS. You may go ahead please.

**Mr. Suresh Mahadevan:**

Good afternoon and thank you for the opportunity. I have a couple of questions. Firstly, there is a significant reduction in the shareholders equity, almost 10%, and correspondingly there is a significant reduction in the total fixed assets. Could you explain that? My second question is for Mr. Shamik Das. You have recently taken over as

the wireless head. I just wanted to hear the broad frameworks of your strategy, how you plan to grow wireless revenues, knowing that this quarter has been quite a promising start. Thank you.

**Mr. Shamik Das:**

Suresh, coming first on the wireless strategy part; as a strategy to make a wire-free India RCOM has taken significant steps. We cover more than 1,000 HSD towns, 333 plus 3G towns, and almost 20,000 towns on 1x through our seamless data coverage. In 3G network, our active customer base is growing. So as a strategic initiative we continue to drive a consumption growth in the consumption applied minutes quarter on quarter, which is keeping the RPM stable and steady We then focus on the growth of data revenue. We believe, where the voice is today, the data needs to go there. We are seeing a consumption pattern which is seamlessly migrating the consumption of data relating to entertainment, commercial application, education and others to the mobile devices. Simultaneously, we are developing the device ecosystem through our network. We are first in the industry to launch the proprietary tabs. We have launched 3G tab as well as the CDMA tab. The growth of smartphone is taking place exponentially across, and Reliance is working on developing this device ecosystem further to increase consumption of both voice minutes as well as data to enhance and grow the revenue.

**Mr. Arvind Narang:**

Suresh, as given in notes to accounts, there has been a decrease in reserves by approximately Rs. 3,200 crore largely due to foreign exchange variations of about Rs. 1,572 crore charged to P&L and withdrawn from reserves; withdrawal from reserves on account of receivables (including, in particular, dues from telecom operators whose license are cancelled, pursuant to the supreme court order) of Rs. 1,107 crore; withdrawal from reserves of Rs. 651 crore of deferred tax liability on account of inter-company transactions, and other withdrawals.

**Mr. Suresh Mahadevan:**

Okay. Thank you.

**Moderator:**

Thank you Sir. Next in line we have Srinivas Rao from Deutsche Bank. You may go ahead please.

**Mr. Srinivas Rao:**

Hi, thank you very much. Your SG&A costs, not just for the quarter but during the entire year have trended down. Looking at the last eight quarter trend, and given the competitive intensity, please explain this downward movement in SG&A? Secondly, please explain the tax and the minority adjustment happened in this quarter. Finally, the depreciation for the Global Enterprise business seems to have come down sharply in Q4. Please explain the same.

**Mr. Arvind Narang:**

Let me take the first one on your tax. There are certain provisions of earlier tax liabilities which are no longer required, as the assessment is completed. Hence it has been reversed. On your question on minority interest; as part of our global business restructuring one of the overseas subsidiaries has consolidated its holding in its step down subsidiary resulting in the reduction in the proportionate shares held by the minority, which is a gain of around Rs. 119 crore.

**Mr. Sanjay Behl:**

On SG&A cost, over the last three or four quarters the quality of our customer additions have been improving month on month and that has led us to have a higher quality of customers coming on our network.

**Mr. Srinivas Rao:**

Fair enough. Thank you.

**Moderator:**

Thank you, sir. Next in line we have Rajiv Sharma from HSBC. You may go ahead please.

**Mr. Rajiv Sharma:**

Hi. I have couple of questions. Firstly, can you help us with your capex guidance for the coming year? Secondly, the network maintenance charge which is there in Q4 both this time and last year, is this something which is going to be recurring always in the fourth quarter and can you just help understand why we don't as a accounting method spread it or amortize it over all four quarters every fiscal if it is a known cost every year?

**Mr. Punit Garg:**

On the first one i.e. capex, Rajiv, as we shared earlier in the speech, our capex guidance for next year is in line with the last year, we would be spending around Rs 1,500 crore largely for our network capacity improvement, quality improvement, data services penetration and our Indian data centres.

**Mr. Arvind Narang:**

On your question on the network cost, yes it has been there in the previous year as well as in this year, but if you look at previous quarters, 8-10 quarters on an average basis, our network cost has been in the range of around Rs. 1,500 crore. There is some variation among quarters which is likely to be there. It also depends on certain agreements with the vendors or our other partners based on the SLAs which they need to adhere to. So certain payouts are variable in nature and can happen based on the agreement that is there between the parties.

**Mr. Rajiv Sharma:**

Thank you Sir. My next question is a follow-up question on the TRAI recommendations. From an RCOM perspective what is it that you are not happy with the TRAI recommendations, means which are the aspects? And will you even consider participating for additional spectrum of at least one block of 1.25MHz in areas to go up to 6.2MHz?

**Mr. Punit Garg:**

Rajiv, RCOM's views on these recommendations have been expressed through AUSPI and our response to the TRAI's consultation on the subject is available in the public domain. We are constructively engaged in the consultation process and we do hope that the outcome is going to be forward looking and positive for both, the consumer and the telecom sector. We look forward for a level playing field with equality for all operators and thus removing distortions in various areas involved in the past. We would like to mention that at this stage, these are recommendatory in nature and a final decision will be taken by DoT and Empowered Group of Ministers. So let's wait for that.

**Mr. Rajiv Sharma:**

Sir, last question; did I hear correctly that currently your accounting life for tower assets is 35 years and if you can also help me with your 3G BTS numbers?

**Mr. Arvind Narang:**

If you look at the notes to accounts we have mentioned there that RITL has provided depreciation in its Standalone Accounts on telecom towers at 2.72% under straight line method over the useful life of the asset, and this is in line with other major infrastructure and tower companies.

**Mr. Punit Garg:**

Our 3G BTS sites are over 11,200.

**Mr. Rajiv Sharma:**

Is this is pure 3G, and does not include CDMA high speed?

**Mr. Punit Garg:**

Yes, these are just 3G sites.

**Mr. Rajiv Sharma:**

Thank you Sir, thank you very much.

**Moderator:**

Thank you Sir. Next in line, we have Sachin Salgaonkar from Goldman Sachs. You may go ahead please.

**Mr. Sachin Salgaonkar:**

Hi, thank you for the call. Sir I have two questions. Firstly, in the previous conference calls you had mentioned that there were ongoing discussions with Reliance Industries on potential tower sharing or maybe fiber optic sharing. Please provide an update on that. Secondly, is there any particular reason why you are looking at Singapore in specific for listing of your undersea cable business? Thank you.

**Mr. Punit Garg:**

On your first one; as mentioned before, we continue to engage with all the operators including Infotel. As and when we sign a contract and if it is allowed by the customer we would certainly announce it. To answer your second question; the subsea cable business is being evaluated to be listed in Singapore. We are planning to do it through a business trust under Singapore law and a business trust which is formed under Singapore law has to be listed in Singapore itself.

**Mr. Sachin Salgaonkar:**

Okay, Sir. Thank you.

**Moderator:**

Thank you, Sir. Next in line we have Reena Verma from Merrill Lynch. You may go ahead please.

**Ms. Reena Verma:**

Hi, thank you very much for the call. I have a couple of questions. Firstly, a follow-up on your undersea cable listing plans. Why do you think this is a good time to list the business? Did you have preliminary discussions on valuations? Please outline for us what is driving this decision, because there hasn't been such a listing in many years? I



also wanted to understand your assessment of investor appetite and your timeframe for executing this transaction.

**Mr. Punit Garg:**

Reena, we are evaluating a potential IPO of our Subsea Telecommunication Infrastructure Network business. In the evaluation process we go through the investors' appetite which also decides the timing. As you rightly said, there are fewer listed companies giving good yield. We would be able to say more on this when we decide to proceed with this transaction. However, our objective is very simple. We believe that this business has matured and stabilized in its income over the years and it would be a good and attractive offer for investors because the proceeds of it would help us to reduce our debt as well as the high interest cost.

**Ms. Reena Verma:**

Punit, thank you for that. A quick follow-up, what kind of long term free cash yield you think this business can generate?

**Mr. Punit Garg:**

It would be in line with other telecom companies; if not better it would be in line with the other telecom companies as business trusts are listed on Asian stock exchanges.

**Ms. Reena Verma:**

Okay. Thanks.

**Moderator:**

Thank you Sir. Next in line we have Rama from Daiwa. You may go ahead please.

**Mr. Rama Maruvada:**

Hi, good afternoon. I have two questions. Firstly, with regards to your debt on the balance sheet, what percentage of the foreign currency debt is hedged? What is the composition of this debt? Is it all in US dollars? The second question is; what is driving the movement in the total fixed assets that have reduced by approximately Rs. 3,500

crore from Q3 to Q4? Is it only because of the rupee that has strengthened in the last quarter, as mentioned in your notes or is there anything else? Thank you.

**Mr. Arvind Narang:**

Yes, the foreign currency loan is largely in US dollars. We have a dynamic hedging policy and accordingly based on the framework and the outlook we take calls on that. The movement in foreign currency loan is mainly due to the foreign exchange movement as mentioned in the notes to accounts. Also, the movement in Gross Block is largely on account of foreign exchange movement only.

**Mr. Rama Maruvada:**

Okay, so since in this quarter we saw rupee actually depreciating, will the foreign currency loan actually move up by next quarter, if that continues to be the case?

**Mr. Arvind Narang:**

Yes, the same can be correlated even with Q3.

**Mr. Rama Maruvada:**

Okay, understood. Thank you very much.

**Moderator:**

Thank you Sir. Next in line we have follow-up question from Srinivas Rao of Deutsche Bank. You may go ahead please.

**Mr. Srinivas Rao:**

Thank you. I have two questions. You mentioned in the opening comments about exclusive arrangement with Google for Android. What is exclusive about the arrangement, as we can see fairly large step-up in marketing on that? Secondly, do you have any ICR arrangements with any other player in the sector for data or voice roaming?

**Mr. Sanjay Behl:**

Okay, on the first question on exclusivity with Android; the exclusivity is to market any Android services/applications in Indian market for a period of 2 years from now, which will include some of the lead devices that Android decides to work with, Google certified devices, with any vendor across the world. For example, to be specific, if Google Android decides to work with Samsung to launch a new device called Nexus, then RCOM will have exclusive marketing rights for that particular device and distribution in India. So for the entire operating software as well as any lead device that Android or Google certifies for launch in India, the marketing rights are with Reliance Communications. It does involve certain give and take and the give and take is in terms of promoting the Android platform in India on behalf of Reliance, and from Android perspective it involves developing a few applications which are customized only for Reliance ecosystem and are housed on Reliance phones. So there are some give and takes in terms of the ecosystem that we will develop as developers with Android system.

**Mr. Srinivas Rao:**

Thank you. This is helpful, Sir.

**Moderator:**

Thank you Sir. Next in line, we have a follow-up from Rajiv Sharma from HSBC. You may go ahead please.

**Mr. Rajiv Sharma:**

Hi. My question is for Mr. Punit Garg. Sir, with the TD-LTE launch by Bharti and its recent Qualcomm partnership, and also after a lot of market checks, all the players are increasing their investment in fiber. For RCOM, the fiber with tower assets has been one of their forte, but the capex has not been significantly on the higher side for the last couple of years. So do you see lot of your competitors catching up on fiber, and with your current capex allocations not being towards fiber, would this advantage get narrowed down over the next 12-18 months?

**Mr. Punit Garg:**

Rajiv, we all know that the ecosystem of 4G is still evolving. Operators are still looking at their business case and justifying what they have to spend. We certainly stand at an advantage over there. Also, most of these operators who have the licenses with them are in active engagement with us and they are discussing opportunities of infrastructure which includes our towers as well as the fiber. I think that all these operators are at least three - four quarters away from launching their services and keeping their network readiness. And, as these operators get ready one would certainly see those advantages flowing into our revenues as well.

The whole pie of wireless data today i.e. 3G, is very modest. This pie would grow based on the customer requirement. Most of these customers are the entry customers not looking at 30/40/100 Mb of speed. It is important to take the entry barrier away from the lowest cost, number one the dongles or devices which are available, and second, there should be affordable data plan along with that. Only some of the high end customers just for the convenience sake might take and try some of the 4G downloads, but they do not know what to do with that speed and will that be consistent, because when you really look at what you use for your usual applications, what you do most of the time is, use something like 1/2/3 Mb kind of speed, unless and until you are uploading on some site and doing the file transfer, etc., which are mostly corporate or enterprise driven applications. The prime driver for our wireless business is going to be voice, and then the data would take off. It would take another 2-3 years to build that broad-basing of data. Our needs have to go up in terms of using very high speed and using that kind of space, and I think it is a challenging task to create a high speed backbone network or 4G networks. I think it has been challenging even for 3G. Other than Reliance I do not think anyone has that kind of backbone network which is fiber base BTS, and everyone is struggling in that space. To give that kind of experience to the user requires having an entire backend, and I think we are far away from that standing today. So I really do not see that as a competition or as a threat today and I believe that with the improvement in technology, 3G itself will have the capability going up to 45

Mb, which is almost comparable today to the 4G speeds. So I think, in the near future or in the next 2-3 years, I believe that the priority is, how do we broad-base the data users and how do we give them that experience by lowering the entry barrier rather than looking at it as a threat coming from the industry. And competition is always good, it's only going to grow the industry, it is only going to increase the users. That's our experience when we started even with Reliance, with the CDMA technology itself.

**Mr. Rajiv Sharma:**

Thank you Sir.

**Moderator:**

Thank you Sir. Next in line we have a follow-up question from Reena Verma from Merrill Lynch. You may go ahead please.

**Ms. Reena Verma:**

Hi. Thank you again. I have a couple of housekeeping questions. Just on the housekeeping side, Arvind, can you once again please clarify what is the change in minority interest and which subsidiary has been restructured yielding that gain? On the Android exclusivity, I'm not very clear. Please help us understand that when Samsung, for example, launches a new phone, does it mean that Samsung cannot bundle it with any other operator and market it? What is your liability or your assessment of the liability on 900 MHz re-farming? And what is your most important goal for fiscal FY13? Thank you.

**Mr. Sanjay Behl:**

I'm going to clear the Android question first. What you said is right. It cannot exclusively bundle with any other operator for a specified period of time in India and market it. That right is currently, as per the partnership contract, with Reliance.

**Ms. Reena Verma:**

Yes, thank you very much.

**Mr. Punit Garg:**

Reena, let me take your question on the 900 MHz re-farming. For RCOM, these are mainly category C circles and the cost of renewal of these would be minimal. These circles would come up for the earliest renewal in 2015, while rest of the circles will come for renewal only from 2021 onwards. We do not want to really speculate on the cost of renewal of these licenses based on the recommendations. The exact figure can only be arrived once the DoT accepts the recommendation on pricing of renewed Spectrum. For incumbents there are significant number of circles that are coming up for license renewal starting 2013-14 itself and in most of them they hold spectrum in 900MHz. Thank you.

**Mr. Shamik Das:**

And on your question on important goals for FY 2013, I would like to mention couple of points. We are looking towards not only revenue growth, but also a profitable growth. The organization continues to be free cash flow positive and we will grow the consumption led paid minutes and grow exponentially in data as well as grow as a part of our strategy of wire-free India. Thank you.

**Ms. Reena Verma:**

Is there a hard revenue market share target?

**Mr. Shamik Das:**

At this time, we will not be able to share further.

**Ms. Reena Verma:**

Okay.

**Moderator:**

Thank you Sir. There is a follow-up question from Anirban Roy from Morgan Stanley. You may go ahead please.

**Mr. Anirban Roy:**

Thank you Sir. I have a couple of questions, just want to know, where do you see the quarterly wireless margins going forward in the next few quarters? I also wanted to know your view on the RPMs, where do you see them going, both on the wireless and non-wireless front, if you can share that?

**Mr. Shamik Das:**

We won't be able to make a forward-looking statement. However, our RPM has been rock solid for the last 8 quarters, and it has been maintained steadily. This has also been demonstrated well quarter after quarter.

**Mr. Punit Garg:**

On the margin front, please look at the revenue profile in conjunction with voice getting consolidated with rock steady RPMs, and data also increasing as Shamik has already mentioned. We don't see directionally any dramatic change in the margin profile going forward. So we forecast it to be pretty steady and improving as you go forward.

**Mr. Anirban Roy:**

Okay, great. Thanks.

**Moderator:**

Thank you, Sir.

At this time, there are no further questions from the participants. That does conclude the conference call for today. Thank you for participating. You may all disconnect now.